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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Reserved on : 23rd July, 2018

Date of decision : 12th November, 2018

+ **CS(COMM) 453/2016 & I.As. 15914/2014, 5100/2018, 5101/2018
& O.A. 41/2018**

M/S LUXOTTICA GROUP S.P.A & ANOTHER Plaintiffs

Through: Mr. Vinay Kumar Shukla, Advocate.

versus

M/S MIFY SOLUTIONS PVT LTD & ORS. Defendants

Through: Mr. Abhishek Anand Rai, Advocate.

CORAM:

JUSTICE PRATHIBA M. SINGH

JUDGMENT

Prathiba M. Singh, J.

1. The Plaintiff is a company engaged in the business of manufacturing and marketing a wide range of goods related to eyewear including lenses, sunglasses, optical frames and related goods. A company by name of M/s. Oakley Inc. was formed in the year 1975 which had created and coined the mark 'OAKLEY'. The said word was used as part of the trade mark and as a trade name in relation to various goods, such as sports gear equipment, used in bikes and motorcycles, helmets, pads, motorcycle grips, number plates, elbow guards, chin guards, goggles etc. Oakley Inc. also started using the letter 'O' on its goggles which became quite well-known.

2. The Plaintiff company, which is an eyewear company, purchased the rights in the 'OAKLEY' brand, by acquiring ownership of Oakley Inc. The Plaintiff's mark 'OAKLEY' is registered in India in various classes,

including class 9, 16, 25 and 35.

3. The products of the Plaintiff under its various brands thus, include Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples, Alain Mikli and Arnette. Licensed brands include Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce & Gabbana, Donna Karan, Michael Kors, Paul Smith, Polo Ralph Lauren, Prada, Stella McCartney and Versace.

4. The Plaintiff also has a strong presence in India, and its products are sold through an Indian subsidiary M/s. Luxottica India Eyewear Pvt. Ltd.

5. That the Plaintiff acquired knowledge of Defendant No.1-M/s. Mify Solution Private Limited running a website under the name “www.kaunsa.com”. The Defendant No.2-Mr. Ashish Paliwal is the Director of Defendant No.1. Defendant No.3-SLS Systems is operating the website “www.kaunsa.com”. In February, 2014, the Plaintiff acquired knowledge of sale of various *OAKLEY* branded products on the Defendant’s website. It immediately ordered an “*OAKLEY Radar Range US Team Sunglasses Blue Frame*” in the first week of March vide order No. KA/265072/B8UIRW40 and paid a sum of Rs.999/- for the purchase. The product in respect of the transaction was delivered and it was noticed that the product was not as per the standards of the Plaintiff and was in fact counterfeit. The suit thereafter, came to be filed.

6. On 25th August, 2014, this Court granted an *ad interim* ex-parte injunction in the following terms:

“10. By way of this ex-parte ad interim injunction, the Defendants are restrained by themselves or through their representatives/agents from manufacturing, marketing, supplying, exporting, displaying or advertising or in any

manner dealing with the trade mark OAKLEY of the Plaintiffs or any deceptively or confusingly similar trade mark to that of the Plaintiffs including on the website www.kaunsa.com.”

7. The Defendants put in appearance and two separate written statements were filed. A joint written statement came to be filed by Defendant No.1 and 2, and one by Defendant No.3. The case of Defendant No.1 and 2 was that the website “www.kaunsa.com” is an intermediary and an online shopping portal. It does not indulge in any selling of products directly. It merely provides a platform for sale. The Defendants sought protection under Section 79 of the Information Technology Act, 2000 (*hereinafter*, ‘IT Act’). Paragraph 3 to 6 of the same are relevant and is set out herein below: -

“3. That the Defendant No.1 merely provides an online shopping portal, www.kaunsa.com, for its users to interact, buy and sell goods online. It is pertinent to mention here that while operating its website Defendant No.1 acts only as a service provider/intermediary and does not indulge in any manner in selling of the products directly. It is humbly submitted that it is the sellers who upload their goods on Defendant No.1’s portal and in doing so are deemed to have accepted the rules/policy, terms and conditions of the website which strictly prohibits the infringement of trademarks/copyrights. Thus, the Defendant No.1 being a service provider/intermediary cannot be said to have infringed, if any, Plaintiffs trademarks in relation to its goods. That the service provider merely provides a platform for trade by providing virtual shopping complex, in place of brick and mortar shops, where the sellers affiliated to it can showcase their products. Thus, the service provider/intermediary, by any stretch of imagination, cannot be imputed with either knowledge or intention if

the seller infringes any intellectual property rights and that too when such act is not in the notice of the service provider/intermediary.

