

# IMPLICATIONS OF THE PRIUS JUDGMENT FOR TRANS-BORDER REPUTATION AND PASSING-OFF IN INDIA

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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*The old Indian trademark statute, the Trade and Merchandise Marks Act, 1958 was repealed by the Trade Marks Act, 1999.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 authors seek 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 authors conclude that, since the Prius order, decided*

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*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 article 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:

### TRANS-BORDER REPUTATION IN INDIA

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.

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 spill-over reputation in India based on numerous factors.

However, after a judgment of the Supreme Court of India in late 2017 ("the Prius judgment"<sup>1</sup>), concerns have been raised by well-known trademark owners and IPR enthusiasts equally, whether the sands of the jurisprudential landscape on trans-border reputation have shifted to a pattern unfamiliar to India. Much has been written on the judgment and its ramifications for protection of well-known marks through trans-border reputation in India.

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<sup>1</sup> Toyota Jidosha Kabushiki Kaisha v. Prius Auto Industries Ltd., (2018) 2 SCC 1.

This article traces the history of well-known mark protection through trans-border reputation under two of India's trade mark statutes, namely, the Trade and Merchandise Marks Act, 1958 ("the TMM Act" or "the old TM statute") and the Trade Marks Act, 1999 ("the TM Act"). Thereafter, it analyses the Prius judgment and concludes why it is not the last word on well-known mark protection through trans-border reputation in India.

## I. EVOLUTION OF THE "UNIVERSALITY" PRINCIPLE

### The TMM Act

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 pre-requisites for any passing-off action, and there have been several cases dealing with trans-border reputation under Section 27(2) of the TMM Act.

The first of such cases, *Centron Industrial Alliance Limited & Another v. Gillette UK Limited*<sup>2</sup>, decided in 1996, was an appeal before a Division Bench (DB) of the Bombay High Court. Gillette, the plaintiff-respondent therein, alleged that Centron Industrial Alliance Limited and Everkeen Blade Co. infringed its trademark 7O'CLOCK for safety razor blades. Import of the 7O'CLOCK razors to India was not permissible post 1958 due to governmental restrictions in India. In 1984, Gillette collaborated with an Indian company for manufacture and sale of its razors in India. In 1985, Gillette learned that the defendants were using a deceptively similar mark "7-Up" on safety razors together with the device of a clock face, with the clock hands at "7". The defendants' main argument was that Gillette's mark 7O'CLOCK had not been used in India on or after 1958 and that whatever reputation and goodwill that existed therein for razors must be deemed to have been lost when the defendants' razors were put in the market. The Court noted that, publicity related to a consumer article, namely, safety razors, is not generated merely by advertisements in India since such goods are advertised in foreign newspapers and magazines, having circulation in India. Additionally, it was noted by the Court that, large number of Indians who visit other

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<sup>2</sup> Centron Industrial Alliance Limited v. Gillette UK Limited, Appeal No. 368 of 1986 (Bombay High Court. July 24, 1986).

countries would have had the opportunity to use Gillette's 7O'CLOCK razors. The Court, issuing an injunction against the defendants, thus observed:

"It is not possible for us at this stage at least to accept the submission that there was no user at all in India or not sufficient user as to amount to destruction or abandonment of the plaintiffs' goodwill and reputation. It is now equally not possible to accept the submission that the goods of the plaintiffs had lost their distinctiveness and had ceased to be associated in the minds of possible consumers with the goods of the plaintiffs on account of the policies of the Government of India as a result whereof the commercial user in India had become restricted."

The DB of the Bombay High Court once again held in favour of the 7O'CLOCK mark in the following year in *Kamal Trading Co. & Ors v. Gillette UK Limited*<sup>3</sup>. Gillette was again the plaintiff-respondent in this appeal. The Court restrained an Indian trader from using Gillette's registered trade mark "7 'O' CLOCK" in respect of tooth brushes, though Gillette had no business in India in respect of the goods under its registrations due to import restrictions. The defence was that Gillette had no goodwill in the mark 7O'CLOCK due to non-availability of its goods in India since 1958 coupled with the reliance on the UK decision in *Anheuser-Busch Inc. v. Budejovicky Budvar N P*<sup>4</sup> ("Budweiser case") which held that Budweiser beer (of the plaintiff therein) was sold only to English military and diplomatic establishments and that these sporadic sales could not be construed as business by the plaintiff in England to entitle itself for an injunction. Rejecting the ratio therein and expressing its dissent from the English hard-line "territoriality" approach to passing-off claims, the DB held that:

