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ESTABLISHING GOODWILL AND REPUTATION IN INDIA IS CRITICAL FOR ENFORCING AN INTERNATIONAL BRAND NAME IN INDIA

1. INTRODUCTION

In the matter of *Toyota Jidosha Kabushiki Kaisha vs M/S Prius Auto Industries Limited*¹, the Supreme Court of India (the “**Supreme Court**”) reaffirmed the principle that the well-known status or international reputation of a brand is required to be established *within India* by the brand owner in a suit of passing off.

In the above case, the Supreme Court decided an appeal from a decision of the Division Bench of the High Court of Delhi (the “**High Court**”). The Supreme Court dismissed the appeal filed by Toyota Jidosha Kabushiki Kaisha (the “**Plaintiff**”), in which it had alleged passing off of its internationally reputed brand ‘PRIUS’ by an Indian automobile parts manufacturer PRIUS Auto Industries Limited (the “**Defendants**”).

2. BACKGROUND

In 2009, the Plaintiff instituted a suit² in the High Court, seeking a permanent injunction for infringement of trademark, passing off and for damages against the Defendants (the “**Suit**”). The Plaintiff claimed prior rights over the usage of its international trademarks ‘TOYOTA’, ‘TOYOTA INNOVA’, ‘TOYOTA DEVICE’ and the mark ‘PRIUS’.

The Plaintiff, a renowned car maker based in Japan, claimed to have presence in multiple countries and to have acquired remarkable goodwill for all its above trademarks internationally. The Plaintiff claimed to be the registered proprietor of the above ‘TOYOTA’ word and label marks in India. The Plaintiff’s mark ‘PRIUS’ was unregistered in India, but the Plaintiff claimed it to be internationally reputed. According to the Plaintiff, the Defendants were illegally using its registered ‘TOYOTA’ and ‘PRIUS’ trademarks in the course of their business, and committing infringement and passing off in relation to the ‘TOYOTA’ trademarks and passing off in relation to the ‘PRIUS’ trademark.

The Plaintiff further claimed that they first used the mark ‘PRIUS’ in Japan in 1997, after which the mark become well-known. However, it is pertinent to note that in India, the Plaintiff’s car under the brand ‘PRIUS’ was formally released only in 2010. On the other hand, the Defendants registered the mark ‘PRIUS’ in 2002-2003 for all types of auto parts and accessories. Following this, the Plaintiff approached the Trade Mark Registry for cancellation of the registered trade mark and also filed a suit for injunction under the provisions of the Trade Marks Act, 1999 (the “**Act**”). In the Suit, the Plaintiff sought:

- (a) a permanent injunction restraining the Defendants from using the Plaintiff’s registered trademarks (‘TOYOTA’, ‘TOYOTA INNOVA’ and ‘TOYOTA DEVICE’) in order to prevent trademark infringement and passing off by the Defendants; and

¹ http://supremecourt.gov.in/supremecourt/2017/9646/9646_2017_Judgement_14-Dec-2017.pdf

² CS (OS) No. 2490 of 2009

- (b) a permanent injunction restraining the Defendants from using the well-known trade mark 'PRIUS' in order to prevent passing off of the Defendants' goods as those of the Plaintiff.

The Defendants were involved in the business of manufacturing automobile spare parts. In their defence, the Defendants submitted that they were using the 'TOYOTA' marks only for the purpose of indicating the cars for which the spare parts were made. Accordingly, the Defendants claimed honest use of the 'TOYOTA' marks under Section 30³ of the Act.

With respect to the mark 'PRIUS', the Defendants had obtained registration for the same in 2002. They claimed that since 'PRIUS' had not been used or registered in India by the Plaintiff at the time when the Defendants adopted and applied for its registration, it was not possible for the public to associate the word 'PRIUS' with the Plaintiff. It was also claimed that the Defendants' mark was honestly conceptualised from the Hindi words, '*pehela prayas*' (meaning 'the first attempt').

3. FINDINGS OF THE HIGH COURT

At the preliminary stage of the trial, the single judge of the High Court granted an *ex-parte* ad-interim injunction restraining the Defendants from using the registered trademarks, 'TOYOTA', 'TOYOTA INNOVA' and 'TOYOTA DEVICE' and also the unregistered, but internationally reputed, mark 'PRIUS' of the Plaintiff.

However, the injunction order was vacated on the basis of an application filed by the Defendants. Aggrieved by this, an appeal was preferred by the Plaintiff before a division bench of the High Court. In this appeal, the Defendants were allowed use of the Plaintiff's 'TOYOTA' marks subject to the following certain conditions:

- (a) the Defendants should not use the TOYOTA marks, except for the purpose of identifying that the Defendants' products can be used in the Plaintiff's cars;
- (b) the Defendants should also not use the TOYOTA marks with the same font and style as that used by the Plaintiff; and
- (c) the words "Genuine Accessories" on the product packaging of the Defendants' products should be replaced with the words "Genuine Accessories of PRIUS Auto Industries Ltd."

Finally, while deciding the Suit in 2016, the single judge continued the conditions set regarding the use of the 'TOYOTA' marks by the Defendants. However, the Defendants were completely restrained from using the mark 'PRIUS', considering the prior international use and reputation gained by Plaintiff. The single judge also awarded punitive damages to the Plaintiff.