4. *That the Plaintiff without following the due process provided has approached this Hon'ble Court for the reliefs sought in the present suit. It is submitted that the Parliament does not intend to impose liability for secondary liability on intermediaries, which is borne out of by the most recent amendments to the Information Technology Act, 2000 in 2008, that are based on EU Directive on E-Commerce, which inter alia provides for a new expanded definition of 'intermediary' to mean '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 and cyber cafes'.*

5. *From the above provisions of the Information Technology Act, 2000 it is clear that the Defendant No.1 qualifies as an 'intermediary' in terms of the new definition and falls within the safe harbour provided under the new Section 79 read with Section 2 (w.) and d Rule 3 (Due Diligence to be observed by Intermediary) of Information Technology (Intermediaries Guidelines) Rules, 2011.*

6. *That the present suit is thus not maintainable against Defendant No.1 &2 as by no stretch of imagination can Defendant No.1 be said to "use" Plaintiff's trademark in the "course of trade" as the Defendant No.1 being an intermediary is merely a service provider."*

8. The Defendant Nos. 1 & 2 further submitted that it has more than 1400 sellers who upload their products on their website www.kaunsa.com, and

upon any IP owner bringing the sale of any counterfeit products to its notice, it takes immediate action in respect of the same. It is further pleaded that the website does not have any control, nor does it determine or advise or in any way involves itself between the contract between the buyer and the seller, who is selling the products on the platform. The website only being a venue for meeting and interaction of the seller and the buyer, it does not take the goods or services into its possession at any point of time. It, thus, cannot be held to be liable.

9. However, paragraph 13 of the written statement clearly shows that the payments are routed through the online platform. The relevant portion is set out herein below:

“13. That with regard to the mode of payment. Clause 18 (Payments) specifies that payments for items on the website can be made either through the electronic or through cash on delivery transactions, as may be permitted by kaunsa.com to the website seller(s) in its sole discretion. It is pertinent to mention that www.kaunsa.com only processes online payments on merchant's behalf while sending the money to merchant after deducting its service fees. Thus, once again it is amply clear that being the service provider www.kaunsa.com only gets its share of service fee and is no way charging for or making a profit out of the goods in specific that are sold on the website. Therefore, it can in no way be held responsible for any liability arising out of the goods that the seller uploads for sale on the website.”

10. The Defendant Nos. 1 & 2 rely upon the agreement and the terms and conditions which bind the sellers, called as the user agreement which

requires the seller to vouch for the genuineness of the product. The relevant part of the said agreement reads as under:

***“13. DISCLAIMER OF WARRANTIES/
LIMITATION OF LIABILITY***

kaunsa.com – Mify Solutions Private Limited is a service provider and do no indulge in selling any product directly. It allows sellers to sell their their products online on kaunsa.com. Sellers are responsible for any Copyright and Trademark infringement.”

11. Insofar as Defendant No.3 is concerned, it claims that the platform provides shipping to Defendant No.1 and 2. It also maintains the website. Only the seller is accountable for the disputes with the buyer. The relevant paragraphs of the said written statement are set out herein below:-

“7. That the answering defendant had not dealt with the impugned item/sunglasses. It had been dealing in online selling of electronic items/accessories vide its own invoice of ‘SLS Systems’ from the web site of D1&2. The goods were sold by the answering defendant through its invoice. The answering defendant however also provided shipping services to the defendant No. 1&2 for shipping the goods sold by them. The subject item was only shipped by the answering defendant in sealed condition under good faith and has nothing to do with its quality/trade mark.

