

Delhi High Court

Banyan Tree Holding (P) Limited vs A. Murali Krishna Reddy & Anr. on 23 November, 2009

Author: S. Muralidhar

HIGH COURT OF DELHI AT NEW DELHI

CS (05) No.894/2008

Date of decision: 23rd November 2009

BANYAN TREE HOLDING (P) LIMITED Plaintiff
Through Mr. Praveen Anand with
Mr. Sagar Chandra, Advocate.

versus

A. MURALI KRISHNA REDDY & ANR. Defendants

CORAM:

HON'BLE THE CHIEF JUSTICE

HON'BLE DR. JUSTICE S. MURALIDHAR

1. Whether reporters of the local papers be allowed to see the judgment? Yes
2. To be referred to the Reporter or not? Yes
3. Whether the judgment should be reported in the Digest? Yes

JUDGMENT

23.11.2009 S. Muralidhar,J.

1. The learned single Judge has by an order dated 11.8.2008 referred for the decision of the Division Bench of this Court questions concerning the jurisdiction of this Court to entertain the present suit.

2. The factual background in which the questions arise requires to be briefly recapitulated. 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. Defendant no. 1 is the promoter of the Defendant no. 2 company. The Case of the Plaintiff

3. The Plaintiff claims that it is part of a group of companies involved in the hospitality business. Since 1994 it adopted and used the word mark Banyan Tree and also the banyan tree device. It is claimed that on the account of the extensive and continuous use by the Plaintiff of the said mark and device in relation to its business, they have acquired secondary meaning, have become highly distinctive and have come to be associated with the Plaintiff and its sister concerns. The Plaintiff maintains the websites www.banyantree.com and www.banayantreespa.com since 1996. The said websites are accessible in India.

4. It is not in dispute that the Plaintiff does not hold a registration for the said mark and device in India. Its application for registration is stated to be pending. Since the year 2002, the Plaintiff has, in collaboration with the Oberoi Group, been operating 15 spas across India. In October 2007, 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 is deceptively similar to that of the Plaintiff. The Plaintiff states that the Defendants have advertised their project on their website www.makprojects.com/banyantree. The Plaintiff alleges that the use of the said mark and device by the Defendants was dishonest and was an attempt to encash on the reputation and goodwill of the Plaintiff and was calculated to cause confusion and deception among the public by passing off the services of the Defendants as that of the Plaintiff. Accordingly, the present suit was filed by the Plaintiff for an injunction to restrain the Defendants from the use of the said mark and device.

5. The learned single Judge has, in the referral order dated 11.8.2008, noticed that the plaintiff has in para 30 of the plaint claimed that this Court has the territorial jurisdiction under Section 20 of the Code of Civil Procedure, 1908 (CPC) to entertain the suit. According to the Plaintiff the Defendants solicit business through use of the impugned mark "BANYAN TREE RETREAT" and the Banyan device in Delhi. It is stated that "the Defendants have presence in Delhi through their website <http://www.makprojects.com/banyantree.htm> which is accessible in Delhi." It is further contended that "the said website 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." Further, the Plaintiff submits that the services of the Defendants are being offered to the customers in Delhi "also because of the ubiquity, universality and utility of the features of the Internet and the World Wide Web and hence the cause of action has arisen within the jurisdiction of this Court." The referral order

6. In the referral order, the learned single Judge has examined the above claim of the Plaintiff as to the territorial jurisdiction of this Court on account of the Defendants hosting a website which is accessible in Delhi and through which not only information can be obtained by a viewer sitting in Delhi but also a feedback and input can be sent to the Defendants through the said web-page. After noticing the developments in the law in India, Canada, USA and England, the learned single Judge has formulated the following questions for consideration by the Division Bench:

"1. Whether this court can entertain the present suit, having regard to the averments and documents, in the context of special provisions in to the Trademark and Copyrights Act, which do not provide for exercise of jurisdiction based on internet or web-presence of such alleged infringers, even while making explicit departure from the general law as to territorial jurisdiction;

2. Whether the court can entertain the present suit, in the absence of a long arm statute, having regard to the existing state of law, particularly Section 20, CPC, and the impact, if, any of the Information Technology Act, 2009 on it;

3. Applicable standards for entertaining a suit, based on use of a trademark by a Defendant, on its website, or infringement or passing off of the plaintiffs trademark, in such website and the relevant criteria to entertain such suits;

4. Applicable standards and criteria where the plaintiff relies exclusively on "trap orders" or transactions, in relation to passing off, or trademark infringement cases, as constituting "use" or cause of action, as the case may be."

The questions as reframed

7. Having considered the submissions of Mr. Praveen Anand, learned counsel for the Plaintiff, we consider it appropriate to reframe the questions referred to us for our opinion as under:

(i) For the purposes of a passing off action, or an infringement action where the Plaintiff is not carrying on business within the jurisdiction of a court, in what circumstances can it be said that the hosting of a universally accessible website by the Defendants lends jurisdiction to such Court where such suit is filed ("the forum court")?

(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?

(iii) Is it permissible for the Plaintiff to establish such prima facie case through "trap orders" or "trap transactions"?

8. At the outset it needs to be noted that the present suit is not one for infringement by the Defendants of the Plaintiffs trademark and the Plaintiff carries on business within the jurisdiction of the court. If it were, then in terms of Section 134 (2) of the Trademarks Act 1999 (TM Act) this court would have jurisdiction to entertain the suit although the defendants do not reside or carry on business within its jurisdiction. Section 134 (2) of the TM Act (like and Section 62 (2) of the Copyright Act 1957) is therefore a long arm provision in a limited sense, confined to infringement actions by Plaintiffs carrying on business within the jurisdiction of the forum court. The present suit is an action for passing off in which neither the Plaintiff nor any of the Defendants voluntarily resides or carries on business within the local limits of Delhi.

Consequently, neither Section 20 (a) nor Section 20(b) CPC applies. The Plaintiff seeks to find the territorial jurisdiction of this Court in terms of Section 20(c) CPC. In other words, according to the Plaintiff the cause of action, wholly or in part, arises within the jurisdiction of this Court. This, according to the Plaintiff is on account of two factors. One, that the website of the Defendants is accessible in Delhi; it is not a passive website but used for soliciting business in Delhi. Second, that there was at least one instance of the Defendants brochure being sent to a Delhi resident for the

purposes of sale of property. Submissions of counsel

9. As regards the accessibility of the Defendants website in Delhi, the learned counsel for the Plaintiff emphasized that (a) the nature of the website, (b) the intention of the websites host to market its products in Delhi and (c) the effect of such action by the Defendants in Delhi, are the three factors that have to be accounted for in determining whether this court has territorial jurisdiction. As regards the nature of the website, counsel for the Plaintiff submits that it could be passive, interactive or active. The case of the Plaintiff is that a mere advertisement on the website, without any move by the Defendants to block access to Delhi viewers through a device of "purposeful avoidance" would be a case of "passive plus." It is contended that all the viewers outside Andhra Pradesh where the Defendants are located are, in the absence of such blocking of access, targeted by the Defendants. According to the Plaintiff where the website is passive, in the absence of any intention to market, which absence of intention is express, the forum court would have no jurisdiction. If the intention to market its product is not discernible on account of non-application of mind by the website owner, the forum court might still have jurisdiction where there is an effect on the market in the forum state.

