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Contents

Article

World famous or not - Trans-border
reputation in trade marks..... 2

Ratio Decidendi..... 5

News Nuggets..... 7

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Article

World famous or not - Trans-border reputation in trade marks

By **Kumudavalli Seetharaman**

Trans-border reputation as the name suggest means reputation that has spilled over to other jurisdictions wherein there is neither use of the trade mark in question nor the trade mark registered. The general position in India is that trans-border reputation protects global reputation of the goods that have not even entered the Indian market.

A Division Bench of the Delhi High Court, recently dealt with the concept of trans-border reputation in the case of *Prius Auto Industries & ors. v. Toyota Jidosha Kabushiki*¹. In an infringement and passing off action initiated by Toyota in the year 2009 against Prius, an *ex-parte ad-interim* injunction was granted in favor of Toyota and against Prius restraining it from using the trademarks TOYOTA, TOYOTA INNOVA and Toyota device mark, which was later vacated on an application filed by Prius. Being aggrieved, Toyota preferred an appeal wherein a Division Bench granted an order in favour of Toyota *albeit* with certain conditions on the use of the above mentioned trademarks and the suit was sent to the Single Judge for decision on merits. The Single Judge of the Delhi High Court, after trial, granted permanent injunction in favour of Toyota and against Prius restraining Prius from infringing the trademarks TOYOTA, TOYOTA INNOVA

and Toyota device mark and passing off the mark Prius. In addition, the Single Judge awarded damages. Being aggrieved by this judgement Prius preferred an appeal before the Division Bench. The main issue before the Division Bench was whether Toyota had established trans-border reputation for the mark 'PRIUS' and whether the Appellants/ Prius can take the plea of waiver/ delay.

Brief Facts

The plaintiff/ respondent, Toyota is an internationally known company, engaged in the manufacture and sale of motor vehicles. It is the registered proprietor of the trade marks TOYOTA, TOYOTA INNOVA and the Toyota device mark in India as well as various countries abroad, with reported global sales of over US\$ 220 billion.

In the year 1994, Toyota designed a hybrid engine which was displayed at the 1994 Tokyo Motor Show. Toyota pleaded that the first hybrid automobile, PRIUS, was sold in Japan in 1997 and the same became global news as it was a fuel-efficient hybrid car which addressed the environmental concerns of pollution.

The defendants/ appellants on the other hand, sell auto parts meant for use in different brands of automobiles; under their registered

¹ RFA (OS) 62/2016

trade mark 'PRIUS'. The Defendant No. 3 (M/s. Prius Auto Industries) was constituted as a partnership firm by Defendants No.1 and 2 (Mr. Deepak Mangal and Mr. Sandeep Verma respectively) in 2001.

The defendants/ appellants admitted to using the words 'Toyota' and 'Innova' on the packaging material in which auto parts were packed. However, they claimed that it was not used as a trade mark but to make it known to the consumers that an automobile part was suitable for a particular brand of motor vehicle manufactured and sold by Toyota. Further, the registration of the trade mark PRIUS was obtained by the defendants/ appellants in the year 2002 with user since July 2001. Therefore, it was submitted by the defendants/ appellants that trans-border reputation of Toyota in its trade mark 'PRIUS' had to be established prior to the year 2001 in order to show that the adoption by the defendants/ appellants was not honest and was influenced by the Toyota's trans-border reputation in the mark 'PRIUS'. They had also pleaded acquiescence on the part of the Respondent/ Plaintiff for not having taken any steps till 2009 (when the suit was instituted) while the respondent/plaintiff was bound to be aware of the defendants/ appellants since the year 2004 as both the parties advertised in the same magazine 'Auto car'.

A Single judge of the Delhi High Court by issuing summons in the suit in 2009, granted an *ex-parte ad-interim* injunction restraining the defendants/ appellants from using the

trade mark TOYOTA, INNOVA, PRIUS and the Toyota device in respect of auto parts and accessories. The order was vacated in 2010. Toyota took the matter in appeal and the same was disposed by the Division bench of the same Court and remanded back to the Single Judge, imposing an interim arrangement restricting PRIUS from using the trade mark TOYOTA and INNOVA, except for the purpose of identifying that their product can be used in those vehicles. The defendants were required to ensure that TOYOTA and INNOVA were not written in the same font as written by the plaintiff and the logo of the plaintiff was also prohibited from being used and were directed to replace the term 'Genuine Accessories' with 'Genuine Accessories of PRIUS Auto Industries Limited'.

On completion of trial and hearing the arguments of the parties, the Single Judge passed the judgment restraining PRIUS from infringing and passing off the above mentioned trademarks of Toyota. Hence, this appeal was preferred by PRIUS.

Contentions of the parties

The respondent/ plaintiff contended that the news of Toyota launching the first hybrid car was made available globally through the print media, that it must be held that the reputation from other jurisdictions had permeated across the borders and into India. The same was supported by them by submitting various news articles, publications and journals. They also contended that the Appellants/ Defendants No. 1 and 2 along with the father of Defendant

No. 2 were in the automobile trade for several years and that they would have known about Toyota launching a hybrid car under the trade mark PRIUS in the year 1997, and therefore, adoption of the said trade mark was dishonest. They also contended that the word PRIUS had no obvious meaning and is a word of Latin origin meaning prior/ former.