8. That the defendant No. 1&2 own and maintain the web site in question and are responsible for the sale transaction conducted through it. As per the terms & conditions of the web site set out by D1 & D2, inter alia the buyer and seller can't have any direct interaction. The goods intended for sale are displayed by the web site with no reference to the seller, hence

Defendant Nos.1 and 2 have deceptively used Plaintiff as a seller. Thus, the Defendant is in a position.

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14. Despite repeated opportunities, the Plaintiff did not lead any evidence. The right to file evidence was closed vide order dated 22nd January, 2018. On 13th April, 2018, counsels for the Defendants closed their evidence. On 23rd July, 2018, both counsels for the parties submitted that they would like to make submissions without evidence in the matter, and accordingly arguments were heard on the basis of pleadings and the documents on record.

15. From a reading of the pleadings of the documents, the following facts are admitted: -

- (i) Sale of *OAKLEY* branded products on the Defendant's website.
- (ii) The actual sale was made and the shipping of the products was also done.
- (iii) Ownership of the Plaintiff's marks are not disputed.

16. The invoice is admitted and the Defendant does not seriously dispute that the product sold was a counterfeit. In paragraph 30 the Plaintiff pleads that the product delivered was a counterfeit. This is barely denied by the Defendants who also shift the blame to one another. The Plaintiff having ordered a product and found it to be counterfeit and having pleaded so and the defendant having not given any document to show the source of the product, or try to establish that the product is genuine, the product is taken to be a counterfeit product. The important question that remains to be determined is as to whether the online shipping market place "www.kaunsa.com" is an intermediary or not, and if so to what effect.

17. Recently, in *Christian Louboutin SAS v. Nakul Bajaj & Ors.* [CS(COMM) 344/2018 decision dated 2nd November, 2018] (hereinafter,

‘*Christian Louboutin*’) This Court had the occasion to deal with the role of intermediaries and their liabilities. The relevant extracts from the said judgement are set out below:

“55. E-commerce websites are of different kinds. There are several platforms which have transparent privacy policies, takedown policies and IPR policies. They also have a dedicated unit dealing with complaints of IP owners. They also reveal complete details of the sellers who are actually placing their wares for sale on the platform. However, some e-commerce platforms do not have all these features. The sellers’ full names are unknown, and the sellers, are on a large number of occasions located in foreign countries. The website does not give the warranty and neither does the seller. There are certain platforms which promote their own affiliate sellers on their own market place. They are however not shown as affiliated companies on their platforms. Some platforms also offer enormous logistic support such as storage facilities, transportation, delivery, guarantees of authenticity and warranties, exchange, after sales service, etc. Some platforms raise invoices in the name of the service provider. Payments are collected by the platforms. There are several online market places which simply provide a platform for the user to upload his/her information for further dissemination. For example, auction websites, where one user uploads the photos of his products, and labels it with a price, and another user simply accepts to purchase it on as is where is basis from the said seller. Such a record of that product could be transmitted through the website and would constitute receipt, storage or transmission. The question is whether in these cases the operators of these platforms can continue to qualify as intermediaries or not.

56. The crucial words in the definition of intermediaries as per Section 2(w) of the IT Act are

'receives, stores, or transmits a particular electronic record or provides service with respect to the record'. Online marketplaces are specifically mentioned in the definition of 'intermediaries' in Section 2(w). However, what would be the ambit of a service contemplated in Section 2(w)? Would it include those entities which perform the following tasks: -

- i. Identification of the seller and providing details of the seller;*
- ii. Providing transport for the seller to send his product to the platform's warehouse;*
- iii. Uploading the entry of the said product;*
- iv. Providing quality assurance after reviewing the product;*
- v. Providing authenticity guarantees;*
- vi. Creation of the listing of the said product;*
- vii. Providing reviews or uploading reviews of the product;*
- viii. Enrolling members upon payment of membership fees;*
- ix. Promoting the product amongst its dedicated database of customers;*
- x. Advertising the products on the platform;*
- xi. Giving specific discounts to members;*
- xii. Providing assistance for placing a booking of the product, including call centre assistance;*
- xiii. Accepting an order on a particular payment gateway promoted by the platform;*
- xiv. Collecting the payment through users registered for electronic payment modes;*
- xv. Packaging the product with its own packing, instead of the original packing of the trade mark owner or changing the packaging in which the original owner's product is sold;*
- xvi. Transporting the product to the purchaser;*
- xvii. Employing delivery personnel for delivering the product;*
- xviii. Accepting cash for sale of the product;*

