

SAFE HARBOUR IMMUNITY FOR INTERNET INTERMEDIARIES AND IP VIOLATIONS:
WHERE WE STAND TODAY AND THE WAY FORWARD?

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The Information Technology Act, 2000 (“IT Act”) and the Information Technology (Intermediaries Guidelines) Rules, 2011 (“Intermediaries Guidelines”) sets out a framework providing for conditional safe harbour immunity to internet intermediaries from being made liable for third-party Intellectual Property (“IP”) - infringing content. This article takes an objective look at the IP rights violations surrounding internet intermediaries and analyses the case laws where courts have interpreted the provisions of law concerning intermediaries’ liabilities for infringements in the cases of IP violations online, while transposing the principles of copyright, trademark and design infringements into the virtual space.

The Ministry of Electronics and Information Technology is currently in the process of amending the Intermediary Guidelines. A draft was released on December 2018 for comments from stakeholders and the public. The proposed amendments significantly alter the current framework vis-à-vis the process that should be followed by intermediaries to avail the conditional immunity made available to them. This article also takes a look at the implications that some of the proposed amendments would have on the intermediaries’ immunity from liabilities for infringements in the cases of IP violations online, and also suggests to remove the loopholes existing under the proposed framework.

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I. INTRODUCTION

As internet intermediaries have become the checkpoint of online communication over the years throughout the world, their accountability regarding the content posted online through them has also become prominent. They attract liabilities for contributing to intellectual property rights violations, particularly copyright infringement.²

The USA was the first country to adopt defences for internet intermediaries to avoid liabilities for contributory infringement in its copyright law. Under the Digital Millennium Copyright Act enacted in 1998 by the US Parliament, internet intermediaries can avoid liabilities provided they follow the notice and take-down procedures as prescribed under this law.

In India, the IT Act, 2000 established a legal framework that offered broad immunity or safe harbour to internet intermediaries from liability for illegal third-party content. The IT Act defines intermediary with respect to any particular electronic record as “any person who on behalf of another person receives, stores or transmits that record or provides any service with respect to that record, and includes telecom service providers, network service providers, internet service providers, web-hosting service providers, search engines, online payment sites, online-auction sites, online-market places and cybercafes.”³

Section 79 of the IT Act provides immunity to an internet intermediary from liability under all laws, provided the intermediary has not conspired, abetted, aided, or induced the commission of an unlawful act or upon receiving actual knowledge through any notification about a computer resource in the control of the intermediary being used for an unlawful act, and fails to expeditiously remove or disable access to that material. So, while Section 79 provides a defence to intermediaries in cases of IP violations, owing to its safe harbour nature, it also casts a duty upon them, especially upon online sites providing third-party digital content, to take suitable action against the infringing content, upon receiving the relevant information.⁴

Considering that there has been a tremendous increase in online content transmission

² Title II, codified at 17 U.S.C. § 512, otherwise known as the Online Copyright Infringement Liability Limitation Act of the USA.

³ Section 2(w), The Information Technology Act, No. 21, Acts of Parliament, 2000.

⁴ *Id.* at Section 79.

through the World Wide Web, as well as a considerable rise in the number of e-commerce portals offering sale of third-party products, there has been a significant upsurge in online IP violation cases. Therefore, internet intermediaries are considered more and more accountable, and made parties in lawsuits concerning IP violations online.

In the recent past, a series of cases concerning IP violations have cropped up where internet intermediaries have been made parties for infringing content uploaded by third-parties. This article analyses the cases where intermediaries have been granted immunity under the safe harbour provision of Section 79 of the IT Act and where they have actually been held liable for infringements.

II. PROMINENT JUDGEMENTS IN IP MATTERS DISCUSSING SAFE HARBOUR IMMUNITY

A. MYSPACE INC. VS. SUPER CASSETTES INDUSTRIES LTD.⁵ (THE “MYSPACE CASE”):

The judgement in the Myspace case is one of the firsts that prominently dealt with the liability of internet intermediaries in a case of copyright infringement. Few noteworthy observations made in the Myspace case are listed below:

- Myspace was a neutral online platform, and it enabled users to freely exchange data without adding or contributing information on its own.
- An analysis of Section 79 of the IT Act provides that, in order to construe a valid claim, an intermediary should be actually aware of the infringing content, and that the onus of monitoring and conveying the infringing content is on the original IP right owner.
- Section 79 of the IT Act does not provide blanket immunity from liability to internet intermediaries. To impose liability on an intermediary, the conditions under Section 79 are required to be fulfilled, i.e., an intermediary must have failed to take action against infringing content upon receiving information for it to be liable under Section 79.
- The provisions of Section 79 of the IT Act, and Section 51(a)(ii) (that describes contributory copyright infringement) of the Indian Copyright Act,

⁵ Myspace Inc. v. Super Cassettes Industries Ltd., 2011 (48) PTC 49 (Del).

