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Intellectual Property Rights and Cyber Law – 16HS8GCIPL

Self-study Report

on

“Trademark Infringement Case of Prius Auto Industries Ltd & Toyota Jidosha Kabushiki”

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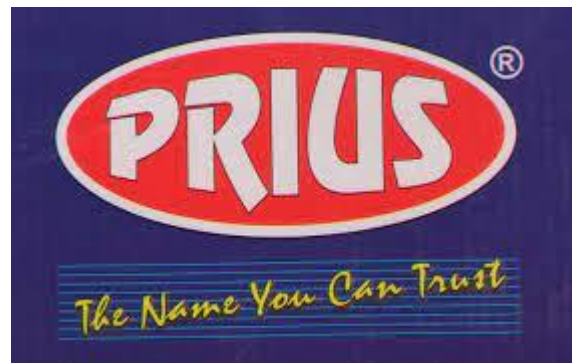
Abstract

The old Indian trademark statute, the Trade and Merchandise Marks Act, 1958 was repealed by the Trade Marks Act, 1999. The Indian Courts have rendered many trademark decisions under both these statutes, where rights based on trans-border reputation of a plaintiff's marks were upheld based on the doctrine of universality, which states that a mark should signify the same source globally. However, in 2017, a Supreme Court judgment ("the Prius case"), without any discussion or analysis of the numerous earlier decisions, rendered a decision based on the principle of territoriality of trademarks, which requires that a trade mark should be recognized as having a separate existence in each country. Since Article 141 of the Indian Constitution mandates that the law declared by the Supreme Court is binding on all courts within India, would this decision come in the way of enforcement of rights in well-known marks based on trans-border reputation? The report seeks guidance from a catena of the Supreme Court's own decisions, including a Constitution Bench decision to conclude in the negative. The said line of decision states that, when judgments of a superior court are of coequal benches and, therefore, of matching authority, then their weight inevitably must be considered by the rationale and the logic thereof and not by the mere fortuitous circumstances of the time and date on which they were rendered. The report conclude that, since the Prius order, decided by a coequal Bench of the Supreme Court, took a sudden U-turn from the well-settled 'universality' principle to the 'territoriality' principle without assigning any reasons for such a departure and without discussing why its own earlier judgments such as Whirlpool and Milmet Oftho are irrelevant, it raises questions of soundness. The report concludes that the Prius case is not the last word in deciding issues of trademark rights based on trans-border reputation.

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INTRODUCTION



Toyota Motor Corporation is a Japanese multinational automotive manufacturer. Toyota has manufactured many cars and Toyota Prius (shown in the first picture above) is the first hybrid engine car in the world produced by them. They used the word “Prius” for the first time in the year 1990 and obtained registration of the word mark “Prius” and “Toyota Prius” in different jurisdictions. The first car was sold in Japan in December, 1997. They are the registered proprietor of the trademark PRIUS in as many as 28 countries from 1990 onwards.

Prius Auto Industries is a recognized Indian organization involved in manufacturing and supplying of auto parts. They started selling auto parts with the name TOYOTA, The Toyota Device, INNOVA and PRIUS from April, 2001.

Toyota sued Prius auto industry to prevent them from using the trademark/ trading style TOYOTA, The Toyota Device, Innova and PRIUS regarding automobile parts and accessories or any other related goods or to perform a passing-off action with respect to the defendant’s goods in the name of the petitioner.

According to the petitioner, in 1994, it had designed a concept vehicle with a hybrid engine, named it “PRIUS” after the Latin word “prior” or “before”.

The first model was sold in December, 1997 in Japan and the vehicle was officially launched in 2001. Petitioner has also been the registered proprietor of the trademark PRIUS in as many as 28 countries from 1990 onwards.

In order to back its position, the petitioner put on record the sales figures of the car in foreign countries as well as extensive advertisements of the vehicle both in national and international publications.

Newspaper reports and other online media coverage of the petitioner’s promotion of the PRIUS brand had also been cited along with. The defendants, on the other hand, were alleged to have been using the same mark as an essential and leading portion of their trading name and the same appears on the defendants’ products. Nor have the defendants sought any authorization from the petitioner for such use and hence such action on the defendants’ part allegedly amounted to passing off and dilution of the plaintiff’s trademark, thereby adversely affecting the plaintiff’s goodwill.

