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A Critical Analysis of India's Position on the Territoriality Rule of Trademark in a World Without Borders

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A Critical Analysis of India's Position on the Territoriality Rule of TradeMark in a World Without Borders

By: Kirthana Carmel

ABSTRACT:

The 21st century has witnessed significant advancements in the field of trade and commerce, which has accelerated the process of market integration and economic globalization. In such scenarios it becomes imperative to ensure adequate Intellectual Property protection to the transacting nations. Owing to the dynamic nature of laws there arises the need to rethink and reanalyse already existing laws, both at the national and international level, to facilitate an efficient and effective legal system. This paper seeks to throw light on the position of Indian jurisprudence on the rule of territoriality and its applicability for transborder trademark disputes. The rule of territoriality of trademarks implies that trademark protection extends only to the territorial limits of the country in which the trademark has been registered. This rule has been widely accepted and is practiced and pronounced in many judicial decisions, however it has also been criticized by many scholars as a hindrance to the process of international trade in a globalized era. This paper aims to address this conflicting opinion regarding the rule of territoriality of trademarks and answer the question as to whether India's position pertaining to the rule of territoriality of trademark is conducive to the process of international trade. The key objectives of the paper include, an understanding of the principle of territoriality under trademark law and how it is different from the universality principle, and scrutinizing the development of the principle in India that has been showcased in the various judicial pronouncements over a period of time in order to determine the implications of adapting the rule of territoriality in a globalized community.

INTRODUCTION:

A trademark is a distinctive identification given to a commodity or a company and it confers upon the owner of such a commodity or company an exclusive right for the purpose of making a clear distinction of his commodity or company from other similar commodities or companies. In the simple sense, exclusivity, therefore, warrants the owner that no other person may bring into circulation goods of a similar nature bearing that trademark¹. The underlying purpose of trademark law is two-fold, firstly to protect and preserve the goodwill that a commodity or company has acquired over a period of time and second to protect the ultimate consumers from the dangers of making misleading and deceitful assessments regarding the quality and standard of a particular commodity or company.

A 'Mark' according to the Indian Trademarks Act, may consist of a word or invented word, signature, device, letter, numeral, brand, heading, label, name written in a particular style, the shape of goods other than those for which a mark is proposed to be used, or any combination thereof or a combination of colours and so forth. They may also consist of drawings, symbols, three-dimensional signs such as shape and packaging of goods, or colours used as distinguishing features. Subject to certain conditions, a trademark may also be symbolized by the name of a person, living or dead.

Trademark laws have significantly evolved over a period of time along with the changing trends of the globalised world. Globalisation means integration of the global community through the economic relations that they establish. Economic globalisation would mean the integration of different economies of different countries by abolishing all sorts of trade barriers and economic barriers between them. The essence of this phenomena is free international trade and unrestricted foreign direct investment. At this juncture, it is imperative to recognise that trademarks as an important marketing and product differentiation tool play a significant role in accelerating the process of globalisation for instance, product 'A' belongs to 'B' a well-known brand which is popular and most preferred in the United States of America. The brand 'B' has not been established in any other country but has established its recognition and

¹ Wertheimer, H. W. "The Principle of Territoriality in the Trademark Law of the Common Market Countries." *The International and Comparative Law Quarterly*, 630 July 1967

goodwill in the mind of consumers all over the world. This recognition among consumers influences their buying decision and the consumers desire to consume products belonging to brand 'B'. This creates a competitive advantage for the owners of brand 'B' and drives them to introduce their product into other market economies thereby facilitating transborder exchange of goods between two countries. Though the governing trademarks has considerably evolved it has not been able to cope up with the fast pacing trends of economic globalisation. The worldview of today's consumers, and the factors that influence such views are rarely confined to domestic borders. Expanding the traditional notions of territoriality becomes less relevant, when considered against the greater need to operate in the larger and more connected economies².

PRINCIPLE OF TERRITORIALITY AND UNIVERSALITY:

The territoriality principle as the name suggests, purports that trademark protection that is conferred by law upon a trademark owner extends and is applicable only within the territorial limits of the country where the trademark has been registered. As a matter of practice, when the trademark owner files an application before the trademark office of a particular country in order to register his trademark the exclusive right of protection is limited only to the particular country and the particular class of goods for which the trademark has been registered³. The fundamental basis for recognising this principle is to protect the rights of domestic trademark owners and permit a sovereign state to formulate and execute trademark laws in accordance with their national requirements. The emergence of the application of the territoriality principle in international law traces back to the Peace of Westphalia of 1648 when the concept of nation states developed⁴. The territoriality principle gained international recognition and was incorporated to a great extent for the regulation of intellectual property transactions. Earlier, the principle of territoriality was applied for the purpose of denying third party states the authority to adjudicate upon locally governed trademark laws⁵. Subsequently, this principle of

