

\* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Date of decision : 27.01.2010

+ **CS (OS) 1714/2001 & IA Nos. 12828/2009, 15940/2009**

SHOLAY MEDIA ENTERTAINMENT & ANR. .... Plaintiff

Through: Mr. Dhruv Anand, Ms. Bineey Kalra and Mr. Shrawan Chopra,  
Advocates

versus

YOGESH PATEL AND OTHERS .... Defendants

Through: Mr. Sanjeev Singh with Mohd. Shariq, Advocates.

**CORAM:**

**HON'BLE MR. JUSTICE S. RAVINDRA BHAT**

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

**HON'BLE MR. JUSTICE S.RAVINDRA BHAT**

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1. This order will dispose off an application IA 12828/2009 whereby the defendants seek dismissal of this suit for injunction, on the ground that this Court lacks territorial jurisdiction.

2. The plaintiffs in this suit seek permanent injunction to restrain the defendants or their representatives from using selling, soliciting, exporting, displaying, or advertising their goods and the services under the mark "SHOLAY", which the plaintiffs owns. The plaintiffs company is engaged in film production, and avers to being one of the foremost concerns in that regard. The suit speaks of the plaintiffs' extensive reputation, and production of prominent and well-known films. It is alleged that the plaintiffs produced the blockbuster "SHOLAY" in 1975,

which became one of the most successful and renowned films ever. The plaintiffs allege that “SHOLAY” and its appeal has transcended films, and it has cut across barriers of geography, language, ideology and class. It also alludes to studies conducted on the impact of the movie, which is a crowd puller, revealing that the term SHOLAY has acquired distinctiveness and remains so several decades after its release, and has become part of the popular lore. The plaintiffs claim that SHOLAY is so powerful a mark that it is a marketable commodity; the suit also alludes to several articles and books written about the movie, the word and its universal and timeless appeal amongst the general public. It is further alleged that the plaintiffs conceived the SHOLAY II project, in 1997, and were even asked to consider the feasibility of establishing an entertainment or theme park, with the name in the forefront.

3. The plaintiffs say that in order to protect SHOLAY from unwarranted appropriation, and secure suitable protection, as a mark, it applied for trademark registration, in several classes, including Class 9 (video films, tapes, cassettes, etc.) and other classes with a view to use the mark for merchandising purposes. It is also stated that with a view to capitalize on the brand value of the merchandizing potential inherent in the SHOLAY trademark, the plaintiffs incorporated a company, in September, 2000. The plaintiffs also mention about registration of domain names with SHOLAY, such as ESHOLAY.COM; ESHOLAY.NET; SHOLAYNET.COM; and SHOLAYTWO.COM. The plaintiffs say that others’ attempts to use SHOLAY in their domain names or websites had previously been contested promptly. It is alleged that in these circumstances, when the defendants’ website [www.sholay.com](http://www.sholay.com) was made known by the latter in January 2000, with the proposal that the SHOLAY sequel under the plaintiffs’ contemplation, may be jointly promoted, in that website, it (the plaintiffs) declined the offer. The plaintiffs allege that till that time, it was unaware about the defendants’ web presence; it also conducted a search, and discovered that a company by the name Sholay.com Pvt. Ltd. was incorporated by the defendants in December, 1999. That company is fourth defendant, in the suit. The plaintiffs allude to proceedings initiated by it before the Registrar of Companies, and an order by the latter, in Chennai, dated 20<sup>th</sup> December, 2000, directing the second defendant to delete SHOLAY from the existing name. That order, say the plaintiffs, has been impugned by the defendants before the Madras High Court, at Chennai.

4. The defendants, according to the plaintiffs, advertised SHOLAY in an advertisement in a magazine called "IT- Information Technology" in January 2000 issue, claiming to be a comprehensive site that "offers you much more than its bollywood alias did". It is stated that the website itself admits association with the SHOLAY movie. It is alleged that the issue containing the advertisement was accompanied by a free CD (compact disc) which directly connects the user to the defendants' website. It is alleged that the write-up in the advertisement, as well as the CD clearly associate the defendants' SHOLAY mark with the plaintiffs, which injures the latter, as the user, or consumer inevitably believes that the website, the products or merchandise offered by the defendants, are the plaintiffs' with resultant confusion.