10. As regards an interactive website, it is submitted that for jurisdiction of the forum court to get attracted, there should be an intention on the part of the website owner to target potential customers in the forum state. This intention can be presumed unless the website owner demonstrates "purposeful avoidance" by placing filters or blocking off the website to viewers outside the state within whose territory he is located. Where the owner has not applied his mind to target a specific city, region or state, but if some effect is nevertheless felt in the forum state, the forum court would have jurisdiction. It is submitted that when there is no intention to target a specific city or a customer and there is no effect on the market, the forum court would have no jurisdiction. Learned counsel for the Plaintiff has relied on a large number of judicial precedents, including those of foreign courts, in support of his plea that this court has jurisdiction to entertain the suit. These will be discussed presently. The questions that arise are examined with reference to the development of the law in common law jurisdictions particularly the U.S.A., the U.K., Canada, Australia and India.

Question (i): Jurisdiction of a forum court in suits involving internet related disputes The law in the U.S.A.

Purposeful availment as a test

11. Among the early decisions, is one of the U.S. Supreme Court in *International Shoe Co. v. Washington* 326 U.S. 340 (1945) where a two-part test for determining jurisdiction of the forum court over a defendant not residing or carrying on business within its jurisdiction was evolved. It was held that in such instance the Plaintiff had to show that the defendant has sufficient "minimum contacts" in the forum state. In other words, the defendant must have purposefully directed its activities towards the forum state or otherwise "purposefully availed" of the privilege of conducting activities in the forum state. Further, the forum court had to be satisfied that exercising jurisdiction would comport with the traditional notions of fair play and substantial justice. This law was further developed in later cases.

12. In *Burger King Corp v. Rudzewicz* 471 U.S. 462 (1985) the Appellant Burger King Corp. had its principal offices in Miami. It entered into a franchise agreement with the defendant who opened a restaurant pursuant thereto in Michigan. The defendant defaulted in making the monthly payments. The Plaintiff terminated the franchise agreement and ordered the defendant to vacate the premises. When the defendant refused, the Plaintiff sued him in Miami. Florida had a long arm statute that extended jurisdiction to any person, whether or not a resident of that state, who committed a breach of a contract in the state by failing to perform acts that the contract required to be performed there. The District Court held that the defendant franchisee was subject to the personal jurisdiction of the court in Miami. The Court of appeals reversed and the Plaintiff appealed to the Supreme Court. Reversing the Court of Appeals and restoring the judgment of the District Court, the Supreme Court held that the defendant did not have to be physically present within the jurisdiction of the forum court and that the forum court may exercise jurisdiction over a non-resident "where an alleged injury arises out of or relates to actions by the Defendant himself that are "purposefully directed towards residents of the forum State. It was held that "purposeful availment" would not result from "random" or "fortuitous contacts by the defendant in the forum state requires the plaintiff to show that such contracts resulted from the "actions by the defendant himself that created a substantial connection with the forum State." He must have engaged in "significant activities" within the forum state or have created "continuing obligations" between himself and residents of the forum state. It was held on facts that the 20 year relationship that the defendant had with the Plaintiff "reinforced his deliberate affiliation with the forum state and the reasonable foreseeability of litigation there."

13. In *Asahi Metal Industries v. Superior Court* 480 U.S. 102 (1987) a Japanese company sold assemblies manufactured by it to a company in Taiwan which in turn incorporated them into the finished tyres and sold them worldwide including the US where 20 per cent of its sales took place in California. A product liability suit was brought in the Superior Court in California against the Taiwanese company arising from a motorcycle accident caused as a result of a defect in the tyre. The Taiwanese company in turn filed a counter claim against the Japanese company. The order of the Superior Court declining to quash the summons issued to the Japanese company was reversed by the State Court of Appeal. However, the Supreme Court of California in an appeal by the Taiwanese company reversed and restored the order of the Superior Court. The U.S. Supreme Court reversed the State Supreme Court and held that exercise of personal jurisdiction over the Japanese company would be "unreasonable and unfair, in violation of the Due Process Clause." Further it was held that "the mere placement of a product into the stream of commerce" was not an act "purposefully directed towards the forum State" and would not result in a "substantial connection" between the defendant and the forum state necessary for a finding of minimum contacts.

14. As regards cases involving torts committed in relation to the internet, the early decisions on the point handed down by the District courts in the U.S.A. appeared to permit a forum state to exercise jurisdiction even where the website was a passive one. In *Inset Systems Inc. v. Instruction Set Inc.* 937 F.Supp. 161 (D.Conn.1996), the Defendant had displayed on its website used for advertising its goods and services, a toll-free telephone number "1-800-US-INSET." The Plaintiff, a company in Connecticut brought an infringement action against the Defendant in a court in Connecticut, which in any event had a long arm statute. The District court held that the Defendant had "purposefully availed itself of doing business in Connecticut because it directed its advertising activities via the

Internet sites and toll-free number toward the State of Connecticut (and all states); Internet sites and toll-free numbers are designed to communicate with people and their businesses in every state; an Internet advertisement could reach as many as 10,000 Internet users within Connecticut alone; and once posted on the Internet, an advertisement is continuously available to any Internet user".

15. However, the approach in *Bensusan Restaurant Corp. v. King*, 937 F. Supp.295 (S.D.N.Y. 1996) was different although New York too had a long arm statute. The Defendant there had a small jazz club known as "The Blue Note" in Columbia, Missouri and created a general access web-page giving information about the said club as well as a calendar of events and ticketing information. In order to buy tickets, web browsers had to use the names and addresses of ticket outlets in Columbia. Bensusan (the Plaintiff therein) was a New York corporation that owned "The Blue Note," a popular jazz club in the heart of Greenwich Village in New York. It owned the rights to the "The Blue Note" mark. It accordingly sued the Defendant for trademark infringement in New York. It was noticed that New York had a long arm statute. The New York court held that the Defendant had not done anything to purposefully avail himself of the benefits of New York. Like numerous others, the Defendant had "simply created a web site and permitted anyone who could find it to access it. Creating a site, like placing a product into the stream of commerce, may be felt nationwide or even worldwide but, without more, it is not an act purposefully directed towards the forum state". (emphasis supplied)

16. In *Ballard v. Savage* 65 F.3d 1495 (1995) it was explained that the expression "purposefully availed" meant that "the Defendant has taken deliberate action within the forum state or if he has created continuing obligations to forum residents". It was further explained that "it was not required that a Defendant be physically present within, or have physical contacts with, the forum, provided that his efforts are purposefully directed toward forum residents". In *CompuServe, Inc. v. Patterson*, 89 F.3d 1257(6th Cir. 1996) it was found that the Defendant had chosen to transmit its products from Texas to CompuServes system, and that system provided access to his software to others to whom he advertised and sold his product. It was held that Patterson had "purposefully availed himself of the privilege of doing business". In *Maritz, Inc. v. CyberGold, Inc.*, 947 F.Supp. 1328 (E.D.Mo.) (1996) where browsers who came on to its website were encouraged by the Defendant CyberGold to add their address to a mailing list that basically subscribed the user to the service, it was held that the Defendant had obtained the website "for the purpose of and in anticipation that, internet users, searching the internet for websites, will access CyberGolds website and eventually sign up on CyberGolds mailing list." Therefore, although CyberGold claimed that its website was a passive one, it was held that through its website, "CyberGold has consciously decided to transmit advertising information to all internet users, knowing that such information will be transmitted globally."