The appellants/ defendants contended on the other hand, that they adopted PRIUS because they were the first in India to introduce chrome plated motor parts and the Hindi words 'Pehla prayas' came to their minds. However, in order to make their trade mark more stylish and catchy, they consulted dictionaries and chanced upon the word PRIUS. Further, they contended that only those publications and journals showing the sale of the motor vehicle PRIUS was a global event were to be considered which were prior to April 2001 as it was in the said month and year that the appellant/ defendant's partnership firm was constituted.

They also contended that the argument that PRIUS garnered trans-border reputation is very weak as a list of other cars which were introduced by Toyota were never even heard of by consumers in India. Not all motor vehicles which are sold in various foreign jurisdictions become known in India and hence, there is no trans-border reputation in India for motor vehicles sold in foreign jurisdictions by Toyota. Further, as per the evidence provided by the respondent/ plaintiffs, only one article published in 1997 referred to Prius

and that a solitary news article could not be sufficient evidence to establish trans-border reputation.

Decision of the Court

The Division Bench was of the view that whether trans-border reputation exists is essentially a question of fact and therefore it requires the evidence to be considered. The Bench opined that the Single Judge had erred in discussing this issue as the evidence post April 2001 was also considered by the Single Judge whereas, only evidences prior to April 2001 were to be considered as that was the date of adoption of the mark by the Appellant/ Defendant.

The Bench held that the law on trans-border reputation requires two facts to be established. The first is the reputation in foreign jurisdictions of the trade mark. The second is the knowledge of the trade mark in a domestic jurisdiction due to its reputation abroad. Therefore, though Toyota was able to prove that the sale of PRIUS was reported in the press world over, the nature of the news was not such that would attract public attention at large. Moreover, publications in the nature of articles had minimal evidentiary worth. Further, Toyota had led no evidence of money spent in advertisements in India for PRIUS before 2010, therefore a reputation in the form of public confidence in the goods and as a result the association of the mark with the source of the goods was not made.

The Bench further opined that in a case which is either a qua-timet action or wherein

the defendants are recent entrants in the market, the test of likelihood of confusion was enough. However wherein the parties have been in business for a number of years, there must be evidence of actual confusion and not just likelihood. As there were no complaints to Toyota, the Court deduced that no consumer of Toyota car or auto parts was confused by the appellant/ defendant selling their products under the trade mark PRIUS.

The Division Bench thus held that Toyota had failed to establish trans-border reputation and that the justification as given by the Appellants/ defendants as to the adoption of the mark PRIUS had enough credibility.

The appeal was thereby allowed by setting aside the decree, but the restraint on Prius Auto Industries about not using the other trademarks of Toyota being continued. The direction with regard to the damages was also dismissed by the Division Bench and as a consequence thereof the cross-appeal preferred by Toyota for enhancement of the damages was also dismissed *vide* subsequent order dated January 12, 2017.

Though the idea of claiming trans-border reputation is gaining ground, it needs to be established based on evidence.

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Ratio Decidendi

Trademarks – Delhi HC grants interim injunction for use of mark ‘Aqua’ for mobile phones

A Single Judge of the High Court of Delhi has granted interim injunction in favour of the plaintiff observing that they had established a strong *prima facie* case for priority showing prior use and goodwill in the mark ‘Aqua’ in relation to mobile phones. The Court in this regard also held that ‘Aqua’ being an arbitrary mark in its application to mobile phones required no proof of secondary meaning, and that mere filing of a search report without cogent and clear evidence of user cannot establish that the mark is common to trade. It was also observed that the defendants themselves had applied for registration of ‘Aqua’ and hence could not be permitted to

argue that the same is descriptive. Rejecting the contentions of the defendants in respect of reliance on certain invoices produced by the plaintiff, the Court acknowledged the priority rights of the plaintiffs to adopt the mark in respect of mobile phones. Reliance in this regard was also placed on Facebook pages, YouTube video, supplier contracts with third parties, sponsorship contract for marketing, coverage of launch of mobile phones and an article featuring in Phone RPT India. Further, defendant’s contention that since they have used the word ‘Intex’ in conjunction with ‘Aqua’ hence there is no likelihood of confusion, was also rejected by the Court observing that such use may not be sufficient to dispel confusion when ‘Aqua’ was being marketed as separate sub-brand. Lastly

the Court was of the view that there was no misrepresentation which would disentitle the plaintiffs from the equitable relief of injunction. [*AZ Tech (India) v. Intex Technologies (India) Ltd.* – Judgement dated 24-12-2016 in CS (OS) 2060/2013, Delhi High Court]

Trademarks - Permitted user cannot institute an infringement suit

A Division Bench of the Delhi High Court has set aside the decision of the Single Judge and returned the plaint on the grounds that the Plaintiff No. 2 being a ‘permitted user’ as defined under Section 2(1)(r)(ii) of the Trade Marks Act, 1999 could not have instituted the suit by virtue of Section 52 of the Trade Marks Act, 1999. The Court hence rejected the view of the Single Judge that the second plaintiff being the permitted user, the ‘person’, as referred to in Explanation to Section 134(2) of the Trademarks Act, can institute an infringement suit. The Division Bench in this regard however agreed with the view of the lower court that the definition of ‘person’ was indeed an inclusive one and that it cannot be restricted to the ‘registered user’ and the ‘registered proprietor’. It observed that Section 134(2) could apply to infringement suits by any person other than the registered proprietor and the registered user, only if it was permitted by other provisions in the Act.