"it is not possible to conclude that the goodwill or the reputation stands extinguished merely because the goods are not available in the country for some duration. It is necessary to note that the goodwill is not limited to a particular country because in the present days, the trade is spread all over the world and the goods are transported from one country to another very rapidly and on extensive scale.... the goods, though not available, are widely advertised in newspapers, periodical, magazines and in other media." (at page 8)

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<sup>3</sup> *Kamal Trading Co. v. Gillette UK Limited*, 1988 (8) PTC 1 (Bombay).

<sup>4</sup> *Anheuser-Busch Inc. v. Budejovicky Budvar N P* [1984] F.S.R. 413 (Eng.).

In 1991, a single judge of the Delhi High Court in *Apple Computer Inc. vs. Apple Leasing*<sup>5</sup>, enjoined a local defendant from using, (i) the word “APPLE”, “APPLE COMPUTER” or its deceptive variations as a part of the legend, “APPLE COMPUTER EDUCATION”, for computer education services or otherwise in the course of trade and (ii) the deceptively similar device of a half-bitten apple as that of the plaintiff. The plaintiff had no business in India at the time due to import restrictions.

Agreeing with the Bombay High Court in the Gillette case (supra)<sup>6</sup>, the Delhi High Court rejected the hard-line English approach to goodwill. Further, rejecting the defendant’s invitation to follow the English law as the Indian statute was based upon English law, the Single Judge went on to traverse the views of various courts in different jurisdictions and held that:

“the world opinion in regard to passing-off seems to be that the English view is not the correct one. The Courts in New Zealand, Australia, Canada and India have deviated from the Budweiser’s case, and I am inclined to accept that the view other than the English view is a more appropriate one in the light of current exchange (sic) the information and knowledge which is prevalent between various countries of the world, and also because of exchange of information, and movement of newspapers, magazines, videos, motion pictures and movement of people.”

The hard-line English “territoriality” approach to ‘goodwill’ in the Budweiser’s case continues to be the view of the courts in England till date. Though the UK Supreme Court had an opportunity to review the ratio in the Budweiser line of cases in “*Starbucks (HK) Limited and another vs. British Sky Broadcasting Group PLC and others*”<sup>7</sup>, it refused to do so and held that:

“It seems to have been the consistent view of the House of Lords and Privy Council from 1915 to 1990 that a Plaintiff who seeks passing-off relief in an English court must show that he has goodwill, in the form of customers, in the jurisdiction of the court.”

While reiterating the hard-line principles, the UK Supreme Court, however, noted the contrary view taken by the courts in Australia and South Africa, which was followed by the Indian Courts in the Gillette/Apple Computer line of cases In *ConAgra Inc. vs. McCain*

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<sup>5</sup> *Apple Computer Inc. vs. Apple Leasing*, 1992 (1) ArbLR 93.

<sup>6</sup> See *Kamal Trading Co.*, 8 PTC at 1.

<sup>7</sup> *Starbucks (HK) Limited v. British Sky Broadcasting Group PLC* [2015] UKSC 31.

*Food (Australia) Pty Ltd.*<sup>8</sup>, the Federal Court of Australia held that it is “no longer valid, if it ever was, to speak of a business having goodwill or reputation only when the business is carried on and opined that the “hard-line” cases in England conflict with the needs of contemporary business and international commerce” and that, “it is not necessary that a plaintiff, in order to maintain a passing-off action, must have a place of business or a business presence in Australia; nor is it necessary that his goods are sold here”, that it would be “sufficient if his goods have a reputation in this country among persons here, whether resident or otherwise”.

Following the Apple Computer line of cases, the Indian Courts have expansively adopted the “universality” approach in trademark passing-off cases till the Prius case.

