GOODWILL IN PASSING OFF ACTIONS: IN SEARCH OF BALANCE

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ABSTRACT

The question of protecting the reputation of foreign traders has always been contentious in passing off cases. This article argues that a liberal “soft-line” approach (recognized in India and most other Commonwealth jurisdictions) works better than the English “hard-line” approach, not least because of certain practical issues in India. Yet, there have been concerns that the soft-line approach may need to be moderated. This article discusses three recent cases raising the bar for foreign traders claiming a protectable reputation (of the U.K. Supreme Court, Singapore Trade Marks Registry and the Indian Supreme Court). The article disagrees with the reasoning in each of these cases, arguing that the Indian Supreme Court’s decision is especially problematic and undermines several Indian precedents recognizing the soft-line approach.

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INTRODUCTION

This article draws from an earlier article I had published in the Oxford University Commonwealth Law Journal, concerning the common law tort of passing off. I will discuss two recent judgements on the subject, by the Supreme Courts of the U.K. and India, and update some of my arguments. In my previous article, I had criticized the approach of courts in England. To summarize, the House of Lords, in a century-old taxation case, had held that a German margarine manufacturer with no customers outside

3 In an action for passing off, a plaintiff must establish “(1) that his goods have acquired a particular reputation among the public, (2) that persons wishing to buy his goods are likely to be misled into buying the goods of the defendant and (3) that he is likely to suffer damage thereby.” Consorzio del Prosciutto di Parma v. Marks & Spencer PLC and others [1991] EWHC, [1991] 108 RPC (HL) 351 [405] (appeal taken from Eng.). A passing off action is useful when a plaintiff seeks to protect a mark that is not registered under trademark legislation, or in cases involving attributes of goods and services that are not covered by trademark legislation. Passing off and palming off are synonyms. J. Thomas McCarthy, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 25.01(1) (4th ed. 1994). In India and other Commonwealth jurisdictions, the term “passing off” is usually preferred, while “palming off” is more common in the U.S. As an example, in ITC v Punchgini 482 F.3d 135, 160 (2d Cir. 2007), an India-based plaintiff had written a cease and desist letter to a U.S.-based defendant accusing the latter of passing off by running a restaurant with the same name as a popular restaurant run by the plaintiff in India. Id. The court preferred to use the term palming off. Id.
Germany could not be said to have goodwill in England, as the “attribute of locality” is essential to goodwill.\textsuperscript{4} English courts have since transposed this understanding of goodwill into modern trademark jurisprudence, where a plaintiff must establish a protectable goodwill or reputation as a first step.

For example, in a case where a popular French nightclub was unable to prevent a British nightclub from using the same name, the High Court of Justice held that the plaintiff could not establish “reputation in the sense material for the purpose of a passing off action.”\textsuperscript{5} In another, somewhat infamous case, the Court of Appeal rejected an action by the U.S.-based manufacturers of Budweiser beer against a Czech company selling beer bearing the same name.\textsuperscript{6} The plaintiff submitted evidence that included advertisements in the U.S. media that residents in England had been exposed to, statements of witnesses in England, and purchases to U.S. diplomatic and military personnel posted in England.\textsuperscript{7} However, the court drew a distinction between “goodwill” and “mere reputation,” observing that the latter could “exist without any supporting local business, but . . . does not by itself constitute a property which the law protects.”\textsuperscript{8} On some occasions, English judges have tried to adopt a more liberal approach to interpreting goodwill.\textsuperscript{9} Scholars commonly refer to this as a “soft-line” approach, contrasting with the “hard-line” approach above.\textsuperscript{10} In

\textsuperscript{5} Alain Bernardin et Compagnie v. Pavilion Properties Ltd. [1967] RPC 581 (Ch).
\textsuperscript{6} Anheuser-Busch Inc v. Budejovicky Budvar [1984] FSR 413 (CA).
\textsuperscript{7} Id. at 417, 420–30, 457, 475.
\textsuperscript{8} Id. at 470.
\textsuperscript{9} See Maxim’s Ltd. v. Dye [1977] FSR 364 (Ch); Pete Waterman Ltd. v. CBS UK Ltd. [1993] EMLR 27 (Ch) 50.
\textsuperscript{10} See CATHERINE COLSTON & JONATHAN GALLOWAY, MODERN INTELLECTUAL PROPERTY LAW (3d ed., 2010).
Starbucks v British Sky Broadcasting\textsuperscript{11} (decided by the Court of Appeal at the time I had written my previous article, now decided by the U.K. Supreme Court), the court largely affirmed the hard-line approach, with a few allowances.

