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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**
+ **FAO(OS) (COMM) 95/2017, C.M. APPL.16321/2017 & 16322/2017**
KENT RO SYSTEMS PVT LTD & ANR Appellants
Through : Sh. Sandeep Sethi, Sr. Advocate with
Sh. Rajeshwari. H. And Sh. Tahir. A.J.,
Advocates.

versus

EBAY INDIA PVT LTD Respondent
Through : Sh. Sidharth Chopra, Sh. Nitin Chopra,
Ms. Rachel Mamatha and Sh. Dhavish Chitkara,
Advocates.

CORAM:

HON'BLE MR. JUSTICE S. RAVINDRA BHAT
HON'BLE MR. JUSTICE YOGESH KHANNA

ORDER
01.05.2017

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Issue notice. Sh. Sidharth Chopra, Advocate accepts notice.

1. With consent of learned counsel for the parties, the appeal was heard finally. The plaintiffs are in appeal against a portion of the learned Single Judge's order which dealt with their application under Order XXXIX Rule 1 CPC.

2. Briefly, the facts are that the plaintiffs, who are manufacturers and sellers of water purifiers using the Reverse Osmosis (RO) technology, sued the defendants. The first defendant, Amit Kotak had offered on the second defendant's portal, water purifiers. The plaintiffs complained that Amit Kotak's products infringed their registered designs and that despite notification, eBay, the second

defendant, did not take suitable and appropriate steps to ensure that such infringing products were not sold over its web portal. Amit Kotak, in the course of the proceedings conceded to the suit claim and suffered a permanent injunction. However, eBay contested the suit and the interim injunction application, contending that as an internet intermediary, having regard to Section 39(1) of the Information Technology Act, 2000, it could not be fastened with either the primary liability for the alleged infringement of the plaintiff's design nor could it be made liable as an infringer for the actions of Amit Kotak.

3. The learned Single Judge, upon a detailed analysis and having regard to the parties' contentions, was of the opinion that neither did the second defendant - eBay, permit the infringement complained of, nor could it be attributed with knowledge. The learned Single Judge concluded as follows:

“30. To hold that an intermediary, before posting any information on its computer resources is required to satisfy itself that the same does not infringe the intellectual property rights of any person, would amount to converting the intermediary into a body to determine whether there is any infringement of intellectual property rights or not. All persons claiming any intellectual property rights will then, intimate the intermediaries of their claims and the intermediaries then, before hosting any material on their computer resources would be required to test the material vis-a-vis all such claims lodged with them, else would be liable for infringement.

31. My reading of the IT Rules aforesaid obliges the

intermediary to remove/disable the information hosted on the portal only on receipt of complaint. The IT Rules, according to me do not oblige the intermediary to, of its own, screen all information being hosted on its portal for infringement of the rights of all those persons who have at any point of time complained to the intermediary.

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33. The counsel for the plaintiffs though does not dispute that hosting of information on the portal of the intermediary as the defendant no.2 is automatic, without human intervention, but contends that the defendant no.2 as an intermediary can also devise programmes to detect infringement and piracy. Reference is made to Rule 3(8) and it is argued that requiring intermediary to do so would be a reasonable measure and following reasonable security practices. It is contended that infringing goods at a different URL/s pop up on the portal of the defendant no.2 almost immediately after the plaintiffs complain against one and the defendant no.2 removing/disabling the same. It is argued that the plaintiffs cannot be expected to be vigilant so as to keep on looking for infringing products on the portal of the defendant no.2 and on other such similar portals. It is yet further argued that without the same, the defendant no.2, by allowing infringing products to be sold from newly appearing URL/s would be abetting and aiding infringement within the meaning of Section 79(3) of the Act.

34. I am unable to agree. For a case to be made out under Section 79(3), making the provision of Section 79(1) exempting an intermediary from liability to be inapplicable, the plaintiffs have to plead and prove conspiracy or abetment or aiding or inducing within the meaning of Section 79(3) of the IT Act. The words “conspired”, “abetted”, “aiding” and “inducing” are

legal terms meaning whereof has been settled for long. They require pleading and proof of common intention. That is not the case pleaded by the plaintiffs.

35. Just like the counsel for the plaintiffs states that the plaintiffs cannot be vigilant at all time, similarly the defendant no.2 intermediary cannot be expected to exercise such vigilance. Moreover the question, whether a intellectual property right has been infringed or not is more often than not a technical question with which the Courts steeped in law also struggle and nothing in the IT Act and the IT Rules requires an intermediary, after having been once notified of the Intellectual Property Rights, not allow anyone else to host on its portal infringing goods/matter. The intermediaries are not possessed of the prowess in this respect. As aforesaid, it is a different matter, when attention of the intermediary is invited to infringing product and complaint made with respect thereto. Merely because intermediary has been obliged under the IT Rules to remove the infringing content on receipt of complaint cannot be read as vesting in the intermediary suo motu powers to detect and refuse hosting of infringing contents.”

4. Learned counsel for the plaintiffs urges that the decisions cited by it, particularly the Division Bench ruling in *Myspace Inc. v. Super Cassettes Industries Ltd.* 2016 SCC online 6382, could not be enunciated as a universal rule and in the particular facts of the case, the pattern of behaviour indicated by eBay’s conduct discloses its knowledge of past behaviour in taking down infringing material and permitting it, and proceeding to permit further posting of identical infringing material. This, according to him, distinguished the facts of the present case with that in *Myspace (supra)*. Learned counsel for the

defendants emphasised that the nature of the present dispute is entirely different from the one in *Myspace (supra)*. He stressed upon the distinction between a copyright and a design – highlighting particularly that in the case of the latter, there is no presumption in law and that even a registered design is capable of challenge, having regard to the inherent limitation and its use in regard to articles of daily utility. It was stated that at the same time eBay as a defendant would continue to be bound by the statement recorded in the impugned order.

5. This Court has considered the submissions. The observations made by the learned Single - though ostensibly in the course of a discussion on the application for a temporary injunction, virtually foreclosed the plaintiffs' right to prove if and how the knowledge threshold required by virtue of Section 79(3)(b) of the Information Technology Act, has been met with. Whilst the defendant eBay has a point in highlighting the distinction between the nature and bundle of rights that a copyright proprietor possesses as opposed to a design registrant and also the nature of web portal involved in *Myspace (supra)* and the present case, at the same time, the complete preclusion of the plaintiffs' rights to prove that eBay's conduct betrayed its knowledge of infringement should not in our opinion be foreclosed.

6. In view of our observations, this Court is of the opinion that the plaintiffs may proceed to establish in the course of the trial by way of appropriate evidence as to whether and if so how the knowledge

threshold mandated by Section 79(3)(b) was satisfied to render eBay liable as alleged by it. Of course, eBay's right to refute the plaintiffs' contentions both in law and on the facts are also kept open. The appeal is partly allowed in the above terms. All rights and contentions of the parties are reserved.

S. RAVINDRA BHAT, J

YOGESH KHANNA, J

MAY 01, 2017/AJK