1957 are not inconsistent with each other, but are required to be read harmoniously.⁶

- Section 81 of the IT Act does not imply that the remedies under the Copyright Act and the Patent Act would completely oust the applicability of Section 79 of the IT Act in cases of IP violations.⁷

B. KENTRO SYSTEMS LTD. VS. AMIT KOTAK & EBAY INDIA PVT. LTD.⁸ (THE “KENT RO CASE”):

In this case, the High Court of Delhi adopted the position of the Myspace case for a design infringement issue and held that an intermediary is not required to make a self-determination of infringing products sold on its website but is required to take down the same after a complaint is received from the original IP right owner.

The Delhi High Court opined that an intermediary will not be possessed with prowess to determine each case of design infringement, unless its attention is drawn to a particular instance.

C. FERMAT EDUCATION VS. SORTING HAT TECHNOLOGIES PVT. LTD.⁹ (THE “UNACADEMY CASE”):

Recently in the Fermat case, the High Court of Madras dealt with a copyright infringement dispute relating to educational materials uploaded online on an intermediary platform. Fermat Education offered an online course called ‘2IIM-CAT’ and exclusively owned the literary work in the same. Sorting Hat Technologies operated an online coaching platform ‘Unacademy’, on which third parties could upload study materials in literary and video modes and provide training to users of Unacademy. Fermat Education discovered blatant reproduction of their work on Unacademy and approached Sorting Hat Technologies to take down the same. However, the infringing content remained on the platform. The suit for infringement was filed by Fermat Education and subsequently, Sorting Hat Technologies was made liable for the violation. The High Court of Madras was satisfied that a prima facie case was made out and thus,

⁶ See, Section 51, The Copyright Act, No. 14, Acts of Parliament, 1957 (explains ‘when copyright is infringed’).

⁷ See Information Technology Act, *supra* note 2, at Section 81, (provides for the Act to have overriding effect over other laws, except in case of IP violations).

⁸ Kent RO Systems Ltd. v. Amit Kotak & eBay India Pvt. Ltd., CS(COMM) 1655/2016.

⁹ Fermat Education v. Sorting Hat Technologies Pvt. Ltd, Civil Suit No. 330/2018.

granted an interim injunction against Sorting Hat Technologies and related parties.

It is noteworthy to mention that Sorting Hat Technologies had placed reliance on the case of *Chancellor, Masters, & Scholars of the University of Oxford and Ors. vs. Rameshwari Photocopy Services and Anr.*¹⁰(the “University of Oxford case”) wherein the High Court of Delhi had held that reproduction by making photocopies of particular portions of books of various publishers and collating them into separate books for students, did not constitute infringement by Rameshwari Photocopy by virtue of a fair dealing provision under the Copyright Act.¹¹ Rameshwari Photocopy operated a photocopy kiosk in the premises of the University of Delhi and made photocopies of the portions of the copyrighted works of international publishers, for educational purposes.

Sorting Hat Technologies claimed that its action came under fair dealings, was similar to Rameshwari Photocopy Services’ action as set out in the University of Oxford case and also sought exemption from liability as an intermediary. Fermat Education referred to the terms and conditions of Unacademy and contended that Sorting Hat Technologies cannot be categorised as an intermediary and cannot claim protection under the IT Act, as it regulated, and exercised considerable control over the nature of content on their online platform Unacademy.

The High Court of Madras concurred with Fermat Education’s stand and concluded that Sorting Hat Technologies is not an intermediary under the provisions of the IT Act. This was because, as per the terms and conditions of Unacademy, its users could create publishable content with the help of the software provided by Unacademy and publish the same only once approved thereby. Hence, Unacademy was not an intermediary as per the IT Act’s definition of intermediary, as it did not receive, store or remit publishable data on behalf of another person, but helped create and also approved the publishable data. On the fair dealing defence, the Madras High Court held that, what Sorting Hat Technologies was involved in was a commercial activity, as it paid consideration to educators who created and uploaded content on Unacademy and the fair dealing exemption was unavailable to them.