In 1996, the Indian Supreme Court decided an appeal by a losing defendant in *NR Dongre & Ors v. Whirlpool Corporation & Anr*<sup>9</sup> involving issues of trans-border reputation. The order passed therein followed the progressive trend of the High Courts of Delhi and Bombay discussed above. The trademark involved was WHIRLPOOL in class 7 for electrical goods including washing machines, owned by Whirlpool Corporation USA. While WHIRLPOOL was registered in India on February 22, 1956 in classes 7, 9 & 11, these were not renewed after 1977. However, the mark was being used in India through sale of washing machines to the US Embassy and USAID offices in New Delhi and through advertisements in various publications having circulation in India as well as sale as second-hand products through indirect channels. The defendant, an Indian company, filed to register the mark WHIRLPOOL for the same class of goods in 1986 and Whirlpool Corporation’s opposition to that application was rejected. When this appeal came before the Supreme Court, Whirlpool Corporation’s petition for expunging the defendant’s registration was pending.

The Supreme Court reviewed the findings of the Single Judge and the DB of the Delhi High Court on whether the reputation of 'WHIRLPOOL' for washing machines travelled trans-border to India. The Single Judge had noted as follows:

“....., suffice it to say that in spite of non-registration of the trade mark in India, the plaintiff was trading in Whirlpool products in several parts of the world and also sending the same to India though in a limited circle. Whirlpool associated with the plaintiff No. 1 was gaining reputation throughout the

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<sup>8</sup> *ConAgra Inc. vs. McCain Food (Australia) Pty Ltd.* [1992] FCA 176 (Austl.).

<sup>9</sup> *N R Dongre v. Whirlpool Corporation*, 1996 (16) PTC 583 (Supreme Court of India).

world. The reputation was traveling trans-border to India as well (sic) through commercial publicity made in magazines which are available in or brought in India. These magazines do have a circulation in the higher and upper middle-income strata of Indian society. Washing machine is a household appliance used by the middle and upper class of the society. (at page 588)

Upholding the views of the Single Judge, the DB held as follows:

From the aforesaid facts ....., we are prima facie of the opinion that the trade mark 'WHIRLPOOL' has acquired reputation and goodwill in this country and the same has become associated in the minds of the public or potential buyers with the goods of the first respondent. Even advertisement of trade mark without existence of goods in the market is also to be considered as use of the trade mark. (at page 590)

Since there was no reason to interfere with the reasoning of the two lower courts, the Supreme Court affirmed these findings.

The ratio of the *Whirlpool case* on trans-border reputation was followed in several of the subsequent cases that were decided under the TMM Act.

In 1997, a DB of the Bombay High Court in *Aktiebolaget Volvo of Sweden v. Volvo Steels Ltd. Of Gujarat (India)*<sup>10</sup>, held in favour of the plaintiff, a Swedish automobile company, who had no business in India, that trans-border reputation has been recognized by Indian Courts and that it is not necessary to prove actual sale, if the presence of a plaintiff in India and goodwill and reputation are demonstrated.

In 2001, a Single Judge of the Delhi High Court held in *Rainforest Café Inc v. Rainforest Café and Ors*<sup>11</sup> that, though the American corporation, Rainforest Café Inc, had no restaurant business in India, the fact that it had received several trade inquiries from India was sufficient to injunct a local defendant who adopted the identical mark '*Rainforest Café: A Wild Place to Eat*' for his restaurant. In 2002, another Single Judge of the Delhi High Court cited the Whirlpool case and held in favour of the American cosmetic company, Jolen Inc<sup>12</sup>, which had no business activity in India at that time, by restraining a local defendant who adopted an identical mark and get up for identical goods.

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<sup>10</sup> *Aktiebolaget Volvo of Sweden v. Volvo Steels Ltd. Of Gujarat*, 1998 (18) PTC 47 (Bombay).

<sup>11</sup> *Rainforest Café Inc. v. Rainforest Café*, 2001 (21) PTC 353 (Delhi).

<sup>12</sup> *Jolen Inc. v Doctor & Company*, 2002 (25) PTC 29 (Delhi).

In 2004, the Supreme Court in *Milmet Oftho Industries & Ors v. Allergan Inc*<sup>13</sup>, rejected an appeal from a local defendant who adopted an identical mark OCUFLOX for a medicinal preparation and held that the mere fact that the plaintiff had not been using the mark in India would be irrelevant if they were the first in the world market. However, the Supreme Court added a note of caution as follows:

“... if a mark in respect of a drug is associated with the Respondents worldwide it would lead to an anomalous situation if an identical mark in respect of a similar drug is allowed to be sold in India. However, one note of caution must be expressed. Multinational corporations, who have no intention of coming to India or introducing their product in India should not be allowed to throttle an Indian Company by not permitting it to sell a product in India, if the Indian Company has genuinely adopted the mark and developed the product and is first in the market. (at page 588)

### The TM Act

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.