- xix. Transmission of the payment to the seller after retaining commission;*
- xx. Promoting its own affiliated companies on the basis of more favourable terms than other sellers;*
- xxi. Entering into favourable arrangements with various sellers;*
- xxii. Arranging for exchange of the product if there is a customer complaint;*
- xxiii. Providing/arranging for service if the product requires the same;*
- xxiv. Booking ad-space or ad-words on search engines;*
- xxv. Using trade marks through meta-tags or in the source code of the website in order to attract traffic;*
- xxvi. Deep-linking to the trade mark owner's website;*

57. Can an e-commerce platform or an online market place which performs any or all of the above tasks, continue to constitute an intermediary, and can the above services be construed as “any service with respect to that record”?

58. Can the said conduct of the platforms be termed as inactive, passive, or merely technical or automatic processing? Can such platforms be considered as being in a neutral position, or should they be held as having active participation in the trade? These are the questions that arise in the present case.

59. Further it has to be also seen as to whether the platform is taking adequate measures to ensure that no unlawful acts are committed by the sellers. For this the following issues, inter alia, need to be factored:

- i. The terms of the agreements entered into between the sellers and the platform;*
- ii. The manner in which the terms are being enforced;*

- iii. *The consequences of violation of the terms;*
- iv. *Whether adequate measures are in place to ensure that rights in trademarks are protected;*
- v. *Whether the platforms have knowledge of the unlawful acts of the seller.*

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62. While the so-called safe harbour provisions for intermediaries are meant for promoting genuine businesses which are inactive intermediaries, and not to harass intermediaries in any way, the obligation to observe due diligence, coupled with the intermediary guidelines which provides specifically that such due diligence also requires that the information which is hosted does not violate IP rights, shows that e-commerce platforms which actively conspire, abet or aide, or induce commission of unlawful acts on their website cannot go scot free.

63. The elements summarised above would be key to determining whether an online marketplace or an e-commerce website is conspiring, betting, aiding or inducing and is thereby contributing to the sale of counterfeit products on its platform. When an e-commerce website is involved in or conducts its business in such a manner, which would see the presence of a large number of elements enumerated above, it could be said to cross the line from being an intermediary to an active participant. In such a case, the platform or online marketplace could be liable for infringement in view of its active participation. Needless to add, e-commerce websites and online marketplaces ought to operate with caution if they wish to enjoy the immunity provided to intermediaries. The question, however, would have to be determined after reviewing the practices of various websites under the facts and circumstances of a particular case.

64. So long as they are mere conduits or passive transmitters of the records or of the information, they continue to be intermediaries, but merely calling themselves as intermediaries does not qualify all e-commerce platforms or online market places as one.

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66. An analysis of the said Section shows that an intermediary is not liable for third party information, data, links hosted on the platforms. However, Section 79(2) and 79(3), qualify the manner in which the said protection is granted to intermediary. The protection is not absolute. Under Section 79(2)(b) the intermediary should not:

- initiate the transmission,
- select the receiver of the transmission and
- select or modify the information contained in the transmission.

67. If any of the above is done by the intermediary, it may lose the exemption to which it is entitled. It extends under the circumstances contained in the provision itself which are:

- a) Under 79(2)(a), if mere access is provided through the communication system to the third party or if there is temporary storage or hosting of the information;
- b) Under 79(2)(b)(i), if the platform is not responsible for initiating the transmission, i.e., placing the listing on the website;
- c) Under 79(2)(b)(ii), if the platform is not involved in selecting the persons who receive the information;
- d) Under 79(2)(b)(iii), if the platform does not have the power to select or modify the information;
- e) Under 79(2)(c), the platform has the obligation to observe overarching due diligence.

