

Legal Issues in ‘Jurisdiction in Trademark Infringement’

Issue: Is the Proof of Successful Trap Transactions Sufficient to Invoke the Jurisdiction of a Court?

Relevant Legal Provisions

❖ Section 134(1), Trade Marks Act, 1999 –

“No suit--- (a) for the infringement of a registered trade mark: or (b) relating to any right in a registered trade mark : or (c) for passing off arising out of the use by the defendant of any trade mark which is identical with or deceptively similar to the plaintiff’s trade mark, whether registered or unregistered shall be instituted in any court inferior to a District Court having jurisdiction to try the suit.

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

Explanation--- For the purposes of sub-section (2) “ person” includes the registered proprietor and the registered user.” [Emphasis supplied]

Relevant Legal Provisions (Contd.)

❖ Section 62, Copyright Act, 1957 –

Jurisdiction of court over matters arising under this Chapter. –

*(1) Every suit or other civil proceeding arising under this Chapter in respect of the **infringement of copyright** in any work or the infringement of any other right conferred by this Act shall be instituted in the district court having jurisdiction.*

*(2) For the purpose of sub-section (1), a “district court having jurisdiction” shall, notwithstanding anything contained in the Code of Civil Procedure, 1908 (5 of 1908), or any other law for the time being in force, include a district court **within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceeding, the person instituting the suit or other proceeding or, where there are more than one such persons, any of them actually and voluntarily resides or carries on business or personally works for gain.** [Emphasis supplied]*

Relevant Legal Provisions (Contd.)

❖ Section 20, Code of Civil Procedure, 1908 –

“Other suits to be instituted where defendants reside or cause of action arise. Subject to the limitations aforesaid, every suit shall be instituted in a Court within the local limits of whose jurisdiction —

(a) the defendant, or each of the defendants where there are more than one, at the time of the commencement of the suit, actually and voluntarily resides, or carries on business, or personally works for gain; or

(b) any of the defendants, where there are more than one, at the time of the commencement of the suit, actually and voluntarily resides, or carries on business, or personally works for gain, provided that in such case either the leave of the Court is given, or the defendants who do not reside, or carry on business, or personally works for gain, as aforesaid, acquiesce in such institution; or

*(c) **The cause of action, wholly or in part, arises.***

[Explanation].—A corporation shall be deemed to carry on business at its sole or principal office in [India] or, in respect of any cause of action arising at any place where it has also a subordinate office, at such place.” [Emphasis supplied]

Relevant Case Laws

❖ ***Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy and Ors. [2010 (42) PTC 361 (Del)]***

*“A peculiar feature of the present suit which is an action for passing of is that **neither the plaintiff nor the Defendants is located within the territorial jurisdiction of this Court.** The plaintiff is a company having its registered office at Singapore whereas the Defendants 1 and 2 are at Hyderabad....The Plaintiff has since 1994 adopted and used the word mark "Banyan Tree and also the banyan tree device...the plaintiff maintains its two websites since 1996 which are accessible in India.”*

“The Plaintiff learnt that the Defendants had initiated work on a project under the name "Banyan Tree Retreat”, the plaintiff has averred that the word mark and the device adopted by the Defendants in relation to their retreat are deceptively similar to that of the plaintiff and the Defendants have advertised their project on their website...” “plaintiff has claimed that this Court has the territorial jurisdiction under Section 20 of the CPC. According to the plaintiff, the Defendants solicit business through use of the impugned mark in Delhi.”.

*“The Defendants have presence in Delhi through their website which is accessible in Delhi and is not a passive website. It not only provides contact information but **also seeks feedback and inputs from its customers** through an interactive web-page...also, there was at least one instance of the Defendants' brochure being sent to a Delhi resident for the purposes of sale of property. Thus the services of the Defendants are being offered to the customers in Delhi” [Emphasis supplied]*

Relevant Case Laws (Contd.)

❖ *Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy and Ors.* [2010 (42) PTC 361 (Del)] [Contd.]

“(ii) In a passing off or infringement action, where the defendant is sought to be sued on the basis that its website is accessible in the forum state, what is the extent of the burden on the plaintiff to prima facie establish that the forum court has jurisdiction to entertain the suit?”