In my previous article, I had argued that the Indian approach to passing off, which recognizes “spill-over” reputation emanating from overseas, is superior to the English position, in light of today’s globalized commerce. I had also cited cases from other Commonwealth jurisdictions, such as Australia, New Zealand and Canada, where courts have held spill-over reputation to be protectable. Other Commonwealth scholars have expressed a view similar to mine, both before my article and afterwards.\textsuperscript{12} The British scholar Christopher Wadlow has suggested the idea of a “balancing exercise” rather than a wholesale adoption of the soft-line approach, to safeguard the interests of defendants. In this article, I will discuss three cases raising the bar for foreign traders claiming a protectable reputation—the decision of the U.K. Supreme Court in Starbucks, the Singapore Trade Marks Registry in Alphasonics Trademark Opposition,\textsuperscript{13} and the Indian

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Supreme Court in *Toyota v Prius*. Wadlow was cited in all three decisions, but the last two specifically cited his cautionary views on the soft-line approach.

In Part I of the article, I will cite practical reasons why recognizing spill-over reputation is important in India. In Part II, I will consider whether the soft-line approach requires some fine-tuning to prevent its misuse and will discuss *Alphasonics* and *Starbucks*. I will then discuss *Toyota* and criticize the decision as problematic. I will conclude by proposing guidelines that courts in India can follow to better balance the interests of plaintiffs and defendants.

I. **WHY SPILL-OVER REPUTATION MATTERS: AN INDIAN PERSPECTIVE**

There are at least five reasons why it is especially important for Indian courts to recognize spill-over reputation in passing off cases. *First*, in some Commonwealth jurisdictions, such as the U.K., Singapore, and South Africa, there exists a statutory trademark provision that protects unregistered marks, independent of a passing off action. There is no corresponding provision in India. While this provision only applies in situations where the relevant mark is “well-known” and its use by another is “likely to cause confusion,” the complete absence of such a provision in India means that passing off is practically the only type of civil action available to an overseas trader seeking to protect an unregistered mark—even if the mark is well-known and used in manner leading to confusion. Here, the recognition of spill-over reputation becomes relevant if the trader has no presence in India. The trader must establish prior *reputation*

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14 *Toyota v. Prius*, AIR 2018 SC 167 (India).
of the mark in India, rather than prior use of the mark in India.\textsuperscript{16}

Second, it has traditionally taken an inordinately long time to register a trademark in India, with oppositions resulting in further delays.\textsuperscript{17} Following India’s accession to the Madrid Protocol in 2013, the pace of processing trademark applications has apparently improved.\textsuperscript{18} Yet, this does not appear to be wholly true for pre-Madrid applications or opposed applications.\textsuperscript{19} Thus, it conceivable that a foreign trader with spill-over reputation may be unable to sue for trademark infringement in India simply because of a long-pending application.

\textsuperscript{16} Banerjee, \textit{supra} note 2, at 23.

\textsuperscript{17} \textsc{Taylor Wessing}, \textsc{Global Intellectual Property Index} 28 (5th ed. 2016), https://united-kingdom.taylorwessing.com/documents/get/576/gipi5-report.pdf/show_on_screen.

\textsuperscript{18} \textsc{Office of the Controller General of Patents, Designs, Trade Marks and Geographical Indications, Annual Report 2016-17}, at 75 (2017), http://www.ipindia.nic.in/writereaddata/Portal/IPOAnnualReport/1_94_1_1_79_1_Annual_Report-2016-17_English.pdf (“Till March 2017, Indian office has received 619 applications for international registration of trademarks under the Madrid Protocol, out of which 523 applications have been certified and forwarded to the WIPO. Out of these applications 357 marks were registered at the level of the WIPO.”).