17. In *Neogen Corp. v. Neo Gen Screening, Inc.*, 282 F.3d 883, 890 (6th Cir. 2002) the Court of Appeals held that the purposeful availment requirement is satisfied "if the web site is interactive to a degree that reveals specifically intended interaction with residents of the state". In that case, the Plaintiff (Neogen), a Michigan Corporation, was in the business of developing and marketing a range of health care, food, and animal-related products and services, including certain diagnostic test kits. It filed a suit in the Michigan District Courts alleging, inter alia, trademark infringement

against the Defendant (Neo Gen Screening), a Pennsylvania Corporation performing diagnostic testing of blood samples from newborn infants. The District Court dismissed the suit for lack of personal jurisdiction. The Court of Appeals held that the maintenance of the Defendants website, in and of itself, does not constitute purposeful availment of the privilege of acting in Michigan. It observed that "the level of contact with a state that occurs simply from the fact of a websites availability on the Internet is therefore an attenuated contact that falls short of purposeful availment." However, the Court in that case did not decide the question that whether the Defendants website alone would be sufficient to sustain personal jurisdiction in the forum State as it held that "the website must be considered alongside NGS's [Neo Gen Screenings] other interactions with Michigan residents. Most significantly, when potential customers from Michigan have contacted NGS to purchase its services, NGS has welcomed their individual business on a regular basis". The Court further observed that "although customers from Michigan contacted NGS, and not the other way around, NGS could not mail test results to and accept payment from customers with Michigan addresses without intentionally choosing to conduct business in Michigan." It was in this context that the Court of Appeals reversed the finding of the District Court and remanded the matter.

The Zippo sliding scale test

18. The "sliding scale" test for determining the level of interactivity of the website, for the purposes of ascertaining jurisdiction of the forum state, was laid down in *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D.Pa.1997). The Plaintiff Zippo Manufacturing was a Pennsylvania corporation making cigarette lighters. The Defendant was a California corporation operating an internet website and an internet news service. It had its offices only in California. Viewers who were resident of other states had to go on the website to subscribe for the Defendants news service by filling out an on-line application. Payment was made by credit card over the internet or telephone. Around 3,000 of the Defendants subscribers were residents of Pennsylvania who had contracted to receive the Defendants service by visiting its website and filling out the on-line application. Additionally the Defendant entered into agreements with seven internet access providers in Pennsylvania to permit their subscribers to access the Defendants news service. The Defendant was sued in a Pennsylvania court for trademark dilution, infringement and false designation. After discussing the development of the law till then, the District Court first observed:

"The Constitutional limitations on the exercise of personal jurisdiction differ depending upon whether a court seeks to exercise general or specific jurisdiction over a non-resident defendant. *Mellon*, 960 F.2d at 1221. General jurisdiction permits a court to exercise personal jurisdiction over a non-resident defendant for non-forum related activities when the defendant has engaged in "systematic and continuous" activities in the forum state *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 US 408. In the absence of general jurisdiction, specific jurisdiction permits a court to exercise personal jurisdiction over a non-resident defendant for forum-related activities where the "relationship between the defendant and the forum falls within the minimum contacts framework" of *International Shoe Co. v. Washington*, 326 US 310 and its progeny *Mellon*, 960 F.2d at 1221" (emphasis supplied)

19. The Zippo court then noted that "a three pronged test has emerged for determining whether the exercise of specific personal jurisdiction over a non-resident defendant is appropriate: (1) the defendant must have sufficient "minimum contacts" with the forum state, (2) the claim asserted against the defendant must arise out of those contacts, and (3) the exercise of jurisdiction must be reasonable." The court in Zippo classified websites as (i) passive, (ii) interactive and (iii) integral to the defendants business. On facts it was found that the Defendants website was an interactive one. Accordingly it was held that the court had jurisdiction to try the suit. The Zippo courts observation that "the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the internet" has been compared by that court to a "sliding scale".

20. In *Cybersell, Inc. v. Cybersell, Inc.* 130 F.3d 414 (1997), the facts were that an Arizona Corporation that advertised for commercial services over the internet under service mark "Cybersell", brought an infringement action against Florida Corporation which offered web-page construction services over the Internet. As part of its marketing effort, the forum Cybersell Inc in Florida created a web-page at <http://www.cybsell.com/cybersell/index.htm>. The same page had a logo at the top with "CyberSell" over a depiction of the planet earth, with the caption underneath "Professional Services for the World Wide Web" with a local phone number and hypertext link allowing the browser to introduce herself. That link invited a company not on the web but interested in getting on the web-to "Email us to find out how!." A hypertext link allowed a user to move directly from one web location to another by using the mouse to click twice on the colored link. Arizona had a long arm statute that permitted a court to exercise personal jurisdiction over parties whether found within or outside the state to the maximum extent permitted by the court in United States. A reference was made to the decision of the Arizona Supreme Court in *Uberti v. Leonardo*, 181 Ariz. 565 in which it was held that "Arizona will exert personal jurisdiction over a non resident litigant to the maximum extent allowed by the federal constitution". The Arizona Court of Appeals adopted a three part test to determine whether the district court could exercise specific jurisdiction over the non-resident Defendant: (1) the non-resident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections; (2) the claim must be one which arises out of the results from the defendants forum-related activities; and (3) exercise of jurisdiction must be reasonable. It was held by the Court of Appeals that all that Cybersell FL (the Florida Corporation) "did was post an essentially passive home page on the web, using the name "CyberSell," which Cybersell AZ (the Arizona Corporation) was in the process of registering as a federal service mark. While there is no question that anyone, anywhere could access that home page and thereby learn about the services offered, we cannot see how from that fact alone it can be inferred that Cybersell FL deliberately directed its merchandising efforts toward Arizona residents". It was further noticed that "the interactivity of its web page is limited to receiving the browsers name and address and an indication of interest-signing up for the service is not an option, nor did anyone from Arizona do so. No money changed hands on the Internet from (or through) Arizona". It was held that "Cybersell FLs contacts are insufficient to establish "purposeful availment".

21. There have been difficulties experienced in the application of the Zippo sliding scale test in terms of which the assertion of a courts jurisdiction depended upon the "level of interactivity and commercial nature of the exchange of information" as a result of the use of the website. The courts have been finding it problematic in determining the degree of interactivity that should suffice for jurisdiction to be attracted. Mere ability to exchange files with users through the internet has been held not to be sufficiently interactive for the forum court to assume jurisdiction (*Desktop Technologies v. Colourworks Reproduction & Designs Inc* 1999 WL 98572 (E.D.Pa. 1999). In *People Solutions v. People Solutions* 2000 WL 1030619 (N.D.Tex., 2000), although it was possible for customers visiting the Defendants website to download information, obtain product brochures and order products on-line, the court refused to assert jurisdiction since the Plaintiff failed to show that Defendant had sold its products or contracted for services with any person in the forum state through the website. Again in *Mink v. AAAA Development* 190 F.3d 333 (5th Cir. 1999) although the Defendants website offered printable mail-in order forms that could be downloaded, provided a toll-free number, a mailing and an e-mail address, the forum court declined to exercise jurisdiction since in fact no orders were placed using the website. The levels of interactivity now demanded are of a much higher order. In *Winfield Collection v. McCauley* 105 F.Supp.2d 746 (E.D.Mich,2000) the website provided an interactive mechanism of doing on-line business and the Plaintiff showed that auction sales were conducted over the net with bidders in Michigan. Nevertheless jurisdiction was declined because the Defendant was not shown as having "actively and intentionally doing business with customers in Michigan." It was held that the form of on-line sale made it impossible for the Defendants website to target the users of any particular state and therefore other than the court of the state where the principal place of the business of the Defendant was located, other state courts could not exercise jurisdiction. Since over the years, most websites are interactive to some degree, there has been a shift from examining whether the website is per se passive or active to examining the nature of the activity performed using the interactive website. The Effects test

22. The difficulty experienced with the application of the Zippo sliding scale test, has paved way for the application of the effects test. The courts have thus moved from a subjective territoriality test (that a court will regulate an activity only if it is shown having originated in its territory - exemplified by the decision in *Louis Feraud Int'l SARL v. Viewfinder Inc* 406 F Supp 2d 274 (SDNY 2005)] to an objective territoriality or effects test in which the forum court will exercise jurisdiction if it is shown that effects of the Defendants website are felt in the forum state. In other words it must have resulted in some harm or injury to the Plaintiff within the territory of the forum state. Since some effect of a website is bound to be felt in several jurisdictions given the nature of the internet, courts have adopted a tighter version of the effects test, which is intentional targeting. Thomas Schultz in his illuminative piece "Carving up the Internet: Jurisdiction, Legal Orders, and the Private/Public International Law Interface" *EJIL* 2008 19 (779) points out that the dynamics of jurisdiction is reasonableness and fairness. Schultz concludes that both the subjective territoriality and objective territoriality or the effects test, if construed too broadly, are bound to be unfair and unreasonable. According to Schultz, a middle path had to be chosen between the too narrow (subjective territoriality) and too broad (effects) jurisdictional bases for better managing trans-border externalities. This middle path was targeting. Schultz defines targeting to mean "in essence that the activity must be intended to have effects within the territory of the state asserting jurisdiction." According to another scholar, Professor Michael Geist ("Is There a There There?