5. The plaintiffs claim several reliefs, such as permanent injunction, damages, delivery up, etc., and submit that their long held and established reputation as trademark proprietor of SHOLAY is gravely jeopardized by the defendants' unlawful appropriation of the term and mark. It is alleged that the near universality of internet, which anyone can access, regardless of geographical barriers, and the use of internet devises such as metatags, etc. enable widespread reach to the service provider who wishes to market his wares or products, on the internet. The plaintiffs state that the cause of action to file the suit occurred in 2000, when it came across the defendants' website, and was contacted by the latter, for the purpose of launching the SHOLAY-II project; also when it sought for cancellation of the defendants' corporate name, in Chennai; it is alleged that the cause of action subsists, since the defendants are continuing to use SHOLAY, on their website, and as part of its mark, for selling goods. The averment pertaining to jurisdiction, in the suit, is as follows:

*" ..the Defendants have advertised their website [www.sholay.com](http://www.sholay.com) on a CD Rom that accompanied the December issue of an Information Technology magazine titled 'IT'. The CD comes free with the magazine. Colour printouts of the relevant extracts of the magazine along with a printout of the surface view of the CD have been filed herewith. (See pages 240-245 of Documents). This magazine was purchased in New Delhi, a jurisdiction in which it has extensive circulation. The original purchase receipt has been filed herewith (See page 244 of Documents). In fact, the publishers of the said magazine, EFY Enterprises Pvt. Ltd are based in Okhla Industrial Area, New Delhi. Apart from the fact that the surface view of this CD clearly displays the website [www.sholay.com](http://www.sholay.com) (amply visible even through the transparent seal of the magazine) the CD when loaded, displays the website [www.sholay.com](http://www.sholay.com) in prominent detail, such that any user of the same when clicking on the link is transported to the website of the Defendants. Printouts of the subject matter of the CD, showing a link to the website, [www.sholay.com](http://www.sholay.com) and a few pages of the Defendants website so accessed are filed in the present proceedings (See pages*

*244-A-E of the Documents). Since the Defendants have by advertising on a CD that has extensive circulation in New Delhi, solicited customers from New Delhi, a part of the cause of action arises in New Delhi and therefore this Hon'ble Court has jurisdiction to try this suit. Apart from this advertisement, the Defendants have gone one step further by providing a link to their website from this CD, such that any purchaser of this CD could then access their website with ease and in turn avail of their various services (such as egreetings/echat) and goods (such as DVD's). The CD is filed in the present proceedings (See page 244F). Therefore since the Defendants have made available their goods/services in New Delhi, the cause of action arises in New Delhi and this Hon'ble High Court has jurisdiction to try this matter. The Hon'ble Court also has jurisdiction, as the Internet can be accessed from New Delhi. Since the Defendant's web site can be accessed through any web browser on the Internet, and in addition through the CD that has extensive circulation in New Delhi (since it accompanies the IT magazine) there is complete access at New Delhi and the cause of action has, therefore, also arisen in New Delhi."*

6. During pendency of the suit, the Court permitted amendment of the claim, on the ground that the plaintiffs had secured registration of the trademark, on the basis of its applications; the defendants were consequently allowed to file their written statement.

7. The defendants contest that the plaintiffs has no cause of action, to maintain the present suit, or that it is maintainable in New Delhi, within jurisdiction of this Court. It is contended that SHOLAY is a common word, and its use as a movie title does not result in creation of monopoly over it, to its movie maker or producer. It is also contended that SHOLAY is a widely used Hindustani expression, and at best, its distinctiveness, if any can be in relation to the movie, but cannot extend beyond that, to spill over to other commercial, business activities, or web portals which, like the defendants' [www.sholay.com](http://www.sholay.com), offer disparate goods.

8. It is contended that the suit is not maintainable before this Court, since none of the defendants reside, work for gain, or carry on any business in New Delhi. Elaborating, it is submitted that Defendants 1, 6 and 7 are based in the USA; the others (Defendants 2-5) are based in Hyderabad. It is alleged that the cause of action cannot be presumed against all defendants. Having initiated legal proceedings in Chennai, before the Registrar of Companies, obtained an untenable order, the plaintiffs did not reveal that operation of such order had been suspended by the High Court, and based on misrepresentation, obtained orders from this Court. The defendants deny that any representation on the CD, in the magazine relied on by the plaintiffs, establishes that this Court has jurisdiction. It is submitted that the mere fact that [www.sholay.com](http://www.sholay.com) can be accessed from anywhere means nothing; there should be some substantial representation or act,

by which the offending party targets a specific or particular market. It is contended that the mere fact that an issue of the IT magazine, for January 2000 was accessed by the plaintiffs, also is of no avail. Neither the plaintiffs, nor the defendants have any office in Delhi; they are also not carrying on any commercial activity. Hence, the assertion in the suit that a part of the cause of action has arisen within the territorial jurisdiction of the Court is a futile averment. The suit, say the defendants, has to be rejected.