68. Section 79(1) is also qualified by sub-Section 79(3). The exemption under Section 79(1) would not apply if a platform is an active participant or is contributing in the commission of the unlawful act. The words conspired, abetted, aided or induced have to be tested on the basis of the manner in which the business of the platform is conducted and not on a mere claim by the platform. Section 79(3) has two dimensions i.e., Section 79(3)(a) and Section 79(3)(b). The latter relates to having a policy to take down information or data or link upon receiving information. However, the former is an integral part of the exemption granted under Section 79(1). Section 79(3)(a) limits the exemption only to those intermediaries i.e. platforms and online market places who do not aid or abet or induce the unlawful act. Any active contribution by the platform or online market place completely removes the ring of protection or exemption which exists for intermediaries under Section 79.

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70. A perusal of the guidelines shows that they are framed under Section 79 of the IT Act. The 'due diligence' provided in the Act, has to be construed as being broad and not restricted merely to the guidelines themselves. The intermediaries are obliged to have agreements that the sellers shall not host, display or upload products that violate any trade mark rights, copyrights or patent rights or any other proprietary rights. The guidelines are what they claim to be i.e., mere GUIDELINES.....

71. They do not and cannot substitute themselves either for the provision in the IT Act i.e., Section 79 or nullify provisions in other applicable laws. These guidelines are framed under Section 79(2) and would not negate the stipulations in Section 79(3)(a). The guidelines would not offer protection to any 'intermediary' that

have 'conspired', 'abetted' or 'aided' or 'induced the commission' of an unlawful act. It cannot be argued that anyone who complies with the guidelines is automatically not conspiring, abetting, aiding or inducing commission of an unlawful act. Following the guidelines may in certain cases satisfy that the online market place is behaving as an intermediary but the same is not conclusive. What is lawful or unlawful depends on the specific statute being invoked and the Guidelines cannot be considered as being exhaustive in their manner of application to all statutes.

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76. The overriding nature of the IT Act has application only if the provisions of the Trade Mark Act are inconsistent with the provisions of the IT Act. The Intermediary Guidelines 2011 themselves require compliance with the TM Act by the persons to host, display or upload the products or services. The provisions of Section 29, Section 101 and Section 102 of the TM Act, are being looked at in order to interpret as to what constitutes 'conspiring, abetting, aiding or inducing' the commission of an unlawful act, in the context of trade mark rights. The provisions of the TM Act are not in any manner inconsistent with the provisions of the IT Act. Hence Section 81 of the IT Act does not grant any immunity to intermediaries who may be in violation of the provisions of the TM Act. While, use of a mark for any of the purposes elaborated above, in respect of genuine goods of the owner would not be infringement, the performance of any service as elaborated above, in respect of counterfeit goods or goods which are not genuine, could constitute infringement.

77. Thus, for illustration purpose, any online market place or e-commerce website, which allows storing of counterfeit goods, would be falsifying the mark. Any

service provider, who uses the mark in an invoice thereby giving the impression that the counterfeit product is a genuine product, is also falsifying the mark. Displaying advertisements of the mark on the website so as to promote counterfeit products would constitute falsification. Enclosing a counterfeit product with its own packaging and selling the same or offering for sale would also amount to falsification. All these acts would aid the infringement or falsification and would therefore bring the e-commerce platform or online market place outside the exemption provided under Section 79 of the IT Act.

78. Thus, the various factors that are enumerated in the paragraphs above and the absence/presence of the said factors would hold the key to determining whether an e-commerce website is actually an intermediary or not. When an e-commerce company claims exemption under Section 79 of the IT Act, it ought to ensure that it does not have an active participation in the selling process. The presence of any elements which shows active participation could deprive intermediaries of the exemption.

79. In the world of e-commerce, IP owners face challenging times. This is because sellers of counterfeit or infringing products seek shelter behind the platform's legitimacy, like in the case of Darveys.com.....