Towards Greater Certainty for Internet Jurisdiction" 16 Berkeley Tech LJ (2001) 1345 at 1357) the principle of targeting is to "identify the intentions of the parties and to assess the steps taken to either enter or avoid a particular jurisdiction." Targeting is described as "something more than effects, but less than physical presence." We now examine the decisions in which the above tests were evolved.

23. The "effects" test was first evolved in *Calder v. Jones*, 465 U.S. 783 (1984). The Plaintiff there was a resident of California who commenced a libel action in a California court against the National Enquirer based on an article that it printed and circulated in California. Apart from the Enquirer and its local distribution company, its editor and the author of the article were all in Florida. Affirming the assertion by the California court of personal jurisdiction over the defendants, the Supreme Court held:

"The allegedly libelous story concerned the California activities of a California resident. It impugned the professionalism of an entertainer whose television career was centered in California. The article was drawn from California sources, and the brunt of the harm, in terms both of respondent's emotional distress and the injury to her professional reputation, was suffered in California. In sum, California is the focal point both of the story and of the harm suffered. Jurisdiction over petitioners is therefore proper in California based on the "effects" of their Florida conduct in California."

On facts it was held that the author and editor "expressly aimed" their tortuous actions at California and that "they knew" that the article would have a devastating impact on the respondent and that they should have reasonably anticipated that the brunt of that injury would be reasonably felt by the defendant in the State in which she lived and worked.

24. The "effects" test propounded in *Calder* has been applied with mixed results. One of the most discussed decisions of a French court where the effects doctrine was applied is the *Yahoo! Case* (*UJEF et LICRA v. Yahoo! Inc. et Yahoo France*, Tribunal de Grande Instance de Paris, No RG:00/0538, May 22, 2000 and November 22, 2000). A French Jew while surfing on the net came across Nazi memorabilia being offered for sale on a web page hosted by Yahoo!. Offering Nazi memorabilia for sale was an offence under the French Penal law. Although the website of Yahoo! France did not host a similar web page, it could be viewed on Yahoo! Website hosted from the U.S. by anyone in France. LICRA, an organization fighting racism and anti-Semitism, and the Union of Jewish students in France (UJEF) sued Yahoo! And Yahoo! France in the court in France. The French court ordered the US Internet portal to block access to its US website from France, in order to prevent internet users in France from accessing the objectionable items offered for auction sale on that site. It found that this was technologically feasible through a series of devices for which it examined experts. It thus rejected Yahoo!'s argument that the French courts order was not capable of being implemented beyond the borders of France. The French court essentially applied the effects test to assert jurisdiction. It held that by "permitting visualization in France of nazi objects and eventual participation of a surfer established in France in the exposition/sale of such objects" Yahoo! had committed a wrong within the territory of France. Although the website was capable of

being viewed from anywhere in the world, the French court concluded that it had caused harm to the two claimants located in France. The mere downloadability of the objectionable information/material did not alone determine the question of jurisdiction. The French court also considered the effect it would have on the public at large in France who could access Yahoo!'s website and who were targeted. This the Court concluded from the fact that Yahoo! Inc. U.S.A displayed advertisements in French to visitors at the US based server and Yahoo! France provided a link to the U.S. based Yahoo! Server that Yahoo! Inc. did intend its services to reach persons in France and intended to profit for the visitors from France to its U.S. based website. (There was a second phase of this litigation in the courts in California where Yahoo! sued LICRA and UJEF on the ground that the order of the French court was unenforceable in the U.S.A. However, that is not being discussed as not being relevant to the questions that arise for consideration in the instant case).

25. While courts have more readily applied the effects test in defamation cases [see *Remick v. Manfredy*, 238 F.3d 248 (2001); *Noonan v. Winston Comp.*, 135 F.3d 85, 91 (1998)]; *Revell v. Lidov*, 317 F.3d 467 (5th Cir. 2002) there have been problems in its application to trademark infringement cases. For instance, the Court of Appeals in *Cybersell* held that the "effects" test did not apply with the same force to *Cybersell AZ* as it would to an individual, because a corporation "does not suffer harm in a particular geographic location in the same sense that an individual does." *Cybersell* FLs web page simply was not aimed intentionally at Arizona knowing that harm was likely to be caused there to *Cybersell AZ*". In *Digital Equipment Corp. v. Alta Vista Technology* 969 F.Supp 456 (Mass., 1997) the Plaintiff, a Massachusetts company sued the Defendant which was its licensee alleging infringement of its mark. Although the Defendant argued that it had structured its affairs to avoid the forum state, the court found that the Defendants use of its website to infringe the Plaintiffs mark did have effects in the forum state and its purpose may be said to targeting the forum state and its citizens. In *Nissan Motor Co. v. Nissan Computer Corp.* 89 F. Supp. 2d 1154 (C.D. Cal., 2000) although the Defendant did not sell goods to its consumers on its websites (which were registered under the domain names *nissan.com* and *nissan.net*) it had intentionally changed the content of its web site to exploit the goodwill of the Plaintiff (a leading car manufacturer) by profiting from confusion among the consumers. It was therefore held to have "deliberately and substantially directed its activity toward the forum state."

26. The courts in the U.S.A. have adopted a combination of the "Zippo sliding scale test" and the *Calder* "effects" test in examining whether the forum court has jurisdiction in a case involving infringement by use of the internet. Recently in *Toys "R" US, v. Step Two*, 318 F.3d 446 (2003), the US Court of Appeals revisited the issue. In that case, the Plaintiff, *Toys "R" Us* (*Toys*), a Delaware corporation with its headquarters in New Jersey, owned retail stores worldwide where it sold toys, games, and numerous other products. In August 1999, *Toys* acquired *Imaginarium Toy Centers, Inc.*, which owned and operated a network of "Imaginarium" stores for the sale of educational toys and games. In this process, *Toys* also acquired several *Imaginarium* trademarks. The Defendant, *Step Two*, a Spanish corporation owned or franchised toy stores operating under the name "Imaginarium" in Spain and nine other countries. It had registered the *Imaginarium* mark in several countries where its stores were located. At the time of trial, there were 165 *Step Two Imaginarium* stores having the same unique facade and logo as those owned by *Toys*, and selling the same types of