\textsuperscript{19} According to official data, the Indian Trade Marks Registry disposes of 1/3 fewer oppositions and rectification (cancellation) applications than it receives. \textit{Id.} at 73. This data does not distinguish between oppositions and rectifications (the former, of course, concerning marks pending registration and the latter marks already registered) but it would probably be fair to assume that oppositions outnumber rectifications. In my previous article, I had cited, as an offhand example, a pre-Madrid application for the mark FCUK. Banerjee, \textit{supra} note 2, at 22, note 15. The application was filed as early as March 1998. An opposition against the application, filed by an interloper on grounds of morality, is still pending today. Record of Trademark Application No. 793780, \textsc{Indian Trade Marks Registry}, https://ipindiaonline.gov.in/eregister/viewdetails_new.aspx (search for “793780” in “Enter Trade Mark/Application Number” query).
Third, counterfeiting of global brands is widely prevalent in India. It is also not uncommon for counterfeiters to apply for trademark registrations of well-known overseas marks. In such cases, if the overseas proprietor of a trademark has not used the mark in India, establishing prior spill-over reputation becomes critical. For instance, during a random search of the Indian Trade Marks Registry, I found usurping trademark applications for three fast food restaurant brands that do not have a presence in India, namely Arby’s (one application on a proposed-use basis and another application citing a 2013 use date), Tim Horton’s (one application citing a 2007 use date) and Whitecastle (one application on a proposed-use basis).

In the case of Arby’s, the original U.S. proprietor has not yet filed an application to register its mark. It thus filed an opposition to the first usurping application (which is still


21 In the case of Arby’s, I found two similar marks, one using a different font compared to the original logo, filed in December 2011, and the other using the same font and cowboy hat logo as the original, filed in December 2013. Records of Trademark Application Nos. 2103190 & 2638730, INDIAN TRADE MARKS REGISTRY, https://ipindiaonline.gov.in/eregister/viewdetails_new.aspx (search for “2013190” and “2638730” in “Enter Trade Mark/Application Number” query).

22 In the case of Tim Horton’s, I found an application to register TIM HORTON’S as a word mark, filed in March 2011. Record of Trademark Application No. 2114621, INDIAN TRADE MARKS REGISTRY, https://ipindiaonline.gov.in/eregister/viewdetails_new.aspx (search for “2114621” in “Enter Trade Mark/Application Number” query) [hereinafter Tim Horton’s Application].

23 In the case of Whitecastle, I found an application using the same font and castle logo as the original, filed in October 2013. Record of Trademark Application No. 2614755, INDIAN TRADE MARKS REGISTRY, https://ipindiaonline.gov.in/eregister/viewdetails_new.aspx (search for “2614755” in “Enter Trade Mark/Application Number” query).
pending) relying on spill-over reputation and the likelihood of passing off, stating that “[c]onsidering that thousands of Indians visit the United States annually for business and on vacation and given that the Internet has significantly diminished borders, Indians especially in urban areas would most likely be aware of [the] opponent’s trademark.”\(^24\) With respect to the second usurping application, the mark was refused registration as the applicant tried to register some common and potentially infringing terms alongside the mark.\(^25\) But had the application been allowed to proceed, an opposition by the U.S. proprietor would surely have hinged on spill-over reputation. In the case of Tim Horton’s, at the time of the usurping application, the original Canada-based brand owner had filed an application to register its mark in India in 2009 (which is still pending) on a proposed-use basis.\(^26\) The usurping application was eventually refused registration (for reasons not fully clear from the application’s record), but had it been allowed to proceed, Tim Horton’s would also have had to file an opposition based on spill-over reputation and likelihood of passing off.\(^27\) In the case of


\(^{25}\) Correspondence Between the Applicant and the Indian Trade Marks Registry in Application No. 2638730, INDIAN TRADE MARKS REGISTRY, https://ipindiaonline.gov.in/eregister/viewdetails_new.aspx (search for “2638730” in “Enter Trade Mark/Application Number” query). The applicant tried to register “Good Mood Food” (subject of an earlier application by another trader) and “Veg.” (an abbreviation for vegetarian food commonly used in India).