As far as India is concerned, Toyota’s application No.1891316, filed in 2009, seeking registration of the trade mark “Prius” for automobiles in Class 12, is currently pending consideration before the Registrar of Trademarks. Contending passing off of the trade mark “Prius” by the Appellants, Toyota pleaded that in October 2009, it learnt that Defendant No.3 (one among the Appellants in this judgment) had obtained registration of the trade mark “Prius” for goods in Class 12 i.e. auto parts and accessories. Injunction was prayed for so as to restrain the Appellants from manufacturing or selling auto parts using identical or deceptively similar trademarks of Toyota such as “Prius”. As per the Single Bench, in case of “Prius”, “so wide ranging was the information made available globally through the print media that it must be held that trans-border reputation in India had permeated.” The instant Division Bench judgment inter alia considered the legality of aforesaid earlier decree which granted permanent injunction against the Appellants concerning certain marks including “Prius”, which is the subject-matter of this report.

DETAILED INFORMATION ABOUT THE TOPIC

UNIVERSALITY AND PRINCIPLE OF TERRITORIALITY

The doctrine of universality states that a mark should signify the same source all over the world whereas the principle of territoriality requires that a trademark should be recognized as having a separate existence in each sovereign country.

India's judicial system has traditionally acted as a bulwark against misappropriation of intellectual property rights. Indian courts have been consistently proactive in the enforcement of trademark rights without any domestic bias and have creatively fashioned out available remedies under the statute and in common law to advance India's integration into a global trading system and ensure fair trade competition in the market-place.

The World Trade Organisation's (WTO) TRIPs agreement, which India acceded to from January 1995, is today the de-facto constitutional law of intellectual property rights (IPRs) applicable to all WTO members. It prescribes minimum uniform standards for its members for the protection and enforcement of IPRs, including trademark rights. Even before India acceded to the TRIPs agreement, the Indian courts had played and, post-TRIPs, have continued to play a pioneering role in creatively moulding the criteria to be met while adjudicating passing-off claims that rely on trans-border reputation. By applying the principles of unfair trade competition and passing-off, Indian courts have not hesitated to injunct any misuse of reputed or well-known trademarks based on trans-border or spillover reputation in India based on numerous factors.

The TMM Act was modelled on the UK trademark statute and had no specific provision addressing the protection of reputation enjoyed by a mark without use or registration of the mark in India. However, Section 27(2) thereof saved rights of passing-off for unregistered trademarks. Reputation and goodwill of a mark are prerequisites for any passing-off action, and there have been several cases dealing with trans-border reputation under Section 27(2) of the TMM Act.

- In all the cases that have occurred in India before this case, courts in India have delved into the question as to whether the respective plaintiffs were prior in use in the world to the respective defendants' local use in India.
- Lack of use or physical presence in India was not considered relevant in assessing passing off in these cases, provided the plaintiffs were the first in the world market.

- Honesty of adoption is another relevant factor accounted for by the courts while considering the defendants' pleas. Courts, therefore, have a role to play in maintaining a delicate balance here.
- While foreign multinational companies, having no intention of entering India, cannot be allowed to restrain an Indian company from using its mark that it has genuinely adopted and first introduced in the market, if the plaintiff's mark possesses a worldwide reputation, it cannot be ignored.
- If the defendant is in the same field/business as the plaintiff, the courts have consistently held that it is highly unlikely that the defendant was unaware of the existence of the plaintiff's mark in other countries and its accompanying global reputation.
- Another interesting pattern in these cases has been the foreign plaintiffs' ability to successfully rely on evidence of use from the internet such as pages from websites like drugs.com, Google Analytics web pages, social media pages etc., as opposed to traditional documentary evidence in the form of sales invoices.
- In this day and age where the access to the internet and its undisputed influence on users can be seen across the world and increasingly so in India with a staggering 1.3 billion population (of which .63 billion is reported to have internet access through smartphones), it is only likely that the role of the internet in helping foreign plaintiffs establish their case of spill over and transborder reputation will assume even more importance in the future.
- The role of social media in particular, which is followed by millions of people internationally, including in India , will significantly help in making the spill-over factor easier to establish.

PROVING TRANS-BORDER REPUTATION

Trans-border reputation, a concept historically enshrined in common law, refers to a scenario where the reputation of a mark, in a specific geographical territory, is so strong that it spills over to another country, even if there is no use or registration of the mark in the latter. To establish reputation, the claimant would typically have to demonstrate that the trade and the public associate the mark in question with a given source or manufacturer.

Enacted in 1999 and notified into effect in 2003, the TM Act seeks to meet India's obligations under the TRIPs Agreement. This statute protects well-known marks and in providing protection thereof, it does not make it a condition that such a mark is used or registered in India. Section 11(6) of the Trade Marks Act, 1999 ("TM Act") lays down certain non-exhaustive criteria for determining well-known status of a mark. These include the knowledge or recognition of the mark in the relevant section of the public including knowledge in India obtained as a result of promotion of the mark, duration, extent and geographical area of use and promotion of the mark, duration and geographical extent of the registration of the mark and instances of successful enforcement of the rights in that trade mark. As trans-border reputation is associated only with well-known marks whose fame spills beyond the borders, these statutory provisions under the TM Act assume relevance to the current discussion. Of note is that these provisions also do not insist on use of the mark in India.