merchandise as Toys sold in its Imaginarium stores. However, Step Two did not operate any stores, maintain any offices or bank accounts, or had any employees anywhere in the United States. In 1995, Imaginarium Toy Centers, Inc. (which Toys later acquired) registered the domain name <imaginariium.com> and launched a web site featuring merchandise sold at Imaginarium stores. In 1996, Step Two registered the domain name <imaginariium.es>, and began advertising merchandise that was available at its Imaginarium stores. In April 1999, Imaginarium Toy Centers registered the domain name <imaginariium.net>, and launched another web site where it offered Imaginarium merchandise for sale. In June 1999, Step Two registered two additional "Imaginarium" domain names, <imaginariiumworld.com> and <imaginariium-world.com>. In May 2000, Step Two registered three more domain names: <imaginariiumnet.com>, <imaginariiumnet.<page>net>, and <imaginariiumnet.org>. Toys brought action against Step Two alleging that Step Two used its Internet web sites to engage in trademark infringement, unfair competition, misuse of the trademark notice symbol, and unlawful "cybersquatting". The District Court of New Jersey denied Toys' request for jurisdictional discovery and, simultaneously, granted Step Two's motion to dismiss for lack of personal jurisdiction. However, the Court of Appeals held that the record did not support the finding that the Defendant Step Two knowingly conducted business with residents of New Jersey. It reversed and remanded the case for limited jurisdictional discovery relating to Step Two's business activities in the United States. The Court emphasized that "the mere operation of a commercially interactive website should not subject the operator to jurisdiction anywhere in the world. Rather, there must be evidence that the Defendant "purposefully availed" itself of conducting activity in the forum state, by directly targeting its website to the state, knowingly interacting with residents of the forum state via its website, or through sufficient other related contacts".

27. Thomas Schultz (*supra*) points out that since the concept of targeting does not have an inherently precise meaning, what it means to target seems to be very much up for grabs." He suggests that positive actions by a Defendant to "direct activities towards specific states may also constitute the threshold of what amounts to targeting." It could be the language or a currency used on the website, the language in which the terms and conditions of use are drafted. Schultz also challenges the notions that the internet is inherently incapable of being regulated or that it is global or borderless as is largely believed. He points out that while there has been a "horizontal fragmentation" of the internet by constitution of legal systems which are transnational and largely autonomous of state control (he cites the example of e Bays dispute resolution mechanism) there is also "vertical fragmentation" of the internet by states exercising greater controls over web based information flows within (and into) their territory based on local values and preferences. The latter has been triggered by a variety of factors including libel originating in distant countries, online casinos, domain name cyber squatting, hate speech websites and so on. He predicts that this inevitably leads to "carving up of the internet" for the purposes of regulation and control.

28. To summarise the position in the US, in order to establish the jurisdiction of the forum court, even when a long arm statute exists, the Plaintiff would have to show that the Defendant "purposefully availed" of jurisdiction of the forum state by "specifically targeting" customers within the forum state. A mere hosting of an interactive web-page without any commercial activity being shown as having been conducted within the forum state, would not enable the forum court to assume jurisdiction. Even if one were to apply the effects test, it would have to be shown that the

Defendant specifically directed its activities towards the forum state and intended to produce the injurious effects on the Plaintiff within the forum state. We now take a brief look at the decisions in other common law jurisdictions. Canada

29. In *Morguard Investments Ltd. V. De Savoye*, [1990] 3 SCR 1077 the Canadian Supreme Court emphasized the "real and substantial connection" as a test for determining jurisdiction. It was observed as follows:

"It seems to me that the approach of permitting suit where there is a real and substantial connection with the action provides a reasonable balance between the rights of the parties."

30. In *Pro-C Ltd. v. Computer City Inc.* (2000) OJ No. 2823 (Ont.Sup.Ct.), 7 CPR (4th) 193 it was held that the listing of Canadian retail outlets on the Defendants website coupled with there being a de facto "common market" between Canada and the U.S. meant that Canadian consumers were being targeted and therefore the Ontario court in Canada would have jurisdiction to try the trademark infringement action against the Defendant located in the U.S.A.

31. In *Patrick Desjean v. Intermix Media Inc.* 2006 FC 1395, the Defendant, a Delaware Corporation with its principal office in Los Angeles, used to offer ostensible free software programs. When the Plaintiff, a resident of Canada, installed a free Intermix Screensaver or game from "www.mycoolscreen.com", he also unwittingly installed one or more spyware programs. Thereafter the Plaintiff brought an action against the Defendant in Canada for violating the misleading representations provisions of the Competition Act, 1985 (of Canada). The Federal Court of Ottawa, after referring to the decision of the Ontario Court of Appeal in *Muscutt v. Courcelles* (2002) 213 DLR (4th) 577, took the following eight factors into account while determining whether it had jurisdiction: (1) The connection between the forum and the Plaintiffs claim; (2) The connection between the forum and the Defendant; (3) Unfairness to the Defendant in assuming jurisdiction; (4) Unfairness to the Plaintiff in not assuming jurisdiction; (5) Involvement of other parties to the suit; (6) The Courts willingness to recognize and enforce an extra-provincial judgment rendered on the same jurisdictional basis; (7) Whether the case is interprovincial or international in nature; (8) Comity and standards of jurisdiction, recognition and enforcement prevailing elsewhere. The Court observed that the Defendant had no office in Canada although in the past it subsidized office space for contractors working on two websites purchased by Intermix. Intermix had no server in Canada and www.mycoolscreen.com also was not hosted on servers located in Canada but on a server in California. It was also observed that 66% of downloads from either the Defendants websites or third parties distributing the Defendants applications were made by American users and the remaining were made throughout the world. Canada accounted for only 2.5% to 5.3% of downloads. On the basis of these facts, the Federal Court held that the Canadian courts had no jurisdiction over the Defendant since there was no substantial connection between the Defendant and the forum. United Kingdom

32. In *1-800 Flowers Inc v. Phonenames* [2002] FSR 12 CA, the Defendant was a UK based phonebook company and the Plaintiff was engaged in the business of delivery of flowers. Customers

across the world could access the Plaintiffs website to place orders for flowers. There was, however, no evidence to show that UK residents had placed orders on its website. It was argued that because the website was accessible from the UK and the UK residents could place orders online, the use by the Defendant of the mark 1-800 on its website amounted to use in the UK. It was held in the first appeal by the Bench that "mere fact that websites could be accessed anywhere in the world did not mean, for trade mark purposes, that the law should regard them as being used everywhere in the world". The intention of the website owner and what the reader will understand if he accesses the website was held to be relevant. The Court of Appeals also rejected the argument. Justice Buxton, in a concurring opinion pointed out as under:

"I would wish to approach these arguments, and particularly the last of them, with caution. There is something inherently unrealistic in saying that A "uses" his mark in the United Kingdom when all that he does is to place the mark on the internet, from a location outside the United Kingdom, and simply wait in the hope that someone from the United Kingdom will download it and thereby create use on the part of A. By contrast, I can see that it might be more easily arguable that if A places on the internet a mark that is confusingly similar to a mark protected in another jurisdiction, he may do so at his peril that someone from that other jurisdiction may download it; though that approach conjured up in argument before us the potentially disturbing prospect that a shop in Arizona or Brazil that happens to bear the same name as a trademarked store in England or Australia will have to act with caution in answering telephone calls from those latter jurisdictions.

However that may be, the very idea of "use" within a certain area would seem to require some active step in that area on the part of the user that goes beyond providing facilities that enable others to bring the mark into the area. Of course, if persons in the United Kingdom seek the mark on the internet in response to direct encouragement or advertisement by the owner of the mark, the position may be different; but in such a case the advertisement or encouragement in itself is likely to suffice to establish the necessary use."

