



The Missing Link: IT Act & IPR Laws

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OVERVIEW

With the dawn of the 21st century, web/internet revolutionized life of humankind. It changed the entire perspective of how the world functions, right from e-communication, e-commerce, e-banking, etc. These changes brought in positive impact on life. However, as the web-based technologies evolved, it slowly stumbled upon uncharted territory where illegal elements of society were trying to use this new technology as a weapon of offence. Hence, there was a need for a new vertical of jurisprudence to address these issues, i.e. Cyber Law or Information Technology Law or Internet Law.

CYBER LAW

It is a system of law of regulation for the cyberspace involving use of computers, IT and the Internet. It encompasses legal and regulatory aspects of the internet and the world wide web and is crucial for Electronic Commerce, Intellectual Property Rights (IPR) etc.

TECHNOLOGY ACT

In India, cyber laws are defined under the **Information Technology (IT) Act of 2000^[1]**, and were specifically introduced for providing cybersecurity, regulating cybercrimes such as cyber terrorism, hacking, IPR violations, transaction frauds etc. These cyber laws are also drafted to provide certain entities/intermediaries such as e-commerce websites, search engines, and data aggregators a safe haven to protect them in certain scenarios. Having said that, the IT Act also provided regulations that safeguarded the IPR owners and their IPR along with provisions for defining intermediary liability.

INTERPRETATION

Understanding who intermediaries are: Under the IT (Amendment) Act 2008, an intermediary is defined as any person who on behalf of another person stores or transmits a message or provides any service with respect to that message. For example, telecom service providers, internet service providers, web-hosting services, social networking sites, search engines, online-payment sites, online auction sites, online marketplaces and cyber cafes can be categorized as '**Intermediaries**'.

Intermediaries usually come under the scanner for violation of IPR laws namely copyright, and trademark infringement. IPR laws provide an owner of the IP certain 'negative rights' - that is, if a third party, without the permission of the IPR owner, was to copy/manufacture/sell/aid in the selling and manufacture is held liable for violation of the IPR. This includes both primary and secondary violations/infringement.

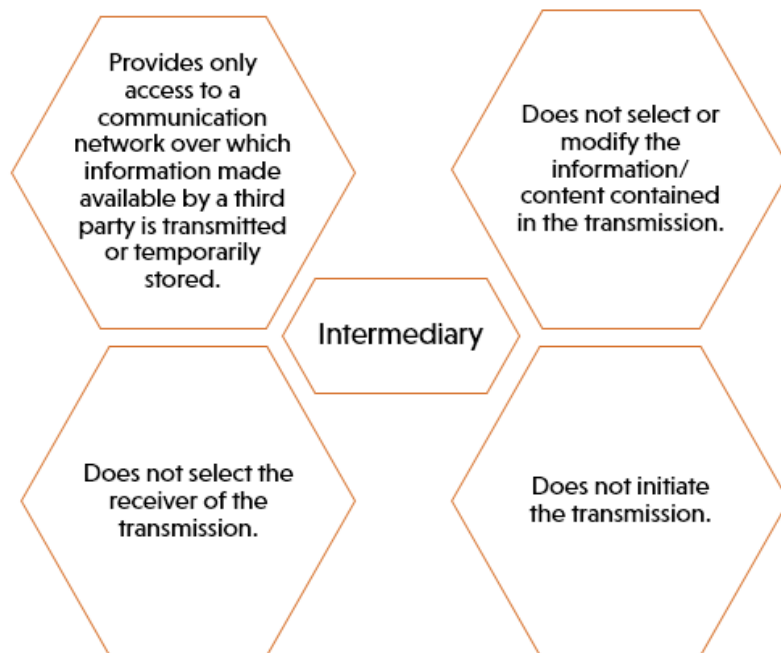
Typically, an intermediary may be liable for secondary infringement for facilitating/inducing the infringement act of a primary infringer. However, a determination of the extent of intermediary liability invokes clear reading of the provisions provided by the IT Act and IPR laws such as the Copyright Act (1957) and Patent Act (1970).