On March 6, 2017, the Trade Marks Rules 2017 were notified into effect. Rule 124 thereof lays down a procedure for listing a trade mark as a well-known mark. According to this Rule, the Registrar, while determining whether a mark is well-known, is required to consider Sections 11(6) to 11(9) of the TM Act. While deciding issues of trans-border reputation under the TM Act, courts have been following the precedents under the TMM Act, that is until the Prius Judgement came.

Following points are considered while proving Trans-Border Reputation

1. What is the relevant timeline for determining trans-border reputation?
2. Did the mark "Prius" enjoy trans-border reputation as of 2001?

The law on trans-border reputation requires two facts to be established.

1. The first is reputation in foreign jurisdictions of the trade mark.
2. The second is knowledge of the trade mark due to its reputation abroad in a domestic jurisdiction.

Trademark protects the goodwill of a firm. Trademark law prevents one firm from trading on another firm's reputation. The Court observed that "Concerning trans-border reputation, the judgments were to the effect that if the product is not sold in India but information relatable thereto is available in the print media and especially magazines purchased by consumers having an interest in the particular category of goods, it would be good evidence of trans-border reputation having entered in the municipal jurisdiction of India. Post-internet era the law of trans-border reputation expanded because the internet virtually broke down the domestic walls in areas of trade and business. On the internet, through search engines one can access information put on the website, be it by the manufacturer of the goods or in e-journals and e-magazines."

The Appellants started using the trademark "Prius" in April, 2001. Trans-border reputation having been acquired by Toyota in the trade mark "Prius" had to be determined as of April 2001 and evidence post-April 2001 had to be ignored. The Division Bench, thereby, overruled the Single Judge Bench as far as this aspect is concerned. Acquiring trans-border reputation is essentially a question of fact and therefore, it requires the evidence to be considered.

Considering the evidence adduced in the form of publications and articles, the Court concluded that the launch of Prius in the year 1997 was widely reported around the world. However, it did not gain the attention of the larger public as claimed by the Defendants. The Court, therefore, made the following observations: "the weight of the evidence led by Toyota would be that it has simply established that when it launched the hybrid car Prius in the market in Japan in 1997, the event was reported as a news item in different countries including India but not with such prominence that the public at large became aware of the same.

The law on trans-border reputation requires two facts to be established. The first is reputation in foreign jurisdictions of the trade mark. The second is knowledge of the trade mark due to its reputation abroad in a domestic jurisdiction.

The reason being a trademark is territorial in its operation. If its reputation spills over beyond the territories of its operation, the benefit thereof can be claimed in an action of passing off.

The law of passing off prevents one person from misrepresenting his goods or services as that of another. Passing off is a common law tort, which can be used to enforce unregistered trademark rights. The law of passing off prevents one person from misrepresenting his goods or services as that of another. Toyota has led no evidence of money spent in advertisements in India of the Prius car before it was sold for the first time in India in the year 2010

If its reputation spills over beyond the territories of its operation, the benefit thereof can be claimed in an action of passing off. The corollary of the finding that newspaper reporting of the event of Prius car launched in Japan in the year 1997, and further sales in the year 1998 and 1999 being not with much prominence would be that the knowledge would be limited to the class of persons associated with the trade in automobiles. The trade mark has to build a reputation in the form of public confidence in the goods and therefore, the association of the mark with the source of the goods. Toyota has led no evidence of money spent in advertisements in India of the Prius car before it was sold for the first time in India in the year 2010.

By the year 2000, only 52200 motor vehicles under the trademark Prius had been sold globally and we have evidence of re-call of the cars in the years 2009 and 2010 in the form of admission made by PW-1. He did not deny the suggestion that even in the year 2006 Toyota had to recall Prius cars. He neither admitted the suggestion. He said he does not remember.

Albeit post-2001, said evidence would be proof that Prius cars were having problems and one can infer public confidence in the car not rooted firmly. If not shaky, the confidence would be of a wavering kind. Notwithstanding little weightage, said evidence has to be put in the scale of evidence while deciding on the issue of reputation. No sales being made in India. There being no advertisements published by Toyota for its car Prius in India and coupled with the fact that not all cars marketed under different trademarks by Toyota acquire a global reputation and much less in India, internet penetration as of the year 2001, being low in India, the weight of the evidence leans in favour of the view that by April 2001 Toyota had not established a global reputation in its trade mark Prius which had entered India.