The Court opined that the only persons who can bring a suit for infringement of a trade mark would be the registered proprietor himself or the registered user and certainly

not a permitted user because of the express prohibition under Section 53. The Court was also of the view that if the word ‘person’ would include a permitted user, then it would mean that while on the one hand Section 53 bars such a person from instituting any proceeding for infringement, Section 134(2) would regard him as a person instituting the suit. The Court was also of the view that Delhi High Court did not have the territorial jurisdiction to entertain the instant suit as the cause of action in the present case was in Kolkata where the defendant was present. [*P.K. Sen v. Exxon Mobile Corporation* – Judgement dated 4-1-2017 in FAO (OS) No. 290/2016 & CM No. 37465/2016, Delhi High Court]

Copyright infringement – Liability of an online intermediary

A Division Bench of the Delhi High Court has reversed a decision of the Single Judge on the issue of liability of an intermediary in copyright infringement. The appellant in this case was a service provider providing free platform for uploading of audio or video along with other interactive features. The Court was of the view that Section 51(a)(ii), in the case of internet intermediaries, contemplates actual knowledge and not general awareness, and to impose liability on an intermediary, conditions under Section 79 of the IT Act have to be fulfilled. Observing that modification on the technical side by use of software would *per se* not constitute knowledge, the Court was of the view that *prima facie* there was no knowledge on the part of appellant with

respect to allegations of infringement of the plaintiff's works.

The Division Bench in this regard held that Sections 79 and 81 of the Information Technology Act and Section 51(a)(ii) of the Copyright Act have to be read harmoniously. It was held that proviso to Section 81 does not preclude the affirmative defence of 'safe harbor' for an online intermediary in case of copyright actions. Reliance in this regard was placed on Information Technology (Intermediaries Guidelines) Rules, 2011 and provisions of Section 79 of the IT Act which provide for an affirmative defence to an intermediary as long as it complies with the associated conditions. Finally, it was held that in case of internet intermediaries, interim relief has to be specific and must point to the actual content, which is being infringed. It was observed that without a notice containing the details and location of the exact works in which infringement is complained of, the intermediary cannot be expected to scan through a large number of videos to discern infringement. [*Myspace Inc. v. Super Cassettes Industries Ltd.* – Judgement dated 23-12-2016 in FAO(OS) 540/2011, C.M. APPL.20174/2011, 13919 & 17996/2015, Delhi High Court]

Design infringement – Defence of lack of novelty and visual appeal can be set up

Delhi High Court has dismissed an interim injunction in a design infringement suit. The Court in this regard was of the view that the plaintiff's registered design for a hollow section pipe was purely functional and bereft of any visual appeal. The plaintiff had claimed uniqueness in its design on the premise that hollow section pipes in prior art and in use, did not have a base/back with the metal plate. The Court however noted that it was not shown as to how flat base/ base renders the design to be new and novel which appeals to the eye, and is not merely functional inasmuch as two hollow section pipes – one with the base and the other without the base would look the same after affixation. Further, observing that the hollow metal frames similar to that of the registered design already existed in the art, it was held that *prima facie* the design was not novel. [*APL Apollo Tubes Ltd. v. Surya Roshni Limited* – Judgement dated 3-1-2017 in I.A. No.3378 /2016 in CS(Comm) 192/2016, Delhi High Court]

News Nuggets

UK moves on with Intellectual Property (Unjustified Threats) Bill

The Intellectual Property (Unjustified Threats) Bill introduced in May 2016, passed the stage of Second Reading earlier

this month. It will now be considered by a Public Bill Committee before it proceeds for Third Reading and amendments if any. The Bill seeks to amend the existing provisions as regards safeguard against groundless

threats in respect of patents, European patents, trade marks, European Union trade marks, registered designs, design rights and Community designs. One of the main objects of the Bill is preventing the misuse of threats to intimidate or gain an unfair advantage in circumstances where no infringement of an IP right has actually occurred. The UK Law Commission had made many recommendations including exempting professional advisers in proceedings from personal liability though the (purported)

right owner makes unjustified threats and, advocating communication between parties to avoid litigation. According to the Bill, an unjustified threat is one whereby a reasonable person in the position of a recipient would understand from the communication that a patent (or other IPR) exists and a person intends to bring proceedings (whether in a court in the United Kingdom or elsewhere) against another person for infringement and includes communication to the public or a section of the public.

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