\(^{27}\) Tim Horton’s Application, supra note 22. The record shows that the Registry objected to the application citing the earlier application by the Canada-based company and that the applicant’s submitted a response
Whitecastle, the U.S.-based company filed two trademark applications only after the usurping application, but these are still pending. Thus, the U.S.-based company filed an opposition to the usurping application (which is still pending) using the spill-over reputation and passing off strategy, citing global advertisements and publicity.

Fourth, flowing from the point mentioned in the Arby’s opposition, there are large numbers of Indians traveling overseas for work or higher education, in regions such as Europe, North America, Asia and Australia. According to a United Nations report, “India is now the country with the largest number of people living outside the country’s borders.” Indians living overseas frequently retain close familial, cultural, and business links with India, and even those acquiring foreign citizenship often acquire a

claiming that their mark was different. A notice for a hearing was issued to the applicant, but it is not clear if the applicant attended the hearing or, if yes, what the exact basis for refusing the application was, considering it claimed an earlier use date.


dual “Overseas Citizen of India” status.\(^{32}\) Importantly, a sizeable segment of the Indian diaspora is prosperous and well-educated (in the U.S. and the U.K., belonging to the highest economic strata).\(^{33}\) Meanwhile, Indian tourists, students and other visitors overseas have spent up to $1.2 billion per month in outward remittances.\(^{34}\) Thus, it can reasonably be inferred that thousands of affluent Indians living overseas visit India and vice versa. This can clearly contribute to foreign brands, even niche, upscale ones, acquiring a spill-over reputation in India.

Fifth, for several decades, until the 1990s, India had a tightly closed socialist economy that was hostile to foreign direct investment (FDI).\(^{35}\) As a result, even global companies eager to invest in India were forced to stay away. To cite an infamous example, the Coca-Cola company was forced to leave India after the government directed it to share


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its formula and knowledge with local manufacturers. Following the company’s departure, Campa Cola, a local Indian cola brand with a logo ripped off from Coca-Cola, became the most popular soft drink in India for several years. After the liberalization of the Indian economy, many global corporations entered (or re-entered) India only to find that their trademarks had been wrongfully appropriated by others. One of the best examples was Whirlpool. The company could not operate in India due to import restrictions and let its trademark registration lapse. In a landmark case, which has since become the touchstone for deciding passing off cases brought by overseas traders in Indian courts, the Supreme Court of India upheld a Delhi High Court decision recognizing Whirlpool’s spillover reputation in a passing off claim.

Today, thousands of major corporations have a presence in India and have registered their trademarks, limiting the possibility of such occurrences. Yet, the Indian government still heavily restricts FDI in a few sectors, notably retail. This increases the relevance of spill-over reputation for overseas traders in these sectors. For example, in 2013, Waitrose, the upscale British retail chain, became the official sponsor of the English cricket team.

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38 According to Whirlpool, it had been wrongly advised that it was necessary to establish trademark use to obtain a registration in India. See Whirlpool v. Dongre, (1994) 56 DLT 304 (Del. HC) ¶ 5 (India).


increased the visibility of the brand in India, where cricket’s popularity borders on the obsessive. The following year, the popular British actor Stephen Fry tweeted a photograph of a supermarket in the Indian city of Madras, using the logo “Waitrose London Supermarket.” The photograph was retweeted and commented on hundreds of times. The fake Indian supermarket had, in fact, applied to register the mark in India (still pending) just a few days before Fry’s tweet, citing a 2014 use date. In contrast, Waitrose currently has a pending mark application on a proposed-use basis. Here, if an opposition ensues, Waitrose can trump a claim of prior use by the Indian supermarket by claiming prior spill-over reputation, relying especially on its cricket connection.

In all the above situations, had the English hard-line standard been applied, it may have led to unjust outcomes legitimizing the use of well-known foreign trademarks by dishonest domestic traders.