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<sup>13</sup> *Milmet Oftho Industries & Ors v. Allergan Inc.*, 2004 (28) PTC 585 (Supreme Court of India).

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. Some of the cases dealing with trans-border reputation that have been decided under the TM Act prior to the Prius Judgement are discussed below.

In *Austin Nichols and Co. and Seagram India Pvt. Ltd. Vs. Arvind Behl, Director, Jagatjit Industries Ltd. and Jagatjit Industries Ltd.*<sup>14</sup>, a Single Judge of the Delhi High Court was to decide whether the plaintiff's mark "Blenders Pride", adopted in 1973 for its whisky, enjoyed trans-border reputation. The plaintiff, who had been selling its whisky under the said mark in over 50 countries, asserted that its Blenders Pride whisky enjoyed trans-border reputation in India and that in this era of instant communication, brands promoted outside India are instantly noticed in India because of foreign satellite television channels and the Internet. The plaintiff's business in India was set up in 1993 through a wholly owned subsidiary and in 2003, ironically the respective marks of the plaintiff and the defendant, namely, Blenders Pride, got advertised in the same Trade Marks Journal. While the parties opposed each other's application, the defendant was granted registration of the mark in 2004. When the defendant introduced its whisky in India in 2005 under the offending trademark Blenders Pride, a suit was filed.

Resisting the suit, the defendant claimed that they were prior users of the mark in India since 1994 and that the plaintiff did not have a presence in India prior to their use. The Single Judge found it curious that, in 1994, the defendant who was in the same business as that of the plaintiff was unaware of the global reputation of the Blenders Pride whisky for about two decades, if not more, at that time.

Citing the Milmet Oftho case<sup>15</sup> above, the judge noted that nowadays goods are widely advertised in newspapers, periodicals, magazines and other media available in the country resulting in a product acquiring a worldwide reputation. Accordingly, the Court held that, the plaintiffs' Blenders Pride whisky had worldwide reputation, being sold in many countries since 1973. The Court added that the plaintiffs were not using their worldwide reputation to throttle an Indian company by not permitting it to sell its product in India; that they were only trying to defend their worldwide reputation therein. Injuncting the defendant based on

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<sup>14</sup> *Austin Nichols and Co. & Seagram India Pvt. Ltd. v. Arvind Behl, Director, Jagatjit Industries Ltd.* 2006 (32) PTC 133 (Delhi).

<sup>15</sup> *See Jolen Inc.*, 25 PTC at 29.

the plaintiff's prior rights in the Blenders Pride whisky in the world market on the basis of its trans-border reputation, the Court noted that even if the plaintiffs were not manufacturing the said whisky in India, it would be irrelevant. The following extracts from the case are notable: -

“I would, therefore, hold that the Plaintiffs having come out with Blenders Pride whisky first in the international market were first past the post; even though the Defendants were the first do (sic) so in India. The fact that the product of the Plaintiffs was not manufactured or sold in India from 1973 (when it first entered the market) till 1995 when it became freely available in India, is of no consequence.” (at page 149)

*Kiran Jogani & Anr v. George V Records, SARL*<sup>16</sup> was decided in 2008 by a DB of the Delhi High Court. The respondent-plaintiff in the appeal was the owner of the BUDDHA-BAR mark and asserted that it was the first to adopt the same and use it in 1996 for a restaurant in Paris by its affiliate company, George V. Restauration. It was also asserted that the music albums played at the said restaurant by the well-known Disco Jockeys were compiled into CDs as they became extremely popular and were then sold under the trade mark BUDDHA-BAR from 1999. Besides, the respondent-plaintiff claimed extensive worldwide registrations and reputation for the said mark in classes 09 and 41 and that such reputation spilled over to India much prior to the appellant-defendant's adoption of the mark in 2002 for musical records, supported by a large amount of evidence. The appellant-defendant argued that the respondent-plaintiff had failed to establish user rights in India and that the first invoice on record was dated February 21, 2002, a date after the release of the defendant's album in January 2002. Finding merit in the claims of the respondent-plaintiff, the Court upheld the trans-border reputation in its mark BUDDHA-BAR and found as follows:

“It is not as if there is a motivated article in one newspaper or magazine, but the vast coverage given to the restaurant and the music in international press and the magazines including transmission of programs through television channels to show even the participation of Indian designers. It is this which seems to have awakened the appellants-defendants to think of utilizing the trademark BUDDHA-BAR as it has failed to give any other justification as to how it deciphered the mark BUDDHA-BAR.