Australia

33. As far as Australian High Court is concerned, its judgment in *Dow Jones & Company Inc. v. Gutnick*, (2002) HCA 56 (10 December 2002) is instructive of the application of the effects test. *Dow Jones & Company Inc*, a corporation registered in the US had published material on the Internet that was allegedly defamatory of Mr. Gutnick who sued in the Supreme Court of Victoria to recover damages to vindicate his reputation. The Victorian law was treated as a long arm rule which provided for jurisdiction based upon the mere happening of damage within a jurisdiction. The High Court held that the primary judge was correct in deciding the issue of jurisdiction in favour of the Plaintiff. Since the long arm was found to be valid and applicable, the arguments that the Defendant had minimal commercial interest in the sale of its magazine in Victoria and that it had published them principally for the benefit of US readers was considered irrelevant. However, what is important to note is that the state of Victoria in the said case did have a long arm law which was held

to be valid and which permitted extension of jurisdiction.

India

34. Finally, the decisions of our court. At one end of the spectrum we have decision of the learned single Judge of this Court in *Casio India Co. Limited v. Ashita Tele Systems Pvt. Limited* 2003 (27) PTC 265 (Del). That was a passing-off action where the Defendant was carrying on business from Bombay. The Defendant had managed to get a registration of domain name www.casioindia.com and Defendant no. 2 was the Registrar with whom the domain name had been registered. The Plaintiff, on the other hand, claimed to be a 100% subsidiary of Casio Computer Ltd., Japan (Casio Japan) which was the registered owner of the trade mark Casio in India used for a large number of electronic and other products. He had also obtained the registration of large number of domain names in India like CasioIndiaCompany.com, CasioIndia.org, CasioIndia.net as well as CasioIndia.info, CasioIndia.Biz and CasioIndia Co. Defendant no. 1 had managed to get the registration of the aforementioned domain names during the time when it held a distributorship agreement with the Plaintiff. It was held by the learned single Judge after referring to the decisions in *Rediff Communication Ltd. V. Cyber Booth*, AIR 2000 Bombay 27 and the High Court of Australia in *Dow Jones & Co. Inc. v. Gutnick* (supra) that "once access to the impugned domain name website could be had from anywhere else, the residence of the Defendant". According to the learned single Judge since a mere likelihood of deception, whereby an average person is likely to be deceived or confused was sufficient to entertain an action for passing off, it was not at all required to be proved that "any actual deception took place at Delhi. Accordingly, the fact that the website of Defendant no. 1 can be accessed from Delhi is sufficient to invoke the territorial jurisdiction of this Court ..."

35. A different approach was adopted in a later judgment by another learned single Judge of this Court in *(India TV) Independent News Service Pvt. Limited v. India Broadcast Live Llc And Ors.*, 2007 (35) PTC 177 (Del.). The facts in brief of that case were that the Plaintiff company ran a Hindi news channel "INDIA TV" which was launched in March 2004. The Plaintiff claimed to have adopted the mark "INDIA TV" since 01.12.2002. The Plaintiff had applied for the registration of the said mark and the said applications were published in the trademarks journal. The Plaintiff was also the owner of the domain name "INDIA TV" which domain name was registered on 18.11.2003. The channel was made available for live viewing on the said website. Defendant nos. 1 and 2 hosted a website "indiatvlive.com" which the Plaintiff came across in January 2007 while carrying out an internet search. The website contained the words "INDIA TV" which were displayed prominently inside the sketch of a television. A passing off action was initiated to injunct the Defendant no. 2 from using the domain name www.indiatvlive.com. While the suit was pending, Defendant no. 1 was proceeding with the action instituted by it in the Arizona District Court in US, where the Defendants were located, against the Plaintiff in respect of "reverse domain name hijacking" seeking a declaration of non-infringement of the Plaintiffs mark by Defendant no. 1. The Plaintiff then applied to this Court stating that the Defendant had suppressed the fact of having filed the aforesaid action in Arizona and prayed for an injunction against Defendant from proceeding with the said action in the Arizona courts particularly since the suit of this court was prior action. In resisting the said application, the Defendant no. 1 took stand that this court was not a court of competent jurisdiction not being the appropriate forum/forum conveniens. Inasmuch as Defendants did not reside or work

for gain in India, it was only the District Court Arizona that was the appropriate forum/forum conveniens to decide the dispute.

36. It was argued before the court that in order to attain personal jurisdiction i.e. the jurisdiction over the person of a Defendant in contrast to the jurisdiction of a court over a Defendants property or his interest therein, there should be a long-arm statute on the basis of which the court could exercise jurisdiction over any individual located outside the state. As regards the Internet, it was argued that it was not enough to establish that there was a passive website. The court referred to the purposeful availment test and the three factors highlighted in *Cybersell*. The learned single Judge then noticed that India did not have a long arm statute which dealt with the jurisdiction as regards non-resident Defendants. Therefore it had to be examined whether the Defendants activities "have a sufficient connection with the forum state (India); whether the cause of action arises out of the Defendants activities within the forum and whether the exercise of jurisdiction would be reasonable." In paras 46 and 47, it was observed as under:

"46. I am in agreement with the proposition that the mere fact that a website is accessible in a particular place may not itself be sufficient for the courts of that place to exercise personal jurisdiction over the owners of the website. However, where the website is not merely 'passive' but is interactive permitting the browsers to not only access the contents thereof but also subscribe to the services provided by the owners/operators, the position would be different. However, as noticed in the judgment in *CyberSell Inc. case* (supra), even where a website is interactive, the level of interactivity would be relevant and limited interactivity may also not be sufficient for a court to exercise jurisdiction. In *Panavision International LP case* (supra), it was found that the registration of the Plaintiff's mark as a domain name by the Defendant had the effect of injuring the Plaintiff in California and therefore the court had jurisdiction. In *Compuserve case* (supra) again it was found that the Defendant had contacted Ohio to sell his computer software's on the Plaintiffs Ohio based systems and sent his goods to Ohio further for their ultimate sale and thus those courts had jurisdiction.

47. In the present case, the website "indiatvlive.com" of Defendant No. 1 is not wholly of a 'passive' character. It has a specific section for subscription to its services and the options (provided on the website itself) for the countries whose residents can subscribe to the services include India. The services provided by Defendant No. 1 can thus be subscribed to and availed of in Delhi (India) i.e. within the jurisdiction of this court."

37. After referring to the articles posted on the net the learned Single Judge concluded in *India TV* that the "Defendant No. 1 intended to target expatriate Indians as well as Indians within the country." Further the stand taken by Defendant No. 1 in its written statement was that it had a global presence including in India. It claimed to be the first IPTV delivery system of Indian content from India. The website of Defendant No. 1 was launched in India as well as in Los Angeles. It was accordingly held that "Defendant No. 1 company has sufficient connection with India." As regards

the effects test, it was held that since the Plaintiff channel was an Indian news channel intended for Indian audiences, any damage alleged to have been caused or alleged to be likely to arise to the goodwill, reputation etc of the Plaintiff would be in India. However, the alleged damage that may have arisen or may be likely to arise to the Plaintiff would be as a consequence of the fact that the impugned website is accessible in India and the services provided can be availed of in India. Consequently, it was held that "the Defendant is carrying on activities within the jurisdiction of this court; has a sufficient contacts with the jurisdiction of the court and the claim of the Plaintiff has arisen as a consequence of the activities of Defendant no. 1 within the jurisdiction of this court".

38. Having surveyed the law as it has developed in different jurisdictions, this Court is of the view that the essential principles developed as part of the common law can be adopted without difficulty by our courts in determining whether the forum court has jurisdiction where the alleged breach is related to an activity on the internet. At the outset, this court does not subscribe to the view that the mere accessibility of the Defendants website in Delhi would enable this Court to exercise jurisdiction. A passive website, with no intention to specifically target audiences outside the State where the host of the website is located, cannot vest the forum court with jurisdiction. This court is therefore unable to agree with the proposition laid down in Casio. The said decision cannot be held to be good law and to that extent is overruled.