9. The above discussion would reveal that this Court has to decide whether the present suit is maintainable; the defendants' plea is that since none of them are in Delhi, nor have any office, nor does the plaintiffs, or that any goods or services offered, the Court lacks territorial jurisdiction over the cause. The plaintiffs, on the other hand, say that the January 2000 issue of the IT magazine was found containing an advertisement about the defendants, in Delhi, and that the defendants' [www.sholay.com](http://www.sholay.com) can be accessed from Delhi; according to it, the defendants offer goods and merchandise on the internet, through that website.

10. Whenever a question of jurisdiction is raised for the Court's consideration, only the averments in the suit, and documents filed along with the plaint (in the list of document) should be seen, and no other material can be considered for a decision on the issue. In the present case, the fact, from the record is that the plaintiffs alleged –at the stage of filing the suit, in 2001 that the defendants, through their website, are indulging in trademark violation. The averments in the suit show that it is a composite civil action, whereby the plaintiffs' trademark, is alleged to have been infringed by the defendants – they are alleged to be offering goods in a website bearing the impugned mark. It is a matter of record that some of the defendants are not based in India; the others do not reside or have any office in New Delhi. The plaintiffs say that the IT magazine, of January, 2000 issue contains an advertisement, in respect of the defendants' website. No invoices, or any such materials evidencing sales or any commercial transactions, are forthcoming.

11. Undoubtedly, the Court has to see only the averments in a plaint, to decide whether the suit discloses a triable cause of action, and whether this Court has jurisdiction. The Supreme Court in *Liverpool & London SP & I Asson. Ltd. v. MV Sea Success*, (2004) 9 SCC 512, held that for the purposes of rejecting a plaint under Order 7 Rule 11 the Court should not only look at the averments in the plaint but also must look into documents filed along with, in view of Order 7

Rule 14. In *Sopan Sukhdeo v. Assistant Commr.*, (2004) 3 SCC 137, the Court held that for the purposes of deciding an application under Order 7 Rule 11, the averments made in the plaint are germane and that the pleas taken by the defendant in the written statement would be irrelevant. Further, the Court also emphasized that a meaningful and not formal reading of the plaint was to be adopted so as to nip in the bud any clever drafting of the plaint.

12. In *Indian Performing Rights Society v. Sanjay Dalia*, 143 (2007) DLT 617, this Court, relying on *Loknath Prasad Gupta v. Bijay Kumar Gupta*, 57(1995) DLT 502, held that the expression ‘carries on business’ in section 62 of the Copyright Act has the same meaning as in Section 20 of the CPC. It was further held that merely having a branch office in Delhi would not mean that the plaintiffs carry on business in Delhi. The plaintiffs would be deemed to carry on business at a branch office only if a cause of action had arisen in Delhi. A well established principle of law is that to amount “to carrying on business” in a certain place, the essential part of the business must take place in that place. (*Dhodha House v. SK Maingi*, (2006) 9 SCC 41; *Nedungadi Bank v. Central Bank of India*, AIR 1961 Ker 50; *Bharat Insurance Co. v. Vasudev*, AIR 1956 Nag 203). In *Dodha House*, the Court went on to observe that it was possible that the goods manufactured by the plaintiffs were available in the markets in Delhi or they are sold in Delhi, but that by itself would not mean that the plaintiffs carry on any business in Delhi. An application of the above principles and a consideration of the documents submitted by the plaintiffs will indicate that it has not been able to establish that the third defendant manufactures or market its goods in Delhi.

13. As regards the submission that the defendants’ website was advertised in one issue of a magazine, is concerned, it was held, in *Sector Twenty-one Owners’ Welfare Association v. Air Force Naval Housing Board*, 65 (1997) DLT 81 (DB) that a trivial or insignificant part of the cause of action arising at a particular place would not be enough to confer jurisdiction on the Court to entertain the *lis*. It was also held that the emphasis had shifted from the residence or location of the person or authority sought to be proceeded against, to the site of the accrual of the cause of action. In *H.P. Horticulture Produce Marketing and Processing Corpn. v. M.M Breweries*, AIR 1981 P&H 117, in relation to action for passing off the Court observed as follows:

*“In a case of present nature, the cause of action partly or wholly can arise in a given jurisdiction only if it is the defendant who is proved to have directly made sale of the goods under the impugned trademark (within a given court) not to an individual customer but to a distributor or a wholesaler or retailer and that such a sale should be at a commercial scale.”*

In *Gold Seal Engineering Products v. Hindustan Manufacturers*, AIR 1992 Bom. 144, it was held that a suit could not be filed in Bombay if the defendants carry on business in Calcutta and that supply of goods to Delhi was on a commercial basis. In *Gupta Brothers Conduit Pipe Manufacturing Co. v. Anil Gupta*, (2001) 24 PTC 159, this Court held that since neither plaintiffs nor the defendants had offices in Delhi and were not carrying on business in Delhi, the suit had to be returned due to lack of jurisdiction. The Court held, in *Haryana Milk Foods v. Chambel Dairy Products*, (2002) 25 PTC 156 that for the purposes of ascertaining territorial jurisdiction the entire plaint has to be taken into consideration. In that case since the plaintiffs could not prove that defendant had an office in Delhi or carried on business in Delhi, the Court held that it did not have territorial jurisdiction to adjudicate the matter.

