



# PRIUS MARKS A PARADIGM SHIFT

*Ashwin Julka examines the whys and wherefores of a Supreme Court decision relating to transborder reputation*

**A** two-judge bench of the Supreme Court of India has altered the paradigm of transborder reputation of trade marks in a recent decision, *Toyota Jidosha Kabushiki Kaisha v M/s Prius Auto Industries Ltd and Others*.<sup>1</sup> This ruling ended an eight-year legal battle that had centred on the use of the trade mark PRIUS.

Toyota Jidosha Kabushiki Kaisha (the Plaintiff) launched the world's first commercial hybrid car, the "Prius", in Japan in 1997, and in other markets – such as Australia, the UK and the US – in 2000/2001. In India, the Toyota Prius was launched in 2010. Toyota also obtained registrations for the trade mark

PRIUS in several countries – the earliest registration in Japan went back to 1990. When Toyota sought to register PRIUS as a trade mark in India, it discovered it was being used by Prius Auto Industries Ltd (the Defendants), a partnership firm engaged in the manufacture of automobile spare parts since

2001, and that the latter had a registration dating back to 2002. In addition, the packaging on some of the Defendants' goods prominently displayed the TOYOTA mark and device, as well as the INNOVA mark – both of which were proprietary to the Plaintiff.

## CONDITIONAL ORDER

Alleging misuse, Toyota filed a suit seeking a decree of permanent injunction for infringement of its registered trade marks TOYOTA, TOYOTA INNOVA, and TOYOTA DEVICE, as well as passing off of the mark PRIUS. It also sought and (in 2009) obtained an *ex parte* interim injunction restraining the

Defendants from using the disputed trade marks. However, the injunction was vacated on 19th March 2010, when the Defendants appealed. Toyota then appealed before a two-judge bench (Division Bench), which passed a “conditional order” permitting the Defendants to use the marks under dispute, but only for describing the nature/use of the Defendants’ products. Interestingly, no appeal was filed against this conditional order; consequentially, its conditions continued to govern both parties during pendency of the suit.

The suit proceeded to trial and, on 8th July 2016, a single judge passed a decree (in terms of the conditional order) restraining the Defendants from using the disputed marks, including the mark PRIUS. Further, damages in the region of ₹1m (approximately \$15,000) were also awarded to the Plaintiff. Both parties appealed before a two-judge bench of the Delhi High Court, but, because the Defendants confined their argument to the use of the mark PRIUS, this was now the sole issue under dispute.

On 23rd December 2016, the order of the single judge was overturned. In the court’s opinion, as on 1st April 2001 – when the Defendants had begun to use PRIUS – Toyota had not been able to prove spill-over reputation of its PRIUS mark in India.

## CONFLICT REIGNITED

Aggrieved, Toyota approached the Supreme Court of India. This occasioned (on 14th December 2017) a ruling that has reopened the settled position of law on the issue of transborder reputation of trade marks.

In a conflict between the “territoriality” and “universality” doctrines governing principles of passing off, the Supreme Court of India has declared the territoriality doctrine the winner, giving paramount importance to establishing “goodwill” through use of a mark in the “relevant jurisdiction” during the “relevant time”. The territoriality principle of trade marks law was initially upheld by the High Court of Calcutta in the case of *Aktiebolaget Jonkoping Vulcan v VSV Palanichamy Nadar and Others*<sup>2</sup>, albeit in the context of a cancellation action. However, since 1968, Indian trade mark jurisprudence has travelled far through several landmark judgments, all of which endorsed the universality doctrine.

Under the territoriality doctrine, a trade mark has a separate “existence” in each sovereign country. To establish such existence in India, a foreign entity must produce positive evidence of a mark’s reputation having “spilled over” into India. In contrast, the universality doctrine gives primacy to prior adoption and use of a trade mark by a proprietor anywhere in the world, effectively dispensing with the need to prove local spill-over reputation. In the 1996 case of *NR Dongre and Others v Whirlpool Corporation and Another*<sup>3</sup>, a two-judge bench of the Indian Supreme Court ruled that: “Even advertisement of [a] trade mark without existence of goods in the market is to be considered as use of the trade mark.” Subsequently, in 2004, another two-judge bench of the Indian Supreme Court upheld the “first in the world market” doctrine.<sup>4</sup> Relying on the doctrine of transborder reputation, the Court protected a mark that had been adopted and used in the international market prior to the adoption and use of an identical mark in India by a third party, even though the foreign mark had never been used in India.

However, in the present case, it has been held that “advertisements in automobile magazines, exhibitions of the car held in India and other countries, hits on the claimant’s website by people seeking information on the Prius car, international business magazines, availability of data on information-disseminating portals like Wikipedia and the online Britannica dictionary, and the information on the internet” are not a safe basis for establishing goodwill in India. Though evaluation of evidence is always subjective – given the contrasting approach of the court in so many previous judgments, and the fact that the advance of technology has withered territorial borders – the heavy onus of establishing local goodwill cast on foreign companies in the instant case has generated surprise and debate.

Notably, on the question of honest adoption of the mark PRIUS, the Defendants explained that their business was a *pehla prayas* (a Hindi expression meaning first attempt) to produce add-on chrome-plated accessories for automobiles in India. Looking for a catchy trade mark, they had searched for equivalent words in the English language and, upon encountering “prius”, meaning prior/first, decided to look no further. “Prius” is not a word used commonly in India, and the explanation seems a bit far-fetched; however, it was accepted by the Supreme Court. The Court also held that, while the Defendants had registered their mark in 2002 and claimed use since 2001, the Plaintiff had approached

the courts only in 2009; hence, there was unexplained and inordinate delay, and latches in the instant matter.

Another issue that arose was whether the Plaintiff was required to prove actual confusion or if establishing mere likelihood of confusion would suffice. On this, in a positive move aligned with commercial realities, the Supreme Court has lowered the bar for establishing the element of confusion to likelihood of confusion, in line with the well-established judicial precedents.

## MARKET IMPACT

On balance, this decision could discourage reputable brand owners that are contemplating entering the Indian market. The fear of prior use of a mark identical/similar to their own by a local entity, and the onus of proving local goodwill and reputation per the territoriality doctrine, might be a dampener, especially in the face of other efforts to improve the ease of doing business in India. Fortunately, decisions such *NR Dongre* and *Milmet Oftho* still hold weight and can continue to be relied upon, depending on circumstances of a case. ■



## Under the territoriality doctrine, a trade mark has a separate ‘existence’ in each sovereign country



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