It is not necessary that only an invoice of sale would be the relevant evidence and thus merely because the invoice is just after the alleged propagation of

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<sup>16</sup> *Kiran Jogani v. George V. Records, SARL*, 2009 (39) PTC 69 (Delhi).

the CD album by the appellants-defendants cannot by itself defeat the rights of the respondent-plaintiff on the face of other voluminous prima-facie material in support of its trans-border reputation.” (at page 74)

The sentiment of the Court in the earlier landmark judgment of *Milmet Oftho* was reflected in *Boehringer Ingelheim Pharma GMBH & Co KG v. Premchand Godha & Anr*<sup>17</sup>, decided in 2013 by a Single Judge of the Delhi High Court. The trademarks in dispute here were “MUCOSOLVAN” and “MUCOSOLVIN”, used for cough syrups by the plaintiff and the defendant respectively. The plaintiff asserted trans-border reputation in the mark and claimed that it was the first to adopt and use the said mark anywhere in the world. The plaintiff sued the defendant after it learnt about the use by the defendant in 2011 of the mark MUCOSOLVIN for a cough syrup. Resisting the suit, the defendant argued that the plaintiff had not used its trademark “MUCOSOLVAN” in India till filing the suit, that its pending trademark application was filed in October 2011 on an intent to use, that the plaintiff could not have, therefore, claimed any reputation in “MUCOSOLVAN” in India and that the principles of trans-border reputation could not be applied as it was unlikely that an Indian travelling abroad would purchase cough syrup from a duty-free shop. Rejecting the arguments of the defendant and holding in favour of the plaintiff, the Court found as follows:

“Although the Plaintiff may not have produced invoices of its sales abroad, there are documents placed on record, including the printout of the website drugs.com, which shows that MUCOSOLVAN is available in several countries across the world. .... The Google Analytics web page also gives the indication of international presence of MUCOSOLVAN products. It is very unlikely that the Defendants, being in the same trade, were unaware of the presence of MUCOSOLVAN worldwide when they decided to adopt MUCOSOLVIN as a name for their cough syrup. (at page 348)

.....The Internet is today a major site for advertisement of products which include medicinal preparations. In *Jolen Inc. v. Doctor and Company* (2002) 2 CTMR 6, the Court noted that “Mere advertisement in other countries is sufficient if the trade mark has established its reputation and goodwill in the country of its origin and countries where it is registered.” (at page 348)

In holding so, the Court affirmed that what is to be seen is, whether the plaintiff was prior in use in the world to the defendants.

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<sup>17</sup> *Boehringer Ingelheim Pharma GMBH & Co. v Premchand Godha*, 2014 (57) PTC 339 (Delhi).

While considering the next case, namely, *Royal Bank of Scotland v. Sharekhan Limited*<sup>18</sup>, the Delhi High Court also referred to its earlier decision in *Cadbury UK Limited & Anr vs. Lotte India Corporation Ltd*<sup>19</sup> and held that the court has extended the principle of trans-border reputation by considering the existence of a merchant on web pages which are of foreign origin and social media to be sufficient even if there is no activity in India at the relevant time.

The last case prior to the Prius judgement, namely, *MAC Personal Care Pvt Ltd & Ors v. Laverana GMBH & Co KG & Ors*<sup>20</sup>, was an appeal decided in 2016 by a DB of the Delhi High Court. The main issue was whether the German respondent-plaintiff's mark LAVERA, adopted in 1980, meaning the truth' in Latin, enjoyed trans-border reputation. It had been using the mark on cosmetic products and had been marketing these since 1982. It has global registrations for the mark and a pending application in India at the time of instituting the suit. The plaintiff claimed extensive goodwill and reputation in the mark LAVERA as well as availability in popular online stores, that it has country code top level domain name registrations in various countries and that Indians travelling abroad are exposed to its products besides the exposure through the internet. The appellant-defendants disputed the plaintiff's use in India and justified its adoption of LAVERA as an inspiration from the aloe vera plant used in beauty treatment. The Single Judge had upheld the plaintiff's claims by noting that the existence of a merchant on a webpage of foreign origin was sufficient to show the trans-border reputation even if it had no activity in India at the relevant time. The DB's opinion was no different and it noted as follows:

“Thus, there are two elements to the above, namely: -

- (i) That there is an international reputation inuring in a trademark in favour of the Plaintiff on account of use made overseas; and
- (ii) The reputation spills over to India.