II. BALANCING THE SOFT-LINE APPROACH

Amidst criticism of the hard-line approach, Wadlow has warned that abandoning it could lead to “bona fide domestic traders finding themselves open to litigation at the suit of unknown or barely-known claimants from almost
anywhere in the world.” Wadlow has thus advocated the need for a “balancing exercise” by courts. In my article, I had responded to Wadlow as follows:

These concerns are certainly valid. A significant problem could arise in cases involving the use of common and unimaginative words that could easily be thought of by more than one trader by coincidence. For instance, a small trader in Delhi might honestly use the word DIAMOND on pencils, only to be sued by a little-known, but wealthier Australian company which has not registered the mark in India but claims to have adopted the mark earlier on similar or identical goods. In such cases, plaintiffs may produce advertisements from foreign newspapers and magazines, or simply argue that Indians living overseas have been exposed to the mark.

A fairly recent Delhi High Court case (which I had made the mistake of citing uncritically in my previous article) presents an example. Cadbury had sued the Indian subsidiary of Lotte (a well-known East Asian confectionary company) for passing off, for selling chocolate eclairs using a similar product outside India. Cadbury claimed spill-over reputation in India, citing sales figures and advertisements in China, South Africa, Indonesia, and Malaysia. Each of these countries receive numerous tourists from India, and South Africa, Indonesia, and Malaysia are also home to a large, prosperous Indian community. Thus, Cadbury was

46 Id.
47 Banerjee, supra note 2, at 41.
48 Cadbury UK Ltd. & Anr. v. Lotte India Corp. Ltd., (2014) 57 PTC 422 (Del. HC) (India).
49 Id. at ¶¶ 4, 15, 36.
50 Farida Susanty, Indonesia Eyes Indian Tourists Visiting Malaysia, Singapore, JAKARTA POST (May 11, 2018),
not incorrect in citing these countries to claim spill-over reputation. Furthermore, Cadbury had been using the mark outside India for a considerable time. Yet, “CHOCLAIRS” is hardly an imaginative name for a brand of chocolate eclairs. What then prevents the DIAMOND example from occurring in India, in case of a less worthy plaintiff?

In defense of the soft-line position, it could be argued that this is a separate concern linked to the second and third factors in a passing off action (likelihood of confusion and likelihood of damage respectively). However, in India, as in England, an interim injunction is granted not on the basis that the plaintiff has a *prima facie* case, but only that there is a serious question to be decided.\(^{51}\) While the general public interest has been held in India to be a factor against the grant of an interim injunction, the use of such a defense remains untested in such situations. In the above case, Cadbury was granted an interim injunction that was affirmed on appeal—possibly a problematic precedent. So how can the soft-line position be moderated? Unfortunately, neither *Alphasonics* nor *Starbucks* nor *Toyota* provide a satisfactory answer—at least from an Indian perspective.

In *Alphasonics*, the applicant, the Singapore subsidiary of a German company, sought to register “ALPHASONICS” (with a decorative “a” symbol) in relation to ultrasonic and chemical cleaning equipment, on a proposed-use basis. The opponent, a British company, was already manufacturing such products using

\(^{51}\) Colgate Palmolive v. Hindustan Lever Ltd., (1999) 7 SCC 1, ¶¶ 5–9 (India) (discussing American Cyanamid Co. v. Ethicon Ltd. (No.1) [1975] RPC 513 (HL) (appeal taken from Eng.)).
“ALPHASONICS.” The Singapore Trade Marks Registry ruled in favor of the applicant. The Registry cited Wadlow,\(^{52}\) as well as a Singaporean scholar who had argued that “Singapore law should not allow a foreign trader to stifle local enterprises unless and until he has entered the market here, or at least is clearly about to enter the market.”\(^{53}\) The applicant cited advertisements and promotions outside Singapore as evidence of spill-over reputation, which were rejected by the Registry. The applicant further demonstrated the sale of three items in Singapore over a ten-year period. However, the Registry found it “inconceivable” that the opponent could “sustain a business in Singapore with such sales.”\(^{54}\) The Registry stated that “[i]f the threshold for establishing renown in Singapore is set too low,” it “would create great uncertainty for the domestic trader.”\(^{55}\)

Considering the product in question, “ALPHASONICS”, like “CHOCLAIRS” is not a terribly original mark. Indeed, the applicant stated that it came up with the suffix “SONICS” to reflect the nature of its business, and the prefix “ALPHA” as it was “a well-recognized phonetic alphabet” that would also place the applicant’s company at the top of alphabetical business listings.\(^{56}\) Viewed from this angle, the Registry’s decision may seem fair. Yet, the suggestion that a foreign trader ought to demonstrate local market presence, or intention to establish such, seems to tilt towards the hard-line approach. This can lead to unjust outcomes—say, for example, if the standard was to be applied to Whitecastle or Waitrose in India.