*“In any action for passing off or infringement, it would have to be shown that the Defendant by using its mark intended to pass off its goods as that of the plaintiffs. A mere hosting of a website which can be accessible from anyone from within the jurisdiction of the court is not sufficient for this purpose. Also a mere posting of an advertisement by the Defendant depicting its mark on a passive website **which does not enable the Defendant to enter into any commercial transaction with the viewer in the forum state cannot satisfy the requirement of giving rise to a cause of action in the forum state**. Even an interactive website, which is not shown to be specifically targeted at viewers in the forum state for commercial transactions, will not result in the court of the forum state having jurisdiction. In sum, for the purposes of Section 20(c) CPC, in order to show that some part of the cause of action has arisen in the forum state by the use of the internet by the Defendant, the plaintiff will have to show prima facie that the said website was specifically targeted at viewers in the forum state for commercial transactions. The plaintiff would have to plead this and produce material to prima facie show that some **commercial transaction** using the website was entered into by the Defendant with a user of its website within the forum state and that the specific targeting of the forum state by the Defendant resulted in an injury or harm to the plaintiff within the forum state.” [Emphasis supplied]*

Relevant Case Laws (Contd.)

- ❖ *Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy and Ors.* [2010 (42) PTC 361 (Del)] [Contd.]
- *Is it permissible for the plaintiff to establish such prima facie case through "trap orders" or "trap transactions"?*

“...the plaintiff has to show that a **part of the cause of action** in a suit for passing off or infringement has arisen within the jurisdiction of the forum court. Relevant to this, it would have to be shown by the plaintiff that the Defendant "**availed**" of the jurisdiction of the forum court by **commercially transacting** with a viewer located in the forum state through the internet. The question is whether this transaction can be a '**trap transaction**' that is **engineered** by the plaintiff itself, particularly when it is not otherwise shown that the Defendant **intended** to specifically target customers in the forum state.”

“I fail to see how the plaintiffs can **safeguard** themselves or the **public** without having regard to such methods of testing the matter as is used in the present case; but, trap orders or test orders, whichever they may be called, are scrutinised by the Courts with some jealousy, and rightly so, because, if as the result of a trap order or a test order, a person is to be charged with the very serious offence of fraudulently misrepresenting the goods which he is supplying to the public, to the detriment of the public as well as of the plaintiffs, the Court must be satisfied that the offence has been proved strictly. In any event, to show that the Defendant was "**availing**" a jurisdiction, a **series of transactions** by way of **commercial dealings** would have to be shown to have **taken place within the forum state.**” [Emphasis supplied]

Relevant Case Laws (Contd.)

❖ *Banyan Tree Holding (P) Limited v. A. Murali Krishna Reddy and Ors.* [2010 (42) PTC 361 (Del)] [Contd.]

“...While in trade mark and infringement cases, trap orders or trap transactions may be used as evidence, the **fairness** of such transactions is a relevant factor to be considered. Other relevant factors would be the **nature of goods or services offered for purchase** on the internet. If they require the customer to further physically verify their quality then the mere purchase of such goods through a trap transaction may not be treated as being sufficient evidence of infringement. **The facts of each case will determine whether the trap transaction is a fair one** and has resulted in a purchase on the internet of goods or services. A lone trap transaction will not be sufficient evidence of infringement or passing off. “

“For the purposes of establishing that a part of the cause of action arose within the jurisdiction of the court, the plaintiff would have to show that the Defendant has **purposefully availed of the jurisdiction** of the forum court by entering into a commercial transaction with an internet user located within the jurisdiction of the forum court. This cannot possibly be a solitary trap transaction since that would not be an instance of "purposeful" availment by the Defendant. It would have to be a real commercial transaction that the Defendant **has with someone not set up by the plaintiff itself** if the only evidence is in the form of a series of trap transactions, they have to be shown to be obtained using fair means. The plaintiff seeking to establish jurisdiction on the basis of such trap transactions would have to aver unambiguously in the plaint, and also place along with it **supporting material.**”

[Emphasis supplied]

Relevant Case Laws (Contd.)