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81. The trademark owner loses its huge customer base especially in the case of luxury products. If the products turn out to be counterfeit or not up to the mark, then it is the trademark owner's brand equity which is diluted. The seller himself does not suffer. Such immunity is beyond what is contemplated to intermediaries under Section 79 of the IT Act. While

Section 79 of the IT Act is to protect genuine intermediaries, it cannot be abused by extending such protection to those persons who are not intermediaries and are active participants in the unlawful act. Moreover, if the sellers themselves are located on foreign shores and the trade mark owner cannot exercise any remedy against the said seller who is selling counterfeits on the e-commerce platform, then the trade mark owner cannot be left remediless.”

18. The Plaintiff has placed on record the trademark registration certificates for the mark *OAKLEY*. The screenshots of the website of the Defendants have also been placed on record which clearly shows that the products under the *OAKLEY* mark were being advertised and sold. The Plaintiff has also placed on record the invoice showing the purchase of sunglasses, for Rs.999/-. The said invoices are an admitted documents issued under the name “www.kaunsa.com”. The specification of the product clearly uses the brand name *OAKLEY* on the invoice.

19. The name of the seller is shown as Defendant No.3. The name of the actual seller is not shown anywhere.

20. The Defendant Nos.1 & 2 have placed on record the user rules and policies for the site. Some of the relevant clauses of the same are set out herein below:

“Kaunsa rules and policies are designed to:

- *Minimize risks to both buyers and sellers*
- *Support government laws and regulations*
- *Provide equal opportunity to all buyers and seller*
- *Protect intellectual property rights*
- *Provide an enjoyable buying experience*
- *Support the values of the kaunsa.com*

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5. Rules about Intellectual Property

Kaunsa is committed to protecting the intellectual property rights of third parties and to providing a safe marketplace, to trade. Unauthorized use or Infringement of copyrighted material and trademarks are strictly prohibited at Kaunsa.

Kaunsa has zero tolerance for any intellectual property violations. Counterfeits, unauthorized replicas, unauthorized items (such as counterfeit watches, handbags, or other accessories) or unauthorized copies (such as copies of software programs, video games, music albums, movies, television programs, or photographs) are not permitted at Kaunsa. Unauthorized copies include (but are not limited to) copies that are pirated, duplicated, backed-up or bootlegged. It is illegal to sell unauthorized copies of media.

If the product you are selling bears the name or logo of a company, but it wasn't made or endorsed by that company, don't list it at Kaunsa."

21. The terms and conditions for use of the site also show that there are two categories of users:

- (i) Registered users;
- (ii) Guest users.

22. The registered users get credits, points and are eligible for vouchers, however, guest users do not. All the registered users are told not to host or publish any information which is in violation of any intellectual property right. Relevant clause is set out herein below: -

“5.4.....

You shall not host, display, upload, modify, publish, transmit, update or share any information or share/list(s) any information or item that:

(a) belongs to another person and to which You does not have any right to;

(b) is grossly harmful, harassing, blasphemous, defamatory, obscene, pornographic, paedophilic, libellous, invasive of another's privacy, hateful, or racially, ethnically objectionable, disparaging, relating or encouraging money laundering or gambling, or otherwise unlawful in any manner whatever; or unlawfully threatening or unlawfully harassing including but not limited to “indecent representation of women” within the meaning of the Indecent Representation of Women (Prohibition) Act, 1986;

(c) harm minors in any way;

(d) infringes any patent, trademark, copyright or other proprietary rights or third party's trade secrets or rights of publicity or privacy or shall not be fraudulent or involve the sale of counterfeit or stolen items;”

23. The clause relating to disclaimer or warranty of limitation of liability, clause 13 states that the sellers are responsible for trademark and copyright infringement. The website claims that it does not have any control on the commercial terms between the sellers and the buyers. Clause 13 is relevant and is set out below:

**“13. DISCLAIMER OF WARRANTIES /
LIMITATION OF LIABILITY**

kaunsa.com - Mify Solutions Private Limited is a service provider and do not indulge in selling of any product directly. It allows sellers to sell their products online on kaunsa.com. Sellers are

responsible for any Copyright and Trademark infringement.