There was an urgent requirement to amend the current law – The IT Act (2000) was equivocal in its provisions with respect to intermediary liability for violation/infringement under IPR laws. Hence, Section 79 of the IT (Amendment) Act of 2008^[1] was introduced. This ensured to provide safe harbor provisions to intermediaries, shielding them from the legal implications that would arise due to IPR laws.

As a matter of fact, the protection of intermediaries from liability arising out of user generated content is in line with the position followed in countries like the US and members of the European Union. The Digital Millennium Copyright Act and the Communications Decency Act in the US and the Directive on Electronic Commerce in the EU provides protection to intermediaries from liability arising out of content posted by users of services provided by intermediaries.

These are the provisions under **Section 79**:

An intermediary shall not be liable for any infringing content/product hosted on its website - if the following constraints are satisfied.



Nevertheless, there are certain guidelines for intermediaries (2011) to avail the safe harbor provisions of the act.

- 'Due Diligence' – To prevent the commission of such offence or contravention, an intermediary will be liable and lose the immunity if it has abetted/ conspired/ aided/induced by threat or promise in the commission of the unlawful act.
- Notice and take down - Notice (from the government or its agency) to remove infringing/unlawful content – An intermediary has to act within 36 hours on receipt of such notice to remove the content - If it does not act within the stipulated time frame, the intermediary cannot avail the safe harbor provisions.
- The time (36 hours) provided to intermediaries to take down content was criticized by the intermediaries as it was not possible to remove the content within this short period.
- A clarification was issued by the government in 2013 stating that the intermediaries are only required to acknowledge receipt of complaint within 36 hours and a redressal of the complaint should be done within 30 days of receiving the complaint.

DOS & DON'TS FOR AN INTERMEDIARY

The interpretation of an intermediary and the much-needed clarification to the question of intermediary liability came from a landmark case T-series Vs Myspace (copyright infringement). This case defined what shall not be deemed as infringement and when an intermediary can resort to the provisions of Section 79 of the IT Act 2008.

A civil suit was filed in 2008 by T-series (Super Cassettes India Ltd.) against MySpace, a social networking site, for hosting infringing material over which T-series had copyright. T-series alleged that Myspace was hosting the infringing content without obtaining a valid license. T-series further averred that Myspace was generating revenue out of the infringing materials by inserting ads at the beginning of the infringing content that were being uploaded by Myspace users. The point in contention here was whether Myspace would lose its immunity because it modified the content by adding advertisements to the infringing content.

The initial judgment restrained the defendants from allowing the infringing content to be hosted on their website stating that MySpace cannot avail the safe harbor provisions as Myspace inserted ads to the content, thus modifying them. Also, language of the Proviso to Section 81 of the IT (Amendment) Act states that nothing contained in the Act shall restrain any person from exercising any right conferred under the Copyright Act 1957 and Patents Act 1970. Thus, prima facie, MySpace's actions constituted an infringement of the plaintiff's work under Section 51 of the Copyright Act.

However, a further appeal was made against the 'Impugned Judgement' of the Single Judge before the Division Bench by Myspace. Division Bench disagreed to the judgment made by Single Judge and stated that knowledge as used in the provision has a definite connotation -

consciousness or awareness in the form of actual knowledge was required and mere general awareness was insufficient. Thus, there is "No Liability Without Actual Knowledge".

Also, Division bench observed that Myspace is a neutral platform for user generated content and action, "without contributing or adding any information on its own". The insertion of advertisements is through an automated process and the level of actual control exerted by MySpace will have to be determined through evidence.

Hence, the Division bench concluded that alteration done to the format of the content is not to be considered as alteration done to the content itself - since the format alteration was done through an automated process, the question of liability does not arise. And that Myspace does fall under intermediaries as per Section 79 of IT (Amendment) Act 2008 that provides safe harbor provisions for intermediaries.

