
India: Supreme Court Applies Territoriality Principle and Eviscerates Toyota's Prius Victory

Toyota Jidosha Kabushiki Kaisha v. M/S Prius Auto Industries Ltd. & Ors, CS (OS) No. 2490 of 2009, Civil Appeal Nos. 5375-5377 of 2017

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In a major upset to Toyota Jidosha Kabushiki Kaisha (“Toyota”), the Supreme Court of Delhi has tightened the standard for enforcing a reputed mark in India, and signaled a major shift in Indian law. Specifically, the Supreme Court has adopted a “Territoriality Principle,” and now requires that goodwill be shown within the territory of India to enforce a famous, unregistered mark there. It will no longer be sufficient to show a “trans-border” reputation abroad.

Background

Toyota’s first commercial use anywhere of the PRIUS mark was in 1995 at the Tokyo Motor Show. Sales of Toyota’s PRIUS electric hybrid car began in 1997, in Japan, and PRIUS cars began to be sold in the United States and Europe in 2001 and 2002.

The Defendants, Deepak Mangal, Sandeep Verma, M/s Prius Auto Industries, and M/s Prius Auto Accessories Pvt. Ltd. (collectively, “Defendants”), began using the PRIUS mark in India in 2001 for all types of auto parts and accessories and for trade in these goods and obtained Indian registrations in 2002 and 2003. Subsequently, Toyota began promoting its PRIUS vehicle in India in 2009 and

launched the PRIUS there in 2010. In 2009, Toyota brought suit against the Defendants, claiming passing off of its famous mark.

In 2016, a single judge of the High Court of Delhi held in favor of Toyota. The court recognized Toyota's unregistered PRIUS mark as a well-known mark worldwide, and enjoined the use of "PRIUS" by the defendants in connection with their auto parts business, notwithstanding the defendants' two Indian registrations for PRIUS in India predated the entry of Toyota's PRIUS vehicles into the Indian market. The single judge held that Toyota held superior rights in the PRIUS trademark, given that Toyota had been the first in the world to adopt the PRIUS mark. Upon a review of the evidence submitted by Toyota, as well as its independent review of additional books and articles, the Court concluded that PRIUS enjoyed an international reputation before the Defendants' adoption of PRIUS in 2001, and enjoined the Defendants from using the mark. Our detailed discussion can be viewed at September 2016 Newsletter.

That decision was set aside, however, in December 2016 by the Division Bench of the Delhi High Court, which held that, with respect to the PRIUS mark, the plaintiff's evidence was insufficient to establish the trans-border reputation of PRIUS in India at the time the Defendants adopted the mark. Our detailed discussion can be viewed at [March 2017 Newsletter](#).

Supreme Court Decision

Toyota appealed the decision of the Division Bench to the Supreme Court of India. This past December 2017, the Supreme Court issued a decision rejecting Toyota's appeal. The Supreme Court noted that a central issue was whether it should adopt the "Universality Doctrine" which holds that a mark "signifies the same source all over the world," or alternatively whether to recognize the "Territoriality Doctrine," which posits that a trademark has a "separate existence" in every country, and that a claimant must show goodwill in a specific jurisdiction to be able to succeed on a passing-off claim there.

The Supreme Court decided to apply the Territoriality Principle, noting that the "overwhelming judicial and academic opinion all over the globe . . . seems to be in favour of the territoriality principle. We do not see why the same should not apply to this Country."

The Court further held that Toyota's evidence purporting to show goodwill and reputation all post-dated 2001, when the Defendants adopted the mark, and that no PRIUS advertisements were published in India before April 2001.

Under the territoriality analysis, it is not enough simply to show a wide international reputation. Instead, such reputation must be accompanied by evidence showing substantial goodwill in India. Here, the Supreme Court held that Toyota's advertisements in automobile magazines, international business magazines, and the availability of information about PRIUS on Internet portals such as Wikipedia, were insufficient to establish goodwill and reputation in the Indian market, particularly given the limited exposure of the Indian public to the Internet at the time Defendants began using PRIUS in 2001.

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This decision marks a significant turning-point in Indian trademark practice. Going forward, rights owners will be required to show that they have acquired goodwill in the territory of India, in addition to a likelihood of confusion between the marks, in order to succeed on a passing off claim where they do not have prior registered rights. While international companies with an established presence in India, or with customers in the Indian market, should be able to meet this standard, it is now more imperative than ever that businesses contemplating use in India ensure that their trademarks are registered there as soon as possible.

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