..... In fact, each new telecom technology (e.g. for 2G to 4G) increased band width enabling more and more to be achieved on, say, a hand-held cell phone. Therefore, standing anywhere within the country at any time pressing a few buttons, a person is able to view international trademarks with such ease

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<sup>18</sup> *Royal Bank of Scotland v. Sharekhan Limited*, 2015 (61) PTC 573 (Delhi).

<sup>19</sup> *Cadbury UK Limited v. Lotte India Corporation Ltd.*, 2014 (57) PTC 422 (Delhi).

<sup>20</sup> *MAC Personal Care Pvt Ltd v. Laverana GMBH & Co KG*, 2016 (65) PTC 357 (Delhi).

that the spill over factor has become quite easy to establish.” (at pages 360 and 361)

These judgments have undoubtedly placed greater reliance on technological developments to establish trans-border reputation of a mark reaching India. However, even in the 1980s, when India was untouched by major technological developments including satellite television channels or the internet, Indian courts had taken note of the legal developments around the world and kept pace therewith. This is clear from the Bombay High Court’s observation in the Gillette case above<sup>21</sup>, where it noted that the goodwill acquired by a manufacturer cannot just be limited to the country where the goods are freely available because these goods are widely advertised in newspapers, periodical, magazines and in *other media* (emphasis provided).

In all the cases discussed above, 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 multi-national 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

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<sup>21</sup> Kamal Trading Co. v. Gillette UK Limited, 1988 (8) PTC 1 (Bombay).

through smart phones<sup>22</sup>), 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 the social media in particular, which is followed by millions of people internationally, including in India<sup>23</sup>, will significantly help in making the spill-over factor easier to establish.

## II. PRIUS CASE: A REVERSAL OF THE “UNIVERSALITY” APPROACH?

In December 2017, the Supreme Court passed an exceptional decision in *Toyota Jidosha Kabushiki Kaisha v. M/s Prius Auto Industries Limited*<sup>24</sup> when it diluted its own findings in *Milmet Oftho* and denied relief in a passing-off action initiated by Toyota Jidosha Kabushiki Kaisha (‘Toyota’), makers of PRIUS, the world’s first commercial hybrid car, on the premise that Toyota had not established goodwill or reputation of its mark in India as of 2001. Ruling in favour of the defendant, M/s Prius Auto Industries Ltd. (‘Prius Auto’), the Court based its decision on the principle of territoriality of trademarks, as opposed to the doctrine of universality. The principle of territoriality requires that a trademark should be recognized as having a separate existence in each sovereign country. The doctrine of universality, on the other hand, states that a mark should signify the same source all over the world.

The appeal arose from an order of the DB of the Delhi High Court, which had held that an injunction in favour of Toyota in respect of the mark ‘PRIUS’ was not justified. Toyota, a well-known Japanese automobile manufacturer, had sued Prius Auto in 2009 for infringement of its registered trademark, TOYOTA and passing-off of its mark PRIUS. Prius Auto, a partnership firm founded in 2001 that manufactured automobile spare parts, was using the mark PRIUS since then. Though Toyota had launched its PRIUS cars in several other countries as early as 1997, in India it was launched only in 2010. Until 2009, Toyota had not filed for registration of the mark ‘PRIUS’ in India. During trial, claiming PRIUS as a well-known mark, Toyota had relied on a few stray advertisements and news reports about

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<sup>22</sup> *Internet usage in India - Statistics & Facts*, STATISTA RESEARCH DEP’T. (Mar. 31, 2020), <https://www.statista.com/topics/2157/internet-usage-in-india/>.

<sup>23</sup> Sanika Diwanji, *Number of social network users in India from 2015 to 2018 with a forecast until 2023*, STATISTA (Mar. 31, 2020), <https://www.statista.com/statistics/278407/number-of-social-network-users-in-india/>.