14. In *Dabur India Limited v. KR Industries*, (2006) 33 PTC 348, a Division Bench of this Court held that since the defendant was from Andhra Pradesh and since there was no documentary evidence to show that the respondent was selling its goods in Delhi, this Court did not have territorial jurisdiction. The judgment was subsequently approved by the Supreme Court, in a reasoned and detailed ruling. In *Dhodha House (supra)*, after noticing the decision in *ONGC v. Utpal Kumar Basu*, (1994) 4 SCC 711, the Court had categorically held that a mere advertisement in a journal or paper by itself, will not confer jurisdiction on the Court. In that context it also observed that cause of action will arise only when the infringing goods are used not when an application for registration is made or pending.

15. The expression “cause of action”, consists of that bundle of facts which give cause to enforce the legal injury. In *ABC Laminart v. AP Agencies*, (1989) 2 SCC 163, the Supreme Court held that cause of action means that set of facts, which taken with the law applicable to them, gives the plaintiffs a right to claim relief against the defendant. If that were so, the cause of action in a case of passing off or infringement would arise only when the defendant uses the impugned trademark. The object of a trademark protection action is to secure the goodwill and

reputation of the aggrieved party. Such goodwill will get affected only when the defendant markets his produce under the impugned mark.

16. Here, as observed earlier, the plaintiffs claims this Court's jurisdiction on the basis of sale – not of any product sourced from the defendant, but of a magazine, which by itself does not advertise the defendants or its wares, but contained a CD Rom that could connect to its (the defendant's) website. In addition, the plaintiffs' have produced printout pertaining to the defendants' website. The latter show, clearly that there is no office in Delhi; rather, some of the web pages show that specific products can be ordered over the internet. The website itself does not mention about the plaintiffs, nor claim any connection with it.

17. As to what are the principles applicable for a court to discern that particular internet based causes of action subsist in a suit, has been spelt out in a recent Division Bench of this Court, in *Banyan Tree Holding Ltd v. Murali Krishna Reddy* (Suit No. 894/2009, decided on a reference to the Division Bench on the issue of jurisdiction, on 23.11.2009). The Court held that:

*“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 Plaintiffs is not carrying on business within the jurisdiction of the forum court, and where there is no*

*long arm statute, the Plaintiffs 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 Plaintiffs 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 Plaintiffs 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 Plaintiffs 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 Plaintiffs 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 Plaintiffs within the forum state. For the purposes of a passing off or an infringement action (where the plaintiffs is not located within the jurisdiction of the court), the injurious effect on the Plaintiffss 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 Plaintiffs 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 Plaintiffs 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.*

In a subsequent judgment, the Karnataka High Court, in *Presteege Property Developers Ltd v. Prestige Estates Projects Ltd* (MFA No. 494 & 13696/2006) applied the rule indicated in *Banyan Tree*, and further held that mere "booking" or placing an order through internet is insufficient, to say that any transaction takes place, since the contract formation is not at the place of booking or ordering the product or service. Thus, it is held that the mere existence of a web site, without further proof of the effect thereof (Ref. *Banyan Tree*'s formulation that the plaintiffs has "to show that an injurious effect has been felt" and it "would have to be shown that viewers in the

*forum state were specifically targeted.*”) does not clothe this court with territorial jurisdiction to entertain the present suit. The Court is also satisfied that the solitary sale of a CD, is insufficient to say that the defendants “targeted” the Delhi markets. Concededly, both parties do not have any business or commercial office within the jurisdiction of the Court; the plaintiffs even applied to the Registrar of Companies in Chennai, for relief against the defendants. On both the factual foundation claiming that this Court has jurisdiction, the materials are insufficient to justify continuation of the suit.

18. In view of the above reasoning, the defendants’ application has to succeed. As the objection to maintainability is founded on lack of territorial jurisdiction, the suit cannot be rejected. It is accordingly returned to the plaintiffs, to be filed before the Court of competent jurisdiction, within six weeks from today. The suit and pending applications are disposed of in such terms.

JANUARY 27, 2010

**(S.RAVINDRA BHAT)**

**JUDGE**