The single judge relied on the landmark judicial pronouncements in *N.R. Dongre vs. Whirlpool Corporation*⁴ and *Milmet Oftho Industries & Ors. Vs. Allergan Incorporated*⁵. In *N.R. Dongre*, the Supreme Court laid down that wide advertisement of a trade mark without the existence of those goods in the local market can be considered as use of the trademark in the said local market. In *Milmet Oftho*, it was held that the real test of establishing prior use is to determine who the first in the *world* market is.

³ Section 30 of the Trade Marks Act, 1999: Limits on effect of registered trade mark.—

(1) Nothing in Section 29 shall be construed as preventing the use of a registered trade mark by any person for the purposes of identifying goods or services as those of the proprietor provided the use—
 (a) is in accordance with honest practices in industrial or commercial matters, and
 (b) is not such as to take unfair advantage of or be detrimental to the distinctive character or repute of the trade mark.

⁴ 1996 (16) PTC 583 (SC)

⁵ 2004 (12) SCC 624

Both parties appealed against the single judge's final order before a division bench of the High Court. While the Plaintiff appealed against the quantum of damages awarded, the Defendants appealed against the order of injunction against them in relation to the mark 'PRIUS'.

In the appeal before the High Court, the division bench held that PRIUS Auto was wrongfully barred from using their mark 'PRIUS'. Accordingly, the single judge's order, to the extent it dealt with the mark 'PRIUS', was set aside. Aggrieved by the High Court's order in appeal, the Plaintiff appealed before the Supreme Court.

4. ISSUES ADDRESSED BY THE SUPREME COURT

While upholding the order in appeal passed by the High Court, the Supreme Court looked into the following key factors considered by the single judge and the division bench.

4.1. The issue of 'trans-border reputation getting spilled over' in India

The single judge of the High Court had, *inter alia*, considered the global sales of PRIUS Cars of the Plaintiff and concluded that the reputation of the Plaintiff's trademark 'PRIUS' had spilled over to India much before the direct sales of their cars in the year 2010. Hence, the single judge concluded that the adoption of the mark 'PRIUS' by the Defendants, though they were the registered proprietor thereof, was misleading.

The Division Bench of the High Court held that the findings of the single judge with regard to the reputation associated with the Plaintiff's mark PRIUS *in India* on the date of adoption and first use (in 2001) of the Defendants' mark PRIUS were incorrect.

The Division Bench also held that the international advertisements and media promotion of the Plaintiff's PRIUS brand were not substantial in 1997 and its international reputation had not spilled over in India in 2001. It was also noted that the number of people using the internet in India prior to April 2001 were limited and it could not have helped the Plaintiff gain any goodwill and reputation in the Indian market with its infrequent international use.

Considering this, it was upheld that prior use of the trademark in one jurisdiction would not *ipso facto* entitle its owner to claim exclusive rights to the mark in another dominion.

The Supreme Court confirmed the views taken by the Division Bench of the High Court on this point. It held that the Plaintiff did not place on record any positive evidence to establish the spilling over of the international reputation of its mark 'PRIUS' in India at the time of the first use of the mark 'PRIUS' by the Defendants.

4.2. The issue of likelihood of confusion or actual confusion

Based on the point that the Plaintiff enjoyed trans-border reputation and goodwill, the trial Judge concluded that there was a likelihood of confusion which was unavoidable in the common market that the two parties operated in.

However, the Division Bench held that it was the actual confusion, and not the likelihood of confusion, that should have been considered, as considerable time had lapsed from the date of first use of the Defendants' mark. The Division Bench noted that the mark 'PRIUS' had been adopted and first used by the Defendants in 2001 and the Plaintiff had neither formally used the mark in India until 2010 nor placed any evidence on record to show that the public was actually misled by the use of the trademark 'PRIUS' by the Defendants. Hence, there was no actual confusion.

The Supreme Court did not find any positive evidence of the spilling over of the reputation of the Plaintiff's mark 'PRIUS' in India on material dates, which is the first element to be established in an action of passing off. Hence, the Court held that no other issue, including elements of actual or likelihood or confusion, would need any further examination.

4.3. The issue of the Plaintiff's acquiescence

It was observed by the Division Bench that the Plaintiff had delayed in taking action against the Defendants when the Plaintiff had been aware of the Defendants' mark from around April 2003. It was observed that the publications in which advertisements of both the parties appeared also contained the Defendants' advertisements bearing references to 'PRIUS'. Moreover, the Plaintiff had applied for registration of the trade mark 'PRIUS' on a 'proposed to be used basis', in December 2009.

The Supreme Court agreed with the view taken by the Division Bench on the point of the Plaintiff's delay in initiating civil action against the Defendants, who had secured the registration of their mark 'PRIUS' at a prior point in time and had been using the brand name with the clear knowledge of the Plaintiff.

On the basis the above, the decree passed by the Division Bench of the High Court was upheld by the Supreme Court.

IndusLaw View:

The judgment passed by the Supreme Court is a significant ruling, which has elaborately discussed the extent of applicability of well-known trademark rights of international brand owners in India. The Supreme Court has clearly set out the considerations that are important for a foreign brand owner to be able to protect its international brand in India in an action against another owner of an identical or similar trademark.

It is important for foreign brands to learn from this important pronouncement from India's highest court and ensure that they take immediate steps to protect their brand in India as soon as they launch it internationally. Waiting for India launch or actual availability in India to commence their brand protection work may often mean that they are too late to protect their brand in India. Ensuring wide spread publicity and applying for trademark in India are perhaps some of the steps they can adopt to ensure protection of their brand in India, even before the launch of their product in India.

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Practice Areas: Intellectual Property, Dispute Resolution & Litigation

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