Having understood how **Information Technology Act of 2000** aids intermediaries such as e-commerce websites, search engines, and data aggregators act as safe haven and protects them in "certain" scenarios, we need to understand the importance of the word "certain" to understand how this provision is utilized in a negative manner. In the case of UTV Software Communication Ltd. & Ors. vs. 1337X.TO & Ors. it is clearly defined when an intermediary is held liable for infringement and cannot resort to Section 79 of **Information Technology Act of 2000**.

In this case the plaintiffs (UTV Software Communication) were in the business of creating content, producing and distributing cinematographic films around the world including India. The plaintiffs sought injunction restraining the defendants (1337X.) from infringing the plaintiff's copyrighted works in cinematograph films by communicating/distributing the plaintiff's content to the public without any authorization. Plaintiffs argued that the defendant's websites allowed 'streaming', 'redirecting' and 'mirroring' of copyrighted content of the plaintiffs. Defendants monetized through advertisements displayed on their websites.

The court observed that, "the defendant-websites are liable for copyright infringement under Section 51 of the Copyright Act.". The court further defined the definition "Rogue website" whose primary purpose was to commit or facilitate copyright infringement. Therefore, such websites cannot claim the exemption under Section 79 of the IT Act.

Now, let us visit another case (Davidoff (Coty, Inc.) Vs Amazon Inc. (trademark infringement)) which will help us understand the nuances and responsibilities of intermediaries. In this case, Davidoff (plaintiff) approached the court in an attempt to stop Amazon from storing and delivering the unlicensed products. The plaintiff claimed that Amazon sold the products on its marketplace platform and was breaching its trademark rights.

Davidoff alleged that Amazon had violated its trademark rights by stocking its Davidoff perfume for third-party sellers and should be held responsible for such practices. Davidoff holds the license for the brand. But the European Court of Justice (ECJ) decided that "mere storage" of trademark-infringing goods was not the same as trademark infringement itself. This provision can also be seen in the light of Section 79 of the IT (Amendment) Act of 2008.

Amazon "have not themselves offered the goods for sale or put them on the market", the ECJ ruled "It follows that the Amazon companies have not themselves used the Davidoff mark."

Millions of independent sellers use Amazon's marketplace under the scheme "Fulfilled by Amazon". Sellers typically pay a fee to make use of the Amazon's warehouses and logistics. Customers are often unaware they are not buying the products directly from the US firm.

The court also considered this scheme "Fulfilled by Amazon" qualifies under the provisions under **Section 79**. However, the court also verified if Amazon has taken necessary steps to avoid direct infringement violations. These checks are on par with guidelines for Intermediaries (2011) to avail safe harbor provisions of the act. In its defense, Amazon stated that it strictly bans/prohibits products that infringe on intellectual property, and spends more than \$500m (£398m) tackling fake goods and related problems. Amazon also claimed that "it continues to invest heavily in fighting bad actors on our store and is committed to driving counterfeits to zero,".

In the ruling, the ECJ found that the "mere storage" of goods on Amazon's marketplace did not constitute a breach of trademark by Amazon. This ruling is in line with Section 79 of IT (Amendment) Act 2008 that provides safe harbor provisions for intermediaries, subject to certain constraints and guidelines. We can clearly deduce that "mere storage" of trademark-infringing goods was not the same as trademark infringement itself. An intermediary is liable to remove infringing products only on receipt of a notice from a government authority and is not always obligated to proactively screen goods put up for sale by a third party on its platform.

CONCLUSION

The courts have clarified that the intermediaries are not obligated to proactively screen goods/content from other parties and are not required to keep vigilance at all times as intermediaries may not be equipped to fulfill such an obligation which in turn may negatively impact their business operations. These rulings are in line with Section 79 of IT (Amendment) Act 2008 that provides safe harbor provisions for intermediaries, subject to certain constraints and guidelines.

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References

[1] [Information Technology Act 2000](#)

[2] [Court of Justice of the European Union PRESS RELEASE No 39/20](#)

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