39. India TV appears to be somewhat closer to the development of law in this regard since the decision in Casio. In India TV, the learned single Judge impliedly doubted the correctness of the decision in Casio. The learned single Judge in India TV acknowledged that a mere accessibility of website may not be sufficient to attract jurisdiction of the forum court. This, in the considered view of this Court, is the correct position in law.

40. There was no occasion for this court even in India TV to examine the finer aspects of the question of jurisdiction based on the nature of the website, the intention of the host of the website to specifically target viewers outside its jurisdiction, and the effect of hosting such website on audiences outside such state. It appears to this court that for the purposes of a passing off action or an action for infringement where the Plaintiff is not carrying on business within the jurisdiction of the forum court, and where there is no long arm statute, the Plaintiff would have to show that the Defendant purposefully availed itself of the jurisdiction of the forum court. It is not enough merely to show that the website hosted by the Defendant is an interactive one. It would have to be shown that the nature of the activity indulged in by the Defendant by the use of the website was with an intention to conclude a commercial transaction with the website user.

41. This court is not able to accept the submission of the learned counsel for the Plaintiff that the test of "purposeful availment" must be replaced by the test of "purposeful avoidance". While the Defendant may in his defence show how he avoided the forum state, the initial burden is on the Plaintiff to show that the Defendant "purposefully availed" itself of the jurisdiction of the forum court. The issue of incorporating filters to block access to the website by viewers located outside the forum state will have to be considered while deciding if the Defendant had "purposefully avoided" the forum state. However, that question will arise only if the Plaintiff has been able to show that the website of the Defendant is interactive and permits commercial transactions to be concluded by the

Defendant with a user of the website.

42. This Court holds that jurisdiction of the forum court does not get attracted merely on the basis of interactivity of the website which is accessible in the forum state. The degree of the interactivity apart, the nature of the activity permissible and whether it results in a commercial transaction has to be examined. For the effects test to apply, the Plaintiff must necessarily plead and show prima facie that the specific targeting of the forum state by the Defendant resulted in an injury or harm to the Plaintiff within the forum state. For the purposes of a passing off or an infringement action (where the plaintiff is not located within the jurisdiction of the court), the injurious effect on the Plaintiffs business, goodwill or reputation within the forum state as a result of the Defendants website being accessed in the forum state would have to be shown. Naturally therefore, this would require the presence of the Plaintiff in the forum state and not merely the possibility of such presence in the future. Secondly, to show that an injurious effect has been felt by the Plaintiff it would have to be shown that viewers in the forum state were specifically targeted. Therefore the effects test would have to be applied in conjunction with the "sliding scale" test to determine if the forum court has jurisdiction to try a suit concerning internet based disputes.

43. The question no. (i) is accordingly answered. Question (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?

44. This brings us to the question as to the extent of burden of proof on the Plaintiff to prima facie show that the Defendant has purposefully availed of the jurisdiction of this court. In the present case, it is argued that by enabling customers to go on the website and get a copy of its brochure and make enquiries, the Defendant must be held to have purposefully availed of the jurisdiction of this court. The question that arises is for the purposes of Section 20 (c) CPC, in such circumstances, is what is the extent of the burden on the Plaintiff to show prima facie that a part of the cause of action arose within the jurisdiction of the forum court.

45. This court holds that in order to prima facie establish that the Defendant purposefully availed of the jurisdiction of this court, the Plaintiff would have to show that the Defendant engaged in some commercial activity in the forum State by targeting its website specifically at customers within that State. This is consistent with the law laid down in *Cybersell* and reiterated later in *Toys R Us*. It is also consistent with the application of the tighter version of the effects test which is targeting. 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, whether euphemistically termed as "passive plus" or "interactive", 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. Question no. (ii) is answered accordingly. Question (iii) Is it permissible for the Plaintiff to establish such prima facie case through "trap orders" or "trap transactions"?

46. It may be recalled that 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.

47. Courts in foreign jurisdictions have underlined the need for fairness and certainty while accepting evidence in the form of trap orders. In *California Fig Syrup Company v Taylor's Drug Company Ltd* (1897) 14 RPC 564 (Court of Appeal, UK), the Plaintiffs trade name was California Syrup of Figs and the Defendants trade name was American Syrup of Figs. The Plaintiffs sought trap orders for California American Syrup, thereby creating ambiguity as to the name under which the defendant was selling its own syrup of figs product. *Carr & Sons v Crisp & Co Ltd* (1902) 19 RPC 497 (High Court of Justice, Chancery Division) was another case where there was ambiguity as to what was actually said at the time of the trap purchase, coupled with difficulties of subsequent recall. The Court observed that it would be wise on the part of the person setting the trap to send a written order in order to avoid ambiguity.

48. In *Fox's Glacier Mints Ltd v Joblings* (1932) 49 RPC 352, (High Court of Justice, Chancery Division), there was a possibility that requests for Glacier mints were misunderstood or not heard, particularly as there was a common use of the word glassy for sweets of that kind in the relevant market (the city of Leicester). In *C Stillitz (a Firm) v Jones & Higgins Ltd* (1943) 60 RPC 15 (High Court of Justice, Chancery Division), there was a conflict in evidence as to what happened in the making of the trap purchases. In *Cellular Clothing Coy Ltd v G White & Coy Ltd* (1952) 70 RPC 9 (High Court of Justice, Chancery Division), two trap orders were successfully obtained through purchases in a shop, but no notice was given to the Defendants of what had happened before issuing proceedings. Therefore, there was no certainty as to whether the shop assistants in question were really made aware of what was being asked for. The Court emphasised the need to either support the trap orders by written evidence or at least bring them to the notice of the person who was trapped. In the view of the court (Harman J), this was exactly the way in which trap orders should not be given and that such fragile evidence with no confirmation and which has been sedulously concealed from the Defendants could not be relied upon to support a claim for injunctive relief.

49. In *C C Wakefield & Co Ltd v Purser* (1934) 51 RPC 167 (High Court of Justice, Chancery Division), there was evidence of one isolated instance of passing off, but it was still held that this was insufficient for the purposes of an injunction to restrain continuing conduct that was alleged to be occurring, unless it could be shown that there was some kind of intentional conduct involved. In this regard, the following comments of Farwell J underline the fairness considerations involved in evidence of trap purchases, while noting that such orders may often be a necessary means of proof:

"Test orders or, as the Defendant prefers to call them, trap orders are in a case of this kind, it seems to me, quite essential. 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. Further, if a person is resorting to a test order or a trap order, even in a case of this kind, where the necessity for such a device may be a real one, that person is bound to carry out the proceeding with the utmost fairness to the prospective defendant to the action. It is essential, if the plaintiff is to succeed in the action which he ultimately brings, that he should be able to satisfy the Court that he has acted throughout with the utmost fairness to the defendant and given him every reasonable chance of investigating the matter for himself, so that he may be in a position to put forward in the action, if one follows, any and every defence properly open to him. His Lordships concern was not to grant an injunction unless satisfied that the conduct was likely to continue. On the basis of an isolated instance of passing off, he was not prepared to do so, unless satisfied that the defendant had been intentionally seeking to pass off the plaintiffs product (which he was not)."

50. *Showerings Ltd v Fern Vale Brewery Coy Ltd*. [1958] RPC 484 (High Court of Justice, Chancery Division) was a case involving passing off constituted by several trap purchases (asking for the Plaintiffs Babycham perry at the same public house and being supplied with another perry drink). Danckwerts J rejected criticisms that were made of the Plaintiffs trap orders here, noting that they were not based on one isolated instance and that the Plaintiffs had tested the matter by several visits to see whether there was simply one mistake or a regular practice; it was only after these inquiries, that a letter was written and action subsequently launched. As this was in fact a motion for committal of the defendant for contempt in relation to an earlier order of the court, the court did not order committal because the defendant had acted honestly and the passing off was the fault of his servants who were, in the Courts view, unfortunately persons of extremely low intelligence.