D. CHRISTIAN LOUBOUTIN SAS VS. NAKUL BAJAJ AND ORS.¹²(THE “CHRISTIAN

¹⁰ *Chancellor, Masters, & Scholars of the University of Oxford and Ors. v. Rameshwari Photocopy Services and Anr*, MIPR 2017 (1) 0039.

¹¹ The Copyright Act, *supra* note 5 at Section 52(1)(i).

¹² *Christian Louboutin SAS v. Nakul Bajaj and Ors.*, Civil (COMM) 344/2018.

LOUBOUTIN CASE”):

The Christian Louboutin case is a recent trademark infringement and passing off dispute, wherein it was noted that counterfeit products were listed on Nakul Bajaj’s website ‘Darveys.com’, using the image and the name of world-renowned fashion designer Mr. Christian Louboutin, who owns the international shoe brand under his name. It was alleged on behalf of Mr. Louboutin’s company that traffic was routed to the said website through the meta-tags “Christian” and “Louboutin”, and that the sale of the products on Darveys.com led consumers to believe that such products had originated from and were affiliated to the brand, Christian Louboutin. This resulted in trademark infringement, passing off and an infringement of the personality rights of Mr. Christian Louboutin. Nakul Bajaj defended his acts on Darveys.com by saying that they were not selling the infringing products but were merely enabling the booking of the orders placed by their customers through their online platform, and therefore, deserved immunity as an intermediary under Section 79.

The High Court of Delhi, after observing the the terms of use of Darveys.com, concluded that it exercised complete control over the products being sold in so far as it was identifying the sellers, aiding the sellers actively, promoting the products and selling the products, which in turn accorded Darveys.com a more significant role than that of an intermediary. The High Court of Delhi stated that, “the obligation to observe due diligence, coupled with the intermediary guidelines which provides specifically that such due diligence also requires that the information which is hosted does not violate IP rights, shows that e-commerce platforms which actively conspire, abet or aide, or induce commission of unlawful acts on their website cannot go scot free.” Due to loopholes in its website’s terms of use, Darveys.com was directed to obtain certificates of genuineness of products from its sellers.

The High Court of Delhi also made the following noteworthy observations: “When e-commerce websites actively abet or aide in the commission of unlawful acts, it crosses the line from being an intermediary to an active participant. The activity in question would result in the trademark owner losing its customer base. If the products turned out to be counterfeit, the trademark owner’s brand equity would be diluted. The seller himself would not suffer. Such immunity is beyond what is contemplated to

intermediaries under the IT Act. They continue to remain intermediaries only as long as they are passive transmitters of records. Considering that Darveys.com represented the products being sold through its platform to be genuine while they are not, they could not be termed as an intermediary and be entitled to protection under the IT Act.”

Like the Unacademy case, the Court took a strict interpretation in assessing whether Darveys.com was an intermediary as per the definition of the IT Act. Due to the way the owners managed the process of identifying and checking products being offered/sold at Darveys.com, it was not held to be an intermediary and refused the immunity granted to intermediaries under the IT Act.

III. SAFE HARBOUR IMMUNITY AND FREESPEECH

By providing safe harbour immunity to internet intermediaries for unlawful content originating from third parties over which such intermediaries have limited to no control, the internet intermediaries have been given a reasonable defence in cases of online violations. The current legal framework which offers safe harbour immunities was championed as the “cornerstone of Internet freedom”; given its vital role in encouraging the development of Internet as a commercial and political resource.

A. SHREYA SINGHAL VS. UNION OF INDIA¹³ (THE SHREYA SINGHAL CASE):

The Supreme Court of India in the landmark decision of the Shreya Singhal case highlighted the freedom of speech through the Internet, while laying emphasis on intermediary immunity under the IT Act.

In this case, the Supreme Court of India struck down Section 66A of the IT Act on grounds that it restricted online speech, was violative of freedom of speech and expression under the Constitution of India and wasn't getting covered as a 'reasonable restriction' under Article 19 of the Constitution.¹⁴ Additionally, the Supreme Court also read down and interpreted Section 79(3)(b) to mean that an internet intermediary shall be made liable under Section 79 of the IT Act if upon receiving actual knowledge by way of a court order or on being notified by the appropriate government or its agency that unlawful acts relating to Article 19(2) are going to be committed, and then fails to take

¹³ Shreya Singhal v. Union of India, AIR 2015 SC 1523.

¹⁴ The Constitution of India, 1950, Article. 19.

action against the material expeditiously.¹⁵ Thus, it was laid down that the actual knowledge referred to in this provision must be only through the medium of a court order or through an agency established by the government.