❖ *V Guard Industries Ltd. v. Sukan Raj Jain and Ors.* [2021 (87) PTC 333 (Del)]

*“The Plaintiff has filed screenshots of the Defendant’s own website as well as of third party marketplace websites like Amazon, Flipkart and Indiamart to show that the Defendant’s products are available for sale and delivery in Delhi. To substantiate his plea that the Defendant’s products are freely available on third party websites, a copy of the **sale invoice** has been placed on the record whereby the **Plaintiff’s representative had purchased the Defendant’s offending product through amazon.in** based at Bengaluru, Karnataka.”*

*“After hearing learned counsel for Plaintiff, **this court passed an ex-parte ad-interim injunction order** subsequent to which, the Plaintiff filed certain additional documents. Besides three sale invoices evidencing sale of offending products to allege contempt of Court by the Defendant, the Plaintiff also placed on record screenshots of third party marketplace websites i.e., Indiamart, Flipkart, Shopclues and Snapdeal showing availability of the Defendant’s offending products **on their universally accessible websites** (on the latter three websites, the product was shown to be either sold out or currently unavailable). In all such screenshots, the Defendant’s mark in question is prominently displayed. In the screenshot relating to website of Indiamart, besides the mark, the name and contact details of the Defendant are also conspicuously displayed. In fact, the Defendant is shown as a verified supplier. Similarly, on the screenshot relating to website of Shopclues, the Defendant is shown as the seller of the offending product. It is worthwhile to note that the Plaintiff has averred in the plaint that the Defendant has been selling its products on third party marketplace websites.” [Emphasis supplied]*

Relevant Case Laws (Contd.)

❖ *V Guard Industries Ltd. v. Sukan Raj Jain and Ors.* [2021 (87) PTC 333 (Del)] [Contd.]

“The issue whether availability of defendant’s products on its own interactive website or on third party marketplace websites, which can be accessed and used by a customer in the forum state to purchase the defendant’s products, would result in accrual of cause of action in the forum state?”

*“The Plaintiff has pleaded that it has its "supply" office in Delhi. Coupled with the fact that the Plaintiff has **demonstrably purchased Defendant’s offending product at Delhi** from amazon.in and that the Defendant’s products are also available on other third party marketplace websites where in some of which the Defendant himself is the seller, and that such websites are accessible in Delhi, this Court is of the view that, **it is sufficient to prima facie conclude that Courts in Delhi are available to the Plaintiff**, under Section 20(c) CPC, to bring an action against infringement and passing off, **even if the Defendant does not have an office in Delhi.**”*

*“The Defendant’s contention that the suit being predicated on **alleged trap sale/solitary sale disqualifies the Plaintiff from availing of jurisdiction of this court** as no cause of action has arisen, does not help the Defendant’s cause. The facts pleaded satisfy the test of **'purposeful availment'** in terms of *Banyan Tree case*.”*

“Since the filing of suit in this Court is predicated on the presence of Plaintiff’s subordinate (supply) office in Delhi and the sale of Defendant’s products in Delhi, the Plaintiff is qualified both under Section 20(c) CPC and Section 134 of the Trade Marks Act and, to approach this Court.” [Emphasis supplied]

Relevant Case Laws (Contd.)

- ❖ ***Indovax Pvt. Ltd. v. Merck Animal Health and Ors.* [2017 (71) PTC 647 (Del)]**
 - *“The applicant has alleged that this Court has no territorial jurisdiction on the ground that for a suit for passing off, the territorial jurisdiction of the Court has to be determined under Section 20 of CPC. It is alleged that the defendants are neither residing nor carrying on the business in Delhi as per the plaint itself. It is further submitted that no cause of action has also arisen within the territorial jurisdiction of this Court.”*
 - *“The plaintiff had initially filed a suit on the basis of a single invoice...in support of his contention that cause of action had arisen within the jurisdiction of this Court and no other document was filed along with the original plaint to prima facie show that the cause of action had arisen within the jurisdiction of this Court. Subsequently, the plaintiff filed on record three invoices...there is no explanation as to how the plaintiff had obtained any of these three invoices. It was submitted by the Local Commissioner, appointed by the Court...three invoices had been filed by the plaintiff to set up the territorial jurisdiction in Delhi and thus the plaintiff is engaging in forum shopping...the three invoices which were neither issued by defendants nor by any of their authorized representative/dealer are not sufficient to give territorial jurisdiction to the Delhi Courts.”*
 - *“In cases where the goods of the defendants are not available for sale within the jurisdiction of this Court, it cannot be said that the ordinary person is likely to buy the goods of the defendants believing that they are buying the goods of the plaintiff. In such cases, it cannot be said that the cause of action has arisen within the jurisdiction of this Court.” [Emphasis supplied]*

Relevant Case Laws (Contd.)

❖ ***Glen Raven Mills Inc. v. Vaspar Concepts Private Ltd.*** [60 (1995) DLT 616] [Contd.]