LAW OF ACTUAL CONFUSION

- Actual confusion in trademark occurs when a consumer is confused about the source of goods or services because of similarity between two marks.
- Actual confusion can be conveyed when trademarks are vague, ambiguous, from untrustworthy sources, and because of unknown circumstances the sources are not identified.
- Even if there is a likelihood of confusion a trademark registration can be curtailed.
- When there is actual confusion it would amount to trademark infringement.
- Actual confusion is highly probative as evidence that the mark is likely to cause confusion.

The following observations of the Court are highly significant:

- Issues of trans-border reputation or likelihood of confusion decided in various cases cited before us and even in cases not cited arose before the Court either in quia timet actions or when the defendants had just entered the market.
- At that point of time, the issue could obviously be decided on the test of likelihood of confusion and we find that most of the judgments are dealing with the issue at the stage of injunction where documents filed by the parties had yet to be translated into evidence and witnesses were yet to be examined.
- In such a situation, the only way in which the issue of an injunction pending adjudication in the suit can be decided is on the touchstone of likelihood of confusion.
- But in a case of the kind at hand where the appellants had been selling the goods under the offending trade mark for nearly ten years when the suit for injunction was filed, there must be evidence of actual confusion.
- Toyota is a big company. It had had a presence in India for over two decades when the suit was filed. It was well entrenched in the Indian market in the year 2001.
- Obviously no consumer of Toyota car or buyer of an auto part sold by Toyota was ever confused by the Appellants selling their products under the trademark Prius, for if this was so, in ten years somebody would have complained to Toyota or at least would have made known said fact to Toyota.

- May be of little weightage, Ex.DW-1/12 is a publication published in the year 2004 titled 'Auto Car' in which advertisements of Toyota and that of the appellants have been published and surely the publicity department of Toyota which had gotten the publication of the advertisements done would have received a copy of the publication and would have known that under the trademark Prius the appellants are selling auto parts.
- The evidentiary worth would be that probably the employees of Toyota in India were themselves not aware of Toyota selling a hybrid car by the name Prius.

DELAY OF SUIT

The defendants pleaded that the petitioner had delayed for long before approaching the court, in response to which, the latter cited the case of Daimler Benz Aktiengesellschaft and Anr. v Hybo Hindustan [AIR 1994 Delhi 239] to contend that the delay in approaching the Court could not justify the use of the trademark which was a worldwide famous name.

Nor had the petitioner provided any explanation regarding the delay that it indulged into before bringing the matter to court, which indicated acquiescence of defendants' claim by the petitioner, if not a waiver of rights.

In this context, reliance had been placed on the cases *Amritdhara Pharmacy v. Satyadeo Gupta* [AIR 1963 SC 449] and *Khoday Distilleries Limited (Now known as Khoday India Limited) v. The Scotch Whisky Association and Ors.* [AIR 2008 SC 2737] where delay in filing an application alleging infringement had been held as fatal to the accusation.

Defendants in this case had put up a defence of delay, waiver and acquiescence on the part of the petitioner. According to them, the petitioner had neither applied for registration of the trademark PRIUS itself nor objected to the defendants' registration of the same in 2002. By allowing use of said mark by defendants for such a long time from 2002 to 2009, the petitioner was alleged to have given up all claims, if any, on that mark. Defendants further submitted that certain advertisements, as produced by the defendants in evidence clearly exhibit that the defendant is the supplier of garnish covers and auto accessories for various vehicles including that of the Toyota group. The usage of marks 'toyota device' had only thus been for the purpose of the identification of the item and its suitability to the wide range of vehicles mentioned thereunder and not with the intent to deceive the purchaser or to confuse him into believing that defendants had been selling auto accessories of 'TOYOTA'. In fact, the petitioner itself had relied on the same published advertisements.