<sup>24</sup> *Toyota Jidosha Kabushiki Kaisha v. M/s Prius Auto Industries Limited*, 2018 (73) PTC 1 (Supreme Court of India).

PRIUS car magazines in India. Prius Auto, interestingly (and ingeniously) justified its adoption of PRIUS on the ground that it was the first in India to manufacture add-on chrome-plated accessories and, therefore, had conceptualized its attempt as '*pehela prayas*' (meaning 'first attempt'), further modifying the name to 'Prius'. It further submitted that it had registered PRIUS in 2002, had been continuously using the same since 2001, that Toyota had neither registered the mark PRIUS nor sold PRIUS-branded cars in India as of 2001 and that, therefore, Toyota had no goodwill for the mark PRIUS in India.

While the Supreme Court did not conclusively agree with Prius Auto's explanation for adoption of PRIUS, it proceeded to hold in its favour by noting that, if goodwill or reputation of a mark in India is not established by a foreign company, no other issue needs to be examined to determine the extent of the company's rights. Relying on the Starbucks case (supra) by the U.K. Supreme Court<sup>25</sup>, the Indian Supreme Court found that:

“...no trader can complain of passing-off as against him in any territory...in which he has no customers, nobody who is in trade relation with him”. (at page 12)

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

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<sup>25</sup> Starbucks (HK) Limited v. British Sky Broadcasting Group PLC [2015] UKSC 31.

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....". (emphasis added) (at page 15)

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 Offho* to assess whether the defendant, Prius Auto's adoption of the mark was bonafide.

### III. END OF THE ROAD FOR TRANS-BORDER REPUTATION JURISPRUDENCE BASED ON UNIVERSALITY PRINCIPLE?

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.

#### IV. IS THERE A WAY OUT?

Considering India's rich jurisprudence on the issue of trans-border reputation based on universality principle up till the Supreme Court's order in the Prius case, Prius case is undoubtedly bad law. While setting aside the decree passed by the Single Judge in the Prius case, the DB of the Delhi High Court<sup>26</sup> had noted that:

“The principles of trans-border reputation are well recognized and we do not intend to make a catalogue of various judgments dealing with trans-border reputation. Before the era of the internet the judgments were to the effect that where a product is sold in India and sales figures coupled with money spent on advertisements show acceptability of the product in the market, this would be good evidence of the product having acquired a reputation through its trade mark. 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.” (at page 61)

“.....Acquiring trans-border reputation is essentially a question of fact and therefore it requires the evidence to be considered.” (at page 62)

There is no quarrel with the above statement of law by the DB in the Prius case. Throughout the judgment, the DB is concerned with trans-border reputation as it had developed in India before the dispute came to be adjudicated. Neither the DB nor the counsel for the defendant ever understood or argued “trans-border reputation” in terms of the distinction between reputation and goodwill which characterises the English approach to passing-off actions in the Budweiser line of cases as affirmed by the UK Supreme court in the Starbucks case (supra).

While the DB recognized jurisprudential developments in India to the effect that it would be good evidence of trans-border reputation if the information relating to a product has reached India through the print media and magazines enjoying subscription by Indian readers, even

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<sup>26</sup> Cipla Ltd vs Cipla Industries Pvt. Ltd. & Anr., 2017 (69) PTC 425 (Bombay).

if the product is not sold in India, the Supreme Court on the other hand does not at all deal with these jurisprudential developments and the DB's recognition of it. It even fails to note and discuss the concept of trans-border reputation recognized in two earlier precedents of the Whirlpool and the Milmet Oftho Benches. It may be relevant to note that the earlier two precedents were also delivered by two-judge benches of the Supreme Court (albeit in interlocutory proceedings).

In the opinion of the authors, the view expressed in the Whirlpool and the Milmet cases is the correct view of law consistent with the needs of contemporary business and international commerce. In fact, Prius Auto did argue "on the strength of the decision of the Federal Court of Australia in *ConAgra vs. McCain* that in the last resort the test is whether the owner of the goods has established 'sufficient reputation with respect to the goods within the particular country...". Besides the fact that the Supreme Court, without any discussion of the ratio of the earlier precedents, adopted the hard-line reasoning of the UK Supreme Court in the Starbucks case, a reasoning which has been consistently rejected by various Indian High Courts, it also chooses to skirt the issue of adoption of the impugned mark despite its observation that "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'."