“In the written statement, the defendant has challenged the jurisdiction of this Court and it is stated that no cause of action has arisen for a suit for passing off in Delhi; even the sale of goods to Mr. Debjit Gupta who had acted on behalf of the plaintiff was made in Bangalore and not in Delhi.”

*“...it was not clear whether the defendants were continuing the use of the impugned trade mark Sunbrella or had discontinued the same since the product was not available in the market place...the plaintiff is bringing this action with a view to **nipping the infringement in the bud**. Hence, having regard to the aforesaid facts and to the fact that the plaintiff is a foreign corporation, the action has been brought at the **very first opportunity** and without any delay whatsoever.”*

*“Under Section 39 of the Sale of Goods Act, **a delivery of the goods to the carrier will be, prima facie, deemed to be the delivery of goods to the buyer**. As freight has been paid by the plaintiff, prima facie, **carrier will be deemed to be the agent of the plaintiff and delivery to the carrier will be deemed to be delivery to the plaintiff at Bangalore**. In my opinion, the contract for supply of goods was completed at Bangalore and **no part of cause of action has arisen in Delhi**...Assuming this to be a sale in Delhi, this **solitary instance** of sending of goods to Mr. Debjit Gupta in Delhi will not give jurisdiction to this Court to try the suit...Mr. Debjit Gupta had acted for and on behalf of the plaintiff.” [Emphasis supplied]*

Relevant Case Laws (Contd.)

❖ *Glen Raven Mills Inc. v. Vaspar Concepts Private Ltd.* [60 (1995) DLT 616] [Contd.]

*“It can, therefore, be said to be a trap sale with a view to gather evidence that the defendant was trying to pass off its goods for that of the plaintiff. It was perfectly valid for the plaintiff to put up their own man to purchase certain material from the defendant and in case of purchase of the said material if it was found that the defendant was passing off its goods for that of the plaintiff, **plaintiff will have a right to file the suit.**”*

*“As to what is a trap order- “...**proof of a single act of infringement** by the defendant is sufficient to justify the plaintiff in bringing his action, and the evidence relied on is frequently the sale by the defendant of the spurious goods to the plaintiff or his agent, who has **bought them merely for the purpose of procuring evidence.** Though orders of this sort, generally referred to as “**trap orders,**” have not infrequently been the subject of unfavorable comment, they are **often the only means by which evidence can be obtained,** and, if they are fairly given, there is no impropriety in adopting the procedure...the orders must be **fairly given, and of a character which is not unlikely to occur in ordinary practice.** Orders in writing, where they are practicable, **are to be preferred;** but in a class of business where orders are nearly always oral, a written order may inevitably arouse suspicion and, therefore, be of no practical use. In all cases the defendant should be promptly informed as to what is alleged to have occurred so that he may have the opportunity of investigating the incidents while the recollection of those concerned is fresh. **All the circumstances surrounding trap orders have to be scrutinised with great care. The courts will not necessarily grant relief in respect of isolated instances which may not be sufficient to prove any apprehension that passing off is likely to occur...**” [Emphasis supplied]*

Relevant Case Laws (Contd.)

❖ *Glen Raven Mills Inc. v. Vaspar Concepts Private Ltd.* [60 (1995) DLT 616] [Contd.]

*“In a suit for passing off or injunction or account of infringement of trade mark, the cause of action partly or wholly can arise in a given jurisdiction only if it is the defendant who is proved to have **directly made sale of goods under the impugned trade mark**, within that jurisdiction, not a lone individual customer **but to a distributor, wholesaler or retailer and that such a sale is on a commercial scale.**”*

“In order that the Court at a particular place should have jurisdiction to try a passing off action, it is necessary to show that the defendants were responsible for sending out to that district, goods which were liable to deceive intending purchasers into believing that they were goods manufactured by the plaintiffs. It would, of course, not be sufficient if such goods were supplied by the defendants to individual purchaser for use, as in such a case, the probability of any members of the public being deceived would be slight. It is necessary to show that the supply has been on a commercial scale to persons who are likely to offer the goods in question for sale.”

“One single trap order placed upon the defendant and supply of goods on the basis of the said order to a person for use in Delhi cannot be said to be a part of cause of action which would give jurisdiction to the courts at Delhi. As already held above, to give jurisdiction to the court sale has to be on a commercial basis.”

“As no part of cause of action has arisen in Delhi, this Court will have no jurisdiction to entertain this suit.”
[Emphasis supplied]

THANK YOU!
Questions?

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