In *Starbucks*, the plaintiff ran a television channel in Hong Kong, using the mark “NOW.” The plaintiff had

\(^{52}\) *Alphasonics*, *supra* note 13, at ¶ 67.

\(^{53}\) *Id.* at ¶ 68.

\(^{54}\) *Id.* at ¶ 77.

\(^{55}\) *Id.* at ¶ 70.

\(^{56}\) *Id.* at ¶ 90.
acquired substantial goodwill within Hong Kong. Although the plaintiff’s channel was not accessible outside Hong Kong, the plaintiff’s operated a YouTube page and made some programs available internationally, including as in-flight entertainment.\textsuperscript{57} The plaintiff also owned a European Community trademark registration.\textsuperscript{58} The plaintiff sued the defendant when the latter announced plans to launch an internet channel using the name “NOW TV.” The High Court of Justice, Court of Appeal, and Supreme Court all affirmed the hard-line approach and rejected the view that the plaintiff had a protectable reputation in the UK.\textsuperscript{59} At the Supreme Court, Lord Neuberger was “unpersuaded” that the plaintiff’s case was “strengthened by the fact that we are now in the age of easy worldwide travel and global electronic communication.”\textsuperscript{60} He pointed out that accepting the plaintiff’s claim of spill-over reputation would allow a party “to lay claim to some reputation within virtually every jurisdiction,” even if it “had not spent any time or money in developing a market.”\textsuperscript{61} This could unjustly prevent the use of “an ordinary English word, ‘now,’ for a potentially indefinite period.”\textsuperscript{62}

Lord Neuberger also pointed out that the U.K. protected unregistered well-known marks of foreign traders through a statutory provision (as mentioned earlier). According to the judge, this provision was “significant in the present context because it substantially reduces the likelihood of the sort of harsh results” and protects a foreign trader who “cannot establish any customers or sufficient

\textsuperscript{57} Starbucks (HK) Ltd. and Another v. British Sky Broadcasting [2012] EWHC 3074 (Ch) ¶¶ 52–68.
\textsuperscript{58} Id. at ¶¶ 3–5.
\textsuperscript{60} Id. at ¶ 63.
\textsuperscript{61} Id.
\textsuperscript{62} Id.

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goodwill” in the U.K.63 This makes the judgement more palatable and also holds relevance for jurisdictions like Singapore, whose trade mark statute contains a similar provision. Future litigation centered around the provision could result in outcomes where parties fail in the passing of claims but succeed on statutory well-known mark claims—an imperfect result but an improvement from earlier cases. And while it may not always be possible to establish confusion (which is required under the provision), the understanding of what constitutes a “well-known” mark has been liberalized. According to a Joint Recommendation by the World Intellectual Property Organization (WIPO), a well-known mark does not have to be used in or registered in the jurisdiction in question, and it should be known to the “relevant sector” of the public rather than the public at large.64 The recommendation also recognizes the promotion of a mark, including on the internet, adding to its repute.65 Yet, as mentioned earlier, an unregistered-mark protection provision does not exist in India. This makes the Indian Supreme Court’s decision in Toyota deeply problematic.