In the Apple case (*supra*)<sup>27</sup>, the Single Judge, relying on authority, attached utmost importance to a defendant's explanation in passing-off actions in the following words:

"In a case decided by me and reported as *Hidesign v. Hi-design Creations* 1991 (1) Delhi 125 I referred to the observations of Romer, J., in *J.R. Parkingion and Coy Ltd.*, 63 RPC 171 that the circumstances which attend to the adoption of a trade mark in the first instance, are of considerable importance when one comes to consider whether the use of that mark has or has not been a honest user. If the user in its inception was tainted, it would be difficult in most case to purify it subsequently."

What then is the effect of the Prius Judgement? Under Article 141 of the Constitution of India, the law declared by the Supreme Court is binding on all courts within the territory of India. The question which, therefore, arises for consideration is whether the Prius Judgment is a binding precedent?

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<sup>27</sup> *Apple Computer Inc. vs. Apple Leasing*, 1992 (1) ArbLR 93.

In *Central Board of Dawoodi Bohra Community and Ors. v. State of Maharashtra and Ors.*<sup>28</sup>, the Constitution Bench of the Supreme Court has held as under:

- (a) a decision rendered by a larger Bench of the Supreme Court is binding on all Benches of lesser or co-equal strength.
- (b) A Bench of lesser strength cannot doubt the correctness of the view of the decision taken by a larger Bench. In case of doubt, all that the Bench of lesser strength can do is to invite the attention of the Chief Justice and request for the matter being placed for hearing before a Bench of the strength larger than the Bench whose decision has come up for consideration.
- (c) It is open for a Bench of co-equal strength to express an opinion doubting the correctness of the view taken by the earlier Bench of co-equal strength, whereupon the matter may be placed for hearing before a Bench consisting of a strength larger than the one which pronounced the decision the correctness of which is doubted.

In *Sundeep Kumar Bafna v. State of Maharashtra and Ors.*<sup>29</sup>, a two judge Bench of the Hon'ble Supreme Court observed as under:

“It cannot be over-emphasised that the discipline demanded by a precedent or the disqualification or diminution of a decision on the application of the per incuriam rule is of great importance, since without it, certainty of law, consistency of rulings and comity of Courts would become a costly casualty. A decision or judgment can be per incuriam any provision in a statute, rule or Regulation, which was not brought to the notice of the Court. A decision or judgment can also be per incuriam if it is not possible to reconcile its ratio with that of a previously pronounced judgment of a Coequal or Larger Bench; or if the decision of a High Court is not in consonance with the views of this Court. It must immediately be clarified that the per incuriam rule is strictly and correctly applicable to the ratio decidendi and not to obiter dicta. It is often encountered in High Courts that two or more mutually irreconcilable decisions of the Supreme Court are cited at the Bar. We think that the inviolable recourse is to apply the earliest view as the succeeding ones would fall in the category of per incuriam.”

The decision in *Bafna (supra)* was cited with approval by the Constitution Bench of the Hon'ble Supreme Court in *National Insurance Company Limited v. Pranay Sethi and Ors.*<sup>30</sup>,

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<sup>28</sup> Central Board of Dawoodi Bohra Community and Ors. v. State of Maharashtra and Ors., (2005) 2 SCC 673.

<sup>29</sup> Sundeep Kumar Bafna v. State of Maharashtra and Ors., (2014) 16 SCC 623.

<sup>30</sup> National Insurance Company Limited v. Pranay Sethi and Ors., (2017) 16 SCC 680.

wherein while referring to *Bafna (supra)*, the SC reiterated that “*There can be no scintilla of doubt that an earlier decision of co-equal Bench binds the Bench of same strength*”.

Given the fact that decisions in the *Whirlpool (supra)* and *Milmet Ofitho (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 Ofitho (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 Ofitho (supra)*.

In view of the legal position captured above, it can well be argued that the SC decision in the Prius case is *per incuriam* and/or not a binding precedent.

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 Ofitho (supra)* which were rendered by the Supreme Court Benches of co-equal strength.

Whatever may be the case, it is the opinion of the authors that Prius case is certainly not the last word on ‘trans-border reputation’ in a passing-off claim in India.

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