13.1 All commercial/contractual terms are offered by and agreed to between the User and the Buyer alone. The commercial/contractual terms include without limitation price, shipping costs, payment methods, payment terms, date, period and mode of delivery, warranties related to products and after sales services related to products. Kaunsa does not have any control, or determines, or advises or in any way involves itself in the offering or acceptance of such commercial/contractual terms between the Buyer and the User.

13.2 Kaunsa is a facilitator for the services at the website and acts only as an online platform. All the services offered to, through or via the website are provided on “as is” basis without any representation or warranty of any kind from Kaunsa, either express or implied, including without limitation any representation or warranty for accuracy, continuity, uninterrupted access, timeliness, quality, performance for any particular purpose or completeness.

13.3 Kaunsa's liability in any circumstance is limited only to the amount of fees, if any, paid by the User to Kaunsa. Kaunsa its associates, affiliates and service providers and technology partners make no representations or warranties about the accuracy, reliability, completeness, and/or timeliness of any content, information, software, text, graphics, links or communications provided on or through the use of the Website or that the operation of the Website will be error free and/or uninterrupted. Consequently, Kaunsa assumes no liability whatsoever for any monetary or other damage suffered by User on account of:

- a). *The delay, failure, interruption, or corruption of any data or other information transmitted in connection with use of the Website.*
- b). *Any interruption or errors in the operation of the Website.*

Users expressly understand and agree that Kaunsa shall not be liable for any direct, indirect, incidental, special, consequential or exemplary damages, including but not limited to, damages for loss of profits, goodwill, use, data or other intangible losses (even if Kaunsa has been advised of the possibility of such damages).

Kaunsa shall not at any point of time during any transaction between the Buyer/ and the User on website come into or take possession of any of the products or services offered on the Website nor shall it at any point gain title to or have any rights or claims over the products or services offered by the User to the Buyer.

At no time shall any right, title or interest over the products vest with Kaunsa nor shall Kaunsa have any obligations or liabilities in respect of such contract. Kaunsa is not responsible for unsatisfactory or delayed performance of services or damages or delays as a result of products which are out of stock, back ordered or otherwise unavailable. All products are offered by User are only for a restricted time and only for the available supply as offered by User.”

24. The platform does not make any representation or warranty in respect of the quality and marketability of the product. The payments are, however, taken care of by the website. There is a clause on buyer protection which is crucial insofar as the present case is concerned, where the website makes the following commitment:

“22. Buyer Protection at kaunsa.com

All the merchants selling at kaunsa.com are well screened by our team before they are brought on board. We assure you that all the products you buy from our website, regardless of the merchant are genuine, authentic, products being sold by well reputed and honorable merchants at the best prices possible. Of course, we also offer all the warranties, guarantees as entailed by the product, all this at a great price and with the best customer service in the industry.

At kaunsa.com, we believe that customer satisfaction is key therefore we stand behind all merchandise bought at our site. We will replace any order within 2 days of delivery, with free return shipping if you receive a product which is not as per the specifications ordered by you, (i) wrong size, (ii) wrong color, (iii) defective or (iv) significantly different from the description given by the merchant. However do make sure that the merchandise has not been used/worn or altered and is accompanied by its original price tag and packing slip. Please contact our customer support, so we can help facilitate your return.”

25. While giving the warranty in clause 22, the same is taken away in clause 26 which reads as under:

“26. No Warranty

kaunsa.com and its suppliers, affiliates and service provider provide the Website and services “as is” and without any Warranty or condition, express, implied or statutory and specifically disclaim any warranties of title, merchantability, fitness for a particular purpose and non-infringement. You expressly agree that your use of the Website is at your risk.”

A grievance officer is also appointed to address grievances.

26. A perusal of the clauses shows that there is no specific clause in respect of taking down of infringing goods upon receiving notice, or reports in respect of violation of intellectual property rights. The terms and conditions of the user agreement are extremely vague and in some places are contradictory in terms. The seller is not depicted in the screenshots.

