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INDIA: Seminal Ruling on Transborder Reputation in the Prius Case

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In its December 14, 2017, ruling in *Toyoto Jidosha Kabushiki Kaisha v. M/s Prius Auto Industries Ltd & Ors* (Civil Appeal Nos. 5375–5377 of 2017), the Indian Supreme Court reopened a settled position of law on the issue of transborder reputation of trademarks.

Toyota's 'Prius'—the world's first commercial hybrid car—was launched in Japan in 1997 and in India in 2010. Toyota also obtained trademark registrations worldwide (earliest: Japan, 1990); but in India it discovered that the PRIUS trademark was being used by Prius Auto Industries Ltd. (the defendants)—a partnership firm manufacturing automobile spare parts since 2001, and which had also registered the mark in 2002. Toyota filed a suit seeking a permanent injunction for passing off of the mark PRIUS and in July 2016, the court of first instance issued an order restraining the defendants. But in December 2016, an appellate court held that, as on April 1, 2001, the date the defendants had begun using the PRIUS mark, Toyota had failed to prove “spill over” reputation (and therefore, passing off) of its PRIUS mark in India. Aggrieved, Toyota approached the Supreme Court of India.

The Supreme Court observed that under the “territoriality” doctrine governing the principles of passing off, a trademark has a separate “existence” in each country and 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 accords primacy to prior adoption and use of a trademark anywhere in the world, effectively dispensing with the need to prove local spill-over reputation.

A 1968 decision of the High Court of Calcutta, *Aktiebolaget Jonkoping Vulcan v. V.S.V. Palanichamy Nadar and Ors* (A.F.O.O. No. 232 of 1966), had upheld “territoriality” albeit in the context of a cancellation action. But judicial approach began to tilt towards “universality” soon after, and the 1996 case of *N.R. Dongre and Ors vs. Whirlpool Corporation and Anr* (Appeal (civil) 10703 of 1996) marked a turning point when the Supreme Court ruled that mere advertisement of a trademark, without physical presence of goods in the Indian market, was sufficient to establish local use and goodwill. In 2004, the “first in the world market” doctrine was upheld. *Milmet Oftho Industries & Ors. v. Allergan Inc.* (2004 (28) PTC 585 (SC)). Relying on transborder reputation, a mark adopted and used in the international market prior to adoption and use of an identical mark in India by a third party was protected, even though the foreign mark had never been used in India.

Yet, in the present case, the Supreme Court ruled against Toyota, holding that “advertisements in automobile magazines, exhibitions of the car held in India and other countries, hits on claimant's website ... seeking information of Prius car ... and the information on the internet” were not a sufficient basis for establishing

goodwill in India.

Evaluation of evidence is always a subjective exercise and delay and laches were also a consideration in this case. Still, this decision endorsing territoriality has attracted surprise given the hyperconnected technological world of the 21st century. However, rulings in both *N.R. Dongre* and *Milmet Oftho* were given by benches that were of equal strength as the current Prius decision, so all three judgments carry equal weight. Subsequent disputes will reveal which way jurisprudence will ultimately turn.

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