The Supreme Court's reading down of Section 79(3)(b) of the IT Act in the manner mentioned above in the Shreya Singhal case, has been explained later to apply in cases relatable to Article 19, and definitely not to apply to the cases of infringement under the Indian Copyright Act, 1957.¹⁶

B. SABU MATHEW GEORGE VS. UNION OF INDIA¹⁷ (THE SABU MATHEW GEORGE CASE):

The protection for intermediaries has also proven to be ripe for exploitation and foster offending activities. This is the flipside of safe harbour immunities granted to intermediaries under the IT Act. It is for this reason that very often, internet intermediaries are called upon to be judicious themselves, to exercise their rationale in assessing information on their resource and to block offending or infringing content. This was also seen in the recent Sabu Mathew George case.

This was a writ petition by an activist for banning online advertisements (displayed through the search engines of Google, Yahoo and Microsoft) related to pre-natal sex determination, an offence under Preconception and Pre-natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 1994 (the "PCPNDT Act"). The PCPNDT Act prohibits the detection of the gender of the child during the conception stage.

By this ruling, the Supreme Court, first of all, directed the Government of India to form a nodal agency to alert the intermediaries about any site that contained offending material so that the same could be blocked by the intermediary and be deemed inaccessible. Furthermore, the three intermediaries viz. Google, Yahoo and Microsoft, were directed to auto-block advertisements using their technologies containing specific words, that were in violation of the PCPNDT Act. Additionally, they were also directed to appoint internal expert committees to review and block content by themselves that could constitute offences under the PCPNDT Act.

¹⁵ See Information Technology Act, *supra* note 2, at Section 79(3), (essentially lays down the requirement to be complied with for an intermediary, for not being made liable under Section 79(1) of the IT Act).

¹⁶ Myspace Inc. *supra* note 4, at 49, 50.

¹⁷ Sabu Mathew George v. Union of India, [W.P. (C) No. 341/2008].

The intermediaries strongly argued that they can take action against the offending material once they receive intimation about it from the nodal officers, as is the requirement of law under Section 79(3)(b) of the IT Act. Another argument raised by the intermediaries was that blocking (whether upon receiving actual knowledge from the Government's nodal agency or auto-blocking by their internal committees) of information generally on pre-natal diagnosis on the world wide web would violate freedom of speech and expression on this subject under Article 19(1)(a) of the Constitution of India, which includes the right to know, right to receive and right to access information or content. However, the Supreme Court noted that the freedom of speech under Article 19(1), which includes the right to know and right to receive information, cannot be violative of the provisions under the PCPNDT Act.

The directions under the Sabu Mathew George case seem to have gone beyond what has been provided in Section 79(3)(b) of the IT Act.

IV. PROPOSED AMENDMENTS TO INFORMATION TECHNOLOGY RULES AND IP VIOLATIONS

The recent draft of the Information Technology [Intermediaries Guidelines (Amendment)] Rules, 2018 (the "Draft Amendment Rules") issued by the Ministry of Electronics and IT for public comments and consideration, propose to amend the Information Technology (Intermediaries Guidelines) Rules, 2011 (the "Original Rules"). Among various amendments in the Draft Amendment Rules that have been proposed, two proposed amendments of the rule concerning due diligence to be followed by intermediaries are significant for IP violations.¹⁸

- 1) By way of the Draft Amendment Rules, the sub-rule that provided for intermediaries to take steps for disabling content upon acquiring actual knowledge by an affected person in writing or by an email digitally signed by him about infringement of IP rights or other offending actions specified in sub-rule 3(2) of the Rules, has been deleted; and a new sub-rule has been introduced whereby intermediaries are to take steps for disabling content upon acquiring actual knowledge in the form of a court order, or on being notified by the appropriate Government or its agency, for the content

¹⁸ Rule 3, Information Technology (Intermediaries Guidelines) Rules, 2011.

constituting unlawful acts relatable to Article 19(2) of the Constitution.¹⁹ Other offending acts (apart from unlawful acts relatable to Article 19(2)), as specified in sub-rule 3(2) of the Rules, which include IP infringements, are beyond the scope of the new sub-rule. There is no other rule or sub-rule that provides for simply sending intimations to intermediaries about the above-mentioned actions, which are beyond the scope of the new sub-rule.

Indian courts have time and again recognized the fact that sending take down notices to intermediaries containing intimation about IP-infringing content and relevant IP rights should be sufficient for an intermediary to act on the notices, as it would be considered ‘reasonable actual knowledge’ by them.²⁰ However, the proposed amendment takes away an important right of IP owners, which would allow them to send take down notices to intermediaries, and have the infringing content disabled by intermediaries without any court or government order.