In Toyota, the dispute originated when Toyota approached the Indian Trade Marks Registry and sought the cancellation of the mark “PRIUS”. Prius is a popular brand of hybrid cars manufactured by Toyota, purportedly launched in 1997. The mark had been registered by an Indian company in 2001, in relation to automotive spare parts. The mark was registered worldwide during the 1990s but an application to register in India has been filed only in

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65 Id. at 15, n.2.6.
2009.\textsuperscript{66} Around the same time, Toyota sued for passing off, citing media reports as evidence of spill-over reputation. During cross-examination, the Indian company, claiming honest adoption of the mark and ignorance about Toyota’s mark, stated that it had transliterated the Hindi term \textit{pehla prayas} (“first effort”) to “PRIUS.”\textsuperscript{67} Arguably, this defense was highly disingenuous.\textsuperscript{68}

A single-judge bench of the Delhi High Court ruled in favor of Toyota. The judge accepted Toyota’s claim of prior spill-over reputation in India prior to 2001, through advertisements and other publicity.\textsuperscript{69} The judge rejected the view that the Indian company’s adoption of the mark had been honest, noting, among other things, that the father of the managing partner had been a Toyota parts dealer.\textsuperscript{70} The judge went on to award punitive damages to Toyota. On appeal, a two-judge bench of the Delhi High Court observed that the evidence submitted by Toyota “surely establish[ed] that even the media in India widely reported about a hybrid car by the name of Prius being sold in the Japanese market in the year 1997.”\textsuperscript{71} However, in a bizarre observation, the court passed remarks on how news of an earthquake in one country would resonate around the world, and then declared that the media coverage submitted as evidence by Toyota

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\begin{itemize}
\item[70] \textit{Id.} at ¶ 172–73.
\item[71] Prius Auto Indus. Ltd. v. Toyota Jidosha Kabushiki Kaisha, (2017) 69 PTC 45 (Del. HC) ¶ 26 (India).
\end{itemize}
\end{footnotesize}
was “not with such prominence that the public at large became aware of the same.” The court also stated that the rate of internet penetration in India was low in 2001. The court then stated that since many years had elapsed since 2001, Toyota ought to show “evidence of actual confusion,” noting that “[o]bviously no consumer of Toyota car or buyer of an auto part sold by Toyota was ever confused by” the defendant’s use of the mark. Finally, the court stated that the defendant’s reasoning for adopting the word Prius, based on pehela prayas, had “no blemish” and was “probable and likely.” Further, that the word “prius” was a publici juris Latin term, meaning “prior.” The court accordingly set aside the single judge’s order.

There are multiple grounds on which the court’s decision can be criticized. Most importantly, the court was wrong to infer that the mark ought to have been widely known in India, as the essence of spill-over reputation ought to be that a mark be known among the relevant section of the consuming public. Then, the insistence of establishing actual confusion imposes an unfair burden on the plaintiff. The conclusion that “PRIUS” is publici juris, and the acceptance of the defendant’s explanation in adopting the term, were also questionable, given that English is a second or third language for most Indians and that consumers are not likely to be very familiar with the word.

Expectedly, Toyota appealed to the Supreme Court. However, the court denied the appeal. Like in Alphasonics, the court cited Wadlow. The court then cited Starbucks,

72 Id. at ¶ 27–31.  
73 Id. at ¶ 31.  
74 Id. at ¶ 32.  
75 Id. at ¶ 39.  
76 Id. at ¶ 34.  
77 Id. at ¶ 40.  
including an observation by Lord Neuberger where he had stated: “As to what amounts to a sufficient business to amount to goodwill, it seems clear that mere reputation is not enough . . . In order to establish goodwill, the claimant must have customers within the jurisdiction.”\(^{79}\) The court accepted that Toyota’s mark “had undoubtedly acquired a great deal of goodwill in several other jurisdictions in the world and that too much earlier to the use and registration of the same by the defendants in India.”\(^{80}\) However, the court rejected the view that this reputation had spilt over into India, noting the “very limited sale of the product in the Indian market and virtually the absence of any advertisement of the product in India prior to April, 2001,” along with the low rate of internet penetration in India in 2001.\(^{81}\) The court acknowledged the view that the relevant public was a “limited segment of the population” and not the “general population” but was still not satisfied about the likelihood of this segment being exposed to the mark.\(^{82}\) Yet, the court seemingly contradicted itself by also stating that Toyota could not demonstrate reputation “amongst a significant section of the Indian population.”\(^{83}\) Finally, the court noted that Toyota had delayed in filing the suit and that this could not be allowed to prejudice the defendant’s rights.\(^ {84}\)

The Supreme Court’s decision has left many scratching their heads and contemplating its implications. Why was the court citing Starbucks, given that Indian courts have long discarded the English hard-line approach? Did the court effectively overturn decades of precedents and imply that a hard-line approach should be followed in India? And while Wadlow’s balancing-exercise concern (also cited in

\(^{79}\) Id. ¶ 24.