51. Similar judicial remarks about the need for fairness in the use of trap orders, and the giving of notice to defendants so that they can investigate alleged breaches, are to be found in several Australian cases: see, for example, *OT Co v Muir* (1914) 31 WN (NSW) 87, 88 (Harvey J) and *Bryant v Keith Harris & Co Ltd* (1908) 33 ALR 437, 450-452 (Lockhart J)

52. In *Marie Claire Album SA v Hartstone Hosiery Ltd* [1993] FSR 693 (Chancery Division), a trap order had been made by the Plaintiffs solicitors for hosiery sold under the name Marie Claire (the plaintiffs published a womens magazine under that name). The Defendant challenged the way in which this had been done by the Plaintiffs solicitors (this included arranging the meeting at which the order was given and the making of a tape recording of the discussions), and there had also been a complaint to the Solicitors Complaints Bureau. Chadwick J observed that "if it is the law that a plaintiff is entitled to misrepresent himself as a bona fide customer in the guise of executing a trap order then his solicitor must be entitled, first, to advise him that this is so and secondly, to set up the arrangements which enable the trap order to be executed effectively. It is but a short step from that for the solicitor to be present at the execution of the trap order, if only to ensure that a proper record is made of what occurs."

53. In *Hilti AG v. Ucan Development Limited* [1963] 7 RPC 160 (High Court of Justice, Chancery Division), the Court, while considering the likelihood of repetition and the danger of further instances of passing off, was concerned with only one transaction, which was a trap order. The Court refused to grant an interlocutory injunction on the basis of an isolated instance. Even in cases where no trap purchase was involved, the Courts have not granted relief where only an isolated instance was shown. [See: *Rutter and Co. v. Smith* (1901) 18 RPC 49 (High Court of Justice, Chancery Division); *John Knight & Sons v. Crisp* (1904) 21 RPC 671 (High Court of Justice, Chancery Division); *Burberrys v. Watkinson* (1906) 23 RPC 141 (High Court of Justice, Chancery Division); *Armstrong Oiler Company Ltd v. Patent Axlebox and Foundry Company* (1910) 27 RPC 362 (High Court of Justice, Chancery Division)]. 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.

54. Although evidence of trap orders has been accepted by courts in both trade mark infringement and passing off cases, [See *Bostitch Inc v McGarry & Cole Ltd*[1964] RPC 173; *Thomas French & Sons Ltd v John Rhind & Sons Ltd* [1958] RPC 82; *Pearson Brothers v Valentine & Co* (1917) 34 RPC 267; *Procea Products Ltd v Evans & Sons Ltd* (1951) 68 RPC 210] the nature of business transacted through an internet website and the nature of goods or services offered by the Defendant would be relevant. This would involve two levels of examination. The nature of goods or services offered would be relevant to determine as to their feasibility of being ordered on the internet by the customers. For example, goods like books, DVDs and cosmetic products can be easily ordered by the customers on the Internet. But goods like cars and furniture would be less obvious candidates to be ordered online as the customers, in general, would like to purchase these goods after actually visiting the shops and seeing them. Similarly, services are another instance where online ordering may not be feasible. For example, food services offered by restaurants, etc. However, professional services such as legal or accounting services may be provided online to the clients. (See Sam Ricketson, *Trademark Liability Issues Arising out of Internet Advertising*, Legal Studies Research Paper No. 207, January 2007, Melbourne Law School available at <<http://ssrn.com/abstract=958858>>)

55. In *Walt Disney Productions Ltd. v. Gurvitz*, [1982] F.S.R. 446 the question was whether an illegal sale of a video which constituted a trap order could be relied upon for the purposes of

demonstrating contempt of court. It was held that since the case involved a breach of undertaking given to the Court by the Defendant, he would still be liable.

56. In *Ward Group Pty Ltd v. Brodie & Stone Plc*, (2005) FCA 471 (22 April 2005), the Federal Court of Australia held that the making of trap purchases would not confer jurisdiction on the court. It was held that:

"the use of a trade mark on the Internet, uploaded on a website outside of Australia, without more, is not a use by the website proprietor of the mark in each jurisdiction where the mark is downloaded. However, as explained above, if there is evidence that the use was specifically intended to be made in, or directed or targeted at, a particular jurisdiction then there is likely to be a use in that jurisdiction when the mark is downloaded. Of course, once the website intends to make and makes a specific use of the mark in relation to a particular person or persons in a jurisdiction there will be little difficulty in concluding that the website proprietor used the mark in that jurisdiction when the mark is downloaded."

A reference was made to the Section 9 of the Trade Mark Act of Australia which gave rise to the question whether the Plaintiff had consented to the application of the mark in the sense of the use of its physical manifestation in Australia by the website proprietors. It was sought to be contended by the Plaintiff that trap purchases had never been regarded as consent by the trap purchasers to the infringing use. Rather, they are often a necessary step to establish that use. It was explained by the High Court that "why trap purchases were not generally considered a consent to infringing use is that the infringing conduct is usually already occurring when the goods bearing the infringing mark are advertised or offered for sale to the public in the jurisdiction. In that situation the trap purchase is made to establish that fact, and cannot be seen to be consent to the infringements that are occurring". However, the above situation was distinguished from one where "goods bearing the mark are being offered for sale by an overseas vendor to the world at large and a trap purchase is made by a purchaser in Australia, who not only procures the sale and delivery of the goods in Australia but also procures the sole use of the infringing mark by the overseas vendor in Australia. In that situation, but for the trap purchase, no use of the mark in Australia would have occurred. In those circumstances it was held that it would be difficult for the trap purchaser, whose conduct was the sole cause of the use of the infringing mark in Australia, to contend that it has not consented to that use". It was accordingly held that the trap purchase would not confer jurisdiction on the court.

57. Reverting to the present case, the position that emerges from the above judicial decisions is that 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" avilment 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, to prima facie show that the trap transactions relied upon satisfy the above test. Question (iii) is answered accordingly.

Summary

58. We summarise our findings on the questions referred for our opinion as under:

Question (i): For the purposes of a passing off action, or an infringement action where the Plaintiff is not carrying on business within the jurisdiction of a court, in what circumstances can it be said that the hosting of a universally accessible website by the Defendants lends jurisdiction to such Court where such suit is filed ("the forum court")?

Answer: For the purposes of a passing off action, or an infringement action where the Plaintiff is not carrying on business within the jurisdiction of a court, and in the absence of a long-arm statute, in order to satisfy the forum court that it has jurisdiction to entertain the suit, the Plaintiff would have to show that the Defendant "purposefully availed" itself of the jurisdiction of the forum court. For this it would have to be prima facie shown that the nature of the activity indulged in by the Defendant by the use of the website was with an intention to conclude a commercial transaction with the website user 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.

Question (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?

Answer: 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, whether euphemistically termed as "passive plus" or "interactive", 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 resulting in an injury or harm to the Plaintiff within the forum state.

Question (iii): Is it permissible for the Plaintiff to establish such prima facie case through "trap orders" or "trap transactions"?

Answer: The commercial transaction entered into by the Defendant with an internet user located within the jurisdiction of the forum court 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 as having been 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, to prima facie show that the trap transactions relied upon satisfy the above test.

59. For determining if on the facts of the present suit, the Plaintiff has been able to show prima facie that this court has the jurisdiction to entertain the suit, it is placed again before the learned single Judge who will first determine that question in light of the law laid down in this judgment.

60. List before the learned Single Judge on 7th December 2009.

S. MURALIDHAR, J.

CHIEF JUSTICE November 23, 2009 dk