- 2) It has been proposed in the Draft Amendment Rules that an intermediary shall deploy technology based automated tools or appropriate mechanisms, with appropriate controls, for proactively identifying and removing or disabling public access to ‘unlawful information or content’.²¹ The proposed amendment fails to define the term ‘unlawful information or content’. As a matter of policy, while this may reinforce the trust that users place on intermediaries and their online platforms, it would be extremely challenging for intermediaries to assess and block any IP infringing material suo moto, because creation and enforcement of IP rights could be subjective and technical in nature. The use of such automated tools will also arbitrarily, excessively and disproportionately pre-censor information and content, and have a detrimental effect of the right to freedom of speech.

V. CONCLUDING REMARKS

Since the MySpace case, many e-commerce companies have sought refuge under the safe

¹⁹ Rule 3(8), Information Technology [Intermediaries Guidelines (Amendment)] Rules, 2018.

²⁰ Myspace Inc. *supra* note 4; Kent RO Systems Ltd. *supra* note 7.

²¹ Intermediaries Guidelines *supra* note 19, at Rule 3(9).

harbour provisions under the current framework for IP violation cases. It was reasoned by the High Court of Delhi in the MySpace case that the provisions of the IT Act have been enacted keeping in mind, a digital economy and newer technologies, whereas the Copyright Act, on the other hand, was enacted solely for the purpose of protecting specific IP rights. The Court held that the only logical and harmonious manner to interpret the law would be to read them together.

As mentioned in the foregoing paragraphs, the MySpace case also clarified that in case of online IP violations, a notice has to be directed to intermediaries regarding the actual infringing content along with details of the IP rights in question; the infringing content should be removed within 36 hours of receiving the said notice by intermediaries. This is what was different from the standard set out in the older Shreya Singhal case, which required a court/ executive order for ‘actual knowledge’ to be constituted under Section 79.

The decisions in the recent cases, namely the Unacademy case and the Christian Louboutin case are a step forward for providing a clear distinction between “intermediaries” and “active participants”, and also in clarifying to what extent safe-harbour immunity under the current framework are available to websites like Unacademy and Darveys.com. These decisions are significant as they impose an absolute obligation on e-commerce websites and online marketplaces to structure their intermediary business appropriately, draw suitable website terms of use and policies, exercise due diligence as intermediaries and take action on infringement reports that they receive from IP owners, in order for them to make use of the benefits provided to them under the IT Act. In both the cases, the Courts have interpreted the provisions of law relating to intermediaries and transposed the principles of copyright and trademark infringements into the virtual space. The judgements serve caution to online businesses that render services relating to the hosting and provision of information online on behalf of others. The two judgments essentially classify “active participants” who will be considered the controller and manager of online content or data, as they determine the goal and the means of content creation or data processing. They hold a shared responsibility for data processing along with the creator/uploader of the data. For this reason, intermediary immunity in cases of IP violations cannot be invoked for active participants. The two rulings are significant for assessing liabilities of web-portals in

cases of IP violations online.

While the current framework provides that intermediaries are required to take action in cases of IP violations upon receiving actual knowledge from the IP owners, a contrary view that surfaces often is that intermediaries should be made to appoint a gatekeeper-like body for doing a preliminary check of the offending material uploaded on their platforms. Since surveillance on online data using technology is a model adopted by nearly every internet intermediary, intermediaries are able to track and to a limited extent, analyse the material uploaded on their resource using their technology features. This was observed and highlighted by the Supreme Court in the Sabu Mathew George case as well. This ruling along with the ruling in the Shreya Singhal case may have given a way to the legislating bodies to develop the law and the statutory provisions relating to internet intermediaries, which is clearly reflecting in the Draft Amendment Rules. Although the Draft Amendment Rules have been framed with the intention of curbing the misuse of online intermediaries, the loopholes in the current version need to be removed by bringing in more clarity in the language used, as the current version may have a far-reaching consequence in cases of online IP violations. The law should specifically clarify the current position of Section 79 and its applicability in cases of online IP infringements and violations.

Separately, intermediaries should also be defined under the IP laws, particularly under the Copyright Act, 1957, the Trade Marks Act, 1999, the Patents Act, 1970 and the Designs Act, 2000 as under the IT Act, and provisions must be introduced in such IP laws to clarify the scope of intermediary liability for IP violations specifically. The IP laws may also provide that the responsibilities of intermediaries for preventing online violations of IPs would be governed by the provisions of Section 79 of the IT Act.