\(^{80}\) Id. ¶ 32.

\(^{81}\) Id.

\(^{82}\) Id.

\(^{83}\) Id. (emphasis added).

\(^{84}\) Id.
Alphasonics) remains valid, was this the correct case in which to place limits on the soft-line approach? What about the fact that India does not have the same unregistered mark-protection provision like the U.K. or Singapore? Also, while Lord Neuberger’s view about common words being monopolized is valid as well, is “PRIUS” in the same league as “now”? Then, considering that Toyota was essentially arguing that its reputation had spilt over into a section of the upper-middle class and wealthy (who comprised most internet users in 2001, unlike today), was the court implying that a mark should be widely known beyond this socio-economic base? Given that the majority of Indians still live in poverty (or near-poverty) and are never seen as potential consumers of high-end products, what sense does it make to look beyond the confines of the wealthy and upper-middle class in spill-over reputation cases? And then, given the prevalence of counterfeiting in India, how fair is it to frown upon delays where a foreign trader belatedly discovers Indian entities using their marks? In a landmark trademark infringement and passing off case, followed in numerous cases, the Supreme Court had stated:

In cases of infringement either of Trade Mark or of Copyright normally an injunction must follow. Mere delay in bringing action is not sufficient to defeat grant of injunction in such cases. The grant of injunction also becomes necessary if it prima facie appears that the adoption of the Mark was itself dishonest.\(^\text{85}\)

Has Toyota also limited the applicability of the above rule? If, say, an Arby’s or Whitecastle discovers that an Indian restaurant has been freeriding on its name for many years, will it have to demonstrate actual confusion? Or, in the end, was the most crucial part of the judgement actually an observation that “the core of the controversy between the

parties is really one of appreciation of the evidence of the parties.\textsuperscript{86} That what the Supreme Court was really hinting at is that lawyers should make an effort to produce better, more focused evidence, to prevent the spill-over reputation rule from being misused by all and sundry?

\textbf{CONCLUSION}

This article has argued that there are certain special factors in India that justify a liberal, soft-line approach towards recognizing spill-over reputation in passing off actions. There is merit in the contention that the soft-line approach is liable to misuse and may need balancing on appropriate occasions. However, the Indian Supreme Court’s decision was arguably not the correct way to strike this balance and has resulted in much confusion. If the court does receive an opportunity to adjudicate a similar case in future, one hopes that the court can set clearer guidelines on how this can be achieved. Here, the court can lay down at least six conditions. First, that evidence of advertising and publicity spilling over only into the relevant section of the public, even if small, needs to be shown. Second, that evidence of publicity should ordinarily be in English and/or Indian languages. Third, if not relying on Internet publicity but on the physical use of a mark overseas, the countries from which the spill-over reputation emanates should ordinarily be one where a significant section of Indian passport holders reside (as opposed to overseas nationals of Indian descent a few generations ago) or visit as tourists and students. Furthermore, the lower the number of such countries cited, the weaker the plaintiff’s case. Fourth, if relying on Internet news sites, evidence of coverage on websites targeting a global audience would ordinarily be superior to one targeting a local audience (e.g. the

\textsuperscript{86} Toyota Jidosha Kabushiki Kaisha v. Prius Auto Indus. Ltd., AIR 2018 SC 167, ¶ 32 (India).
Huffington Post versus a regional U.S. paper). Fifth, that a
delay in filing a passing off action is not ordinarily relevant
if the adoption of the plaintiff’s mark is *prima facie*
dishonest. Sixth, the adoption of a mark that is highly
unusual and arbitrary in relation to the products in question,
or a coined word with a high degree of inventiveness, can
weigh in favor of a finding of dishonest adoption with
likelihood of confusion. Conversely, the adoption of words
common to the trade, or simple common nouns, can weigh
in favor of a finding of honest adoption with a low likelihood
of confusion.