27. Under clause 22, it is clear that: -

- (i) The website screens the product before they are brought on board;
- (ii) The website guarantees the authenticity and genuinity of the products;
- (iii) The website offers warranties and guarantees on the product;
- (iv) The website stands behind all merchandise bought at the site;
- (v) If a product is not as per specification, i.e., wrong size, wrong colour, defective or different, the replacement is offered within two days.

28. The issues are accordingly decided as under: -

29. **Issue no. 6** relating to whether kaunsa.com is an intermediary is decided first. Applying the tests laid down in *Christian Louboutin (supra)*, it can be seen that the User Agreement has clauses that contradict each other. Clause 13 states that the platform is merely a facilitator, but Clause 22 guarantees that the products are authentic. The sellers' details are properly disclosed. None of the Defendants are taking responsibility for the product in their pleadings. The due diligence and care required under Section 79 of the IT Act is clearly not met. It is, accordingly, held that in the facts as set

out above, “www.kaunsa.com” is not an intermediary entitled to exemption under Section 79 of the IT Act. As per the provisions of Section 79 of the IT Act read with the Intermediary guidelines, the platform cannot be treated purely as an intermediary.

30. **Issue Nos.1 & 2:** Issue Nos 1 and 2 are decided in favour of the Plaintiff. The Plaintiff is held to be the owner, registered proprietor and copyright owner of the trade mark *OAKLEY*. In fact this is not even seriously disputed by the Defendants, as they state that as soon as the infringement was brought to their notice, the listings were taken down.

31. **Issue Nos.3, 4 & 5:** In paragraphs 29 and 30, the Plaintiff has made a categorical assertion that the product was purchased from the Defendant’s website, and the same was examined and found to be counterfeit. In response to this, Defendant Nos.1 and 2 state that the delivery was made by Defendant No.3 and so they cannot be imputed with the knowledge of infringement. The fact that the product was counterfeit was not denied. It is only stated that the seller is responsible. The Defendant No.3 in its written statement states that it was only the shipping of the product which was done by it, without any knowledge of the contents of the parcel received from Defendant No.1 and 2. Thus the Defendants are shifting the blame among themselves. The invoice clearly uses the letterhead “www.kaunsa.com”, payment has been made to Defendant Nos.1 and 2, shipping by Defendant No.3, packing of the product has been done by Defendant Nos.1 and 2. The Defendant Nos.1 and 2 claim even in the pleadings that they certify the authenticity of the products sold on their website. The invoice having been admitted by Defendant Nos.1 and 2, there being no denial that the product was counterfeit, the Defendants are held to be guilty of infringement of trademark and copyright.

32. In view of the fact that the Plaintiff chose not to lead any evidence as to

damages, the relief of damages/rendition of accounts is declined. Thus, the suit is decreed in the following terms against the Defendants:

- a) kaunsa.com is directed with immediate effect, to disclose the complete details of all its sellers, their addresses and contact details on its website;
 - b) kaunsa.com is directed to obtain a certificate from its sellers that the goods are genuine;
 - a) Prior to uploading a product bearing the Plaintiff's marks, it shall notify the plaintiff and obtain concurrence before offering the said products for sale on its platform;
 - b) kaunsa.com shall enter into a proper agreement with its various sellers, under which it shall obtain guarantee as to authenticity and genuinity of the products as also provide for consequences of violation of the same;
 - c) Upon being notified by the Plaintiff of any counterfeit product being sold on its platform, it shall notify the seller and if the seller is unable to provide evidence that the product is genuine, it shall take down the listing and notify the plaintiff of the same, as per the Intermediary Guidelines, 2011;
 - d) It shall also seek a guarantee from the sellers that the product has not been impaired in any manner and that all warranties and guarantees of the Plaintiff are applicable and shall be honoured by the seller. Products of any sellers who are unable to provide such a guarantee shall not be offered on the Defendant's platform;
33. The Suit is decreed in the above terms. All pending applications are also disposed of.

PRATHIBA M. SINGH
Judge

NOVEMBER 12, 2018/Rekha