JUDGEMENT OF THE COURT

The Court found the justification given by the Appellants to be credible. A mental condition of a person is a fact defined under the Indian Evidence Act, 1872. Knowledge claimed by a person or attributed to a person would be a matter of fact. In essence, the Court found the justification to be logical and held that “The claim by defendant No.1 when he appeared as DW-1 that he and defendant No.2 acquired knowledge of the word “prius” by consulting the dictionary is probable and possible for the reason we have irrefutable evidence that if not earlier, at least by the year 1989 the word prius had entered the dictionary. We take judicial notice of the fact that before a non-English word enters the English dictionary it comes into popular use by English speaking people. Therefore, the word “prius” must have come into use by English speaking people much prior to the year 1989. In para 15 of the written statement, the appellants pleaded how they discovered the word “prius”, and we quote : ‘It is pertinent to mention that the defendants were first in India to manufacture Add on Chrome Plated Accessories, therefore they first conceptualized this attempt as Prayas, however, keeping in line with they being the pioneer in the field of manufacture of Add on Chrome Plated Accessories, the defendants were looking for a word which could properly and exactly describe their first attempt or Pehla Prayas. The defendants after doing research found one word in the dictionary “PRIUS” meaning to come first which was not only attractive but also accurately and properly described the pioneer efforts of the defendants in the field of Add-on Chrome Plated Accessories. If a word is publici juris and a person gives good justification as to how he appropriated a word as a trade mark, relating to the state of mind of the person, unless the testimony of the person is discredited, a Court would have no option but to accept the statement made on oath because the fact is of a kind which a person can prove by stating the truthfulness thereof on oath. And if, as in the instant case, there is proof that the word was publici juris, it lends assurance to the claim.”

The Court further held that the overwhelming judicial and academic opinion all over the globe seemed to be in favour of the territoriality principle, which requires the Court to determine if there has been any spill-over reputation and goodwill associated with Toyota’s PRIUS. The Court noted that in determining spill-over reputation, it may be necessary to ascertain the presence of the claimant through its mark within a particular territorial jurisdiction, though not necessarily a real market. The onus of bringing proof of actual confusion, as an invariable requirement, should not be cast on the claimant and likelihood of confusion would be a better test of proving an action of passing-off.

- When a business is carried on in more than one country, there must be separate goodwill in each
- Finally, delay in initiating an action against a defendant cannot be allowed to prejudice the defendant, who had been using its registered mark to market its goods.

Accordingly, the Supreme Court concluded that

“If goodwill or reputation in the particular jurisdiction (in India) is not established by the plaintiff, no other issue really would need any further examination to determine the extent of the plaintiff’s right in the action of passing-off that it had brought against the defendants in the Delhi High Court. Consequently, even if we are to disagree with the view of the Division Bench of the High Court in accepting the defendant’s version of the origin of the mark “Prius”, the eventual conclusion of the Division Bench will, nonetheless, have to be sustained.”

In other words, the Court held that while Toyota’s PRIUS had acquired a great deal of goodwill in several other jurisdictions of the world, the same was not the case in India. The evidence filed by Toyota was considered insufficient and the Court concluded that Toyota did not have enough goodwill in the Indian market for the PRIUS cars prior to the suit. The Court unfortunately failed to apply the checks and balances laid down in Milmet Oftho case to assess whether the defendant, Prius Auto’s adoption of the mark was bonafide.

CONCLUSION

The impact of the Prius case is manifold. The Supreme Court's emphasis on the principle of "territoriality" would imply that in future passing-off cases, to succeed, a foreign plaintiff must show through cogent documentary evidence, not just trans-border reputation internationally but also sufficient goodwill within India. Future plaintiffs must meet a higher threshold test. Simply relying on the international fame of the mark would be insufficient while enforcing rights in an unregistered mark in India. What does this entail?

Going forth, plaintiffs must issue more advertisements in English dailies as well as regional dailies to reach out to rural areas and document all promotional efforts as well as unsolicited media attention. Irrespective of the trans-border reputation of a foreign plaintiff in its marks, the success rate of any action would eventually rest on the strength of the documentary evidence filed to support this claim. Of course, apart from this, the other criteria to succeed in a passing-off claim such as misrepresentation and likelihood of confusion would also continue to apply. Given the higher threshold test postulated by the Supreme Court, it would now appear important, more than ever, for trademark owners to seek not only statutory protection of their marks in India but also a listing under the well-known mark regime.

Given the fact that decisions in the Whirlpool (supra) and Milmet Oftho (supra) were rendered by the Benches of co-equal strength, judicial discipline and practice required the SC Bench in the Prius matter either to follow Whirlpool (supra) and Milmet Oftho (supra) or refer the issue to a larger Bench. Instead of doing so, it took a complete departure from the well-settled universality principle to territoriality principle without assigning any reasons for such a departure from Whirlpool (supra) and Milmet Oftho (supra).

It would be interesting to follow the developments post-Prius, more particularly, whether a future larger Bench of the Supreme Court would be invited to re-examine the legal position on trans-border reputation and conclusively establish the correct approach to be followed in passing-off actions in India or whether the High Court invited to follow the Prius case would follow the same or the decisions in the Whirlpool (supra) and Milmet Oftho (supra) which were rendered by the Supreme Court Benches of co-equal strength.

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