² Lope R. Manuel, Jr. "Territoriality at the crossroads of international trademark law", Library and Archives Canada, Heritage Branch 1 (2008)

³ James E Darnton "The Coming of Age of the Global Trademark: The Effect of TRIPS on the well-known Marks exception to the Principle of Territoriality" Michigan State University College of Law International Law Review 20 No. 1 15 (2011)

⁴ Derek Croxton, "The Peace of Westphalia and the Origins of Sovereignty" (1999) 21(3) The International History Review 569-591

⁵ Graeme B. Dinwoodie "Developing a Private International Intellectual Property Law : the Demise of Territoriality" William and Mary Law Review 772 2009

territoriality was embedded in the governance of trademark laws and is practiced until this day and age. The purpose of territoriality under trademark governance has been identified as a tool that is used to protect the businesses of domestic traders from being exploited by multinational corporations and big corporate houses. With the evolution of cross border transactions resulting from scientific and technological advancements the principle of territoriality prima facie does not seem conducive to the process of international trade. Scholars argue that if the territoriality principle continues to be an integral element of trademark laws then it would result in a constant tension between the need to protect the exclusive rights of trademark conferred upon owners by establishing a uniform system on one hand and the need for sovereign states to formulate trademark regulations in order to protect their domestic interests on the other. To address this conflicting opinion experts have suggested the application of the universality principle in governing trademark laws and adjudicating transborder reputation disputes.

The Universality principle propounds that a trademark registered in one country will not only receive recognition and protection in that country but will also be entitled to the same level of recognition and protection across the world. For instance if a trademark is registered in India under the Indian Trademarks Act, by applying the universality principle such a trademark would be conferred upon the same exclusive rights of protection in any other country as it would in India. The Universality doctrine of trademark protection was first advocated by Joseph Kohler, a German Jurist and this greatly influenced the highest courts of many countries including Switzerland and Germany until the 1930s. According to Kohler a trademark owner was entitled to exercise his exclusive rights in the mark even outside his own country⁶. International jurisprudence on trademarks has undoubtedly rejected the principle of universality and upheld the territoriality principle while adjudicating upon matters of transborder reputation subsequently, Kohler himself disregarded the universality principle and prescribed the application of the principle of territoriality for trademark governance.

INDIAN JURISPRUDENCE:

The principle of territoriality was first recognised by Indian Courts in the case of *Jones Investment Co. v Vishnupriya Hosiery Mills*⁷ where the Intellectual Property Appellate Board

⁶ Walter J Derenberg "Territorial scope and situs of trademarks and goodwill" 734 Virginia Law Review Vol 47 No. 5 (1961)

⁷ 2014 SCC Online IPAB 71

(IPAB) stated that irrespective of whether multinational corporations or foreign brands intended to introduce a product into the Indian market or not, Indian companies cannot be prevented from using such trademarks. Indian courts have strongly opined that the universality principle is not suitable for the Indian scenario, taking into consideration the existence of a large number of domestic producers and products. On the contrary the principle of territoriality cannot be applied to its true essence by taking into consideration the extent to which the Indian economy is dependent on foreign markets thus, India stipulates the principle of transborder reputation for applying trademark laws. According to the transborder reputation principle an international well-known trademark is entitled to recognition and protection on the basis of its foreign reputation and the extent to which the reputation of the said trademark has split over in the Indian economy and amongst the public at large. This spill over of reputation could be executed through means such as the internet or advertising agencies however such a spill over must be evidenced to a sufficient extent in order to seek protection. ***M/s Tamil Kamal Trading Co. v. Gillette UK Limited***⁸ was the first case in which the principle of transborder reputation was recognised in India. The division bench of the Bombay High Court in its judgement advocated that goodwill and reputation do not depend only on the availability of goods in a particular territory but on several other factors and thus goodwill and reputation cannot be restricted to one particular territory. This principle was again in question in the case of ***Apple Computer Inc. v. Apple Leasing & Industries***⁹ where the Delhi High Court held that “*if the reputation of a trader, trading or carrying on business in another country, had travelled to a country where he carried on no business, this reputation had been acquired. On the basis of extensive advertisements and publicity, then another trader could be enjoined to protect the reputation of the trader who was not trading in the country*”¹⁰. The court acclaimed that its decision in this case is entirely dependent on the position of this principle in several other foreign jurisdictions. The case of ***N R Dongre & Ors. v. Whirlpool Corporation & Anr.***¹¹ was a landmark judgement delivered by the Supreme Court of India on the position of India recognising the concept of transborder reputation for well-known trademarks. Whirlpool Corporation was a registered brand that was engaged in manufacturing electrical goods since 1937 with the washing machine being their most preferred commodity. It was a well-known

⁸ 1998 IPLR 135

⁹ 1991 SCC Online Del 308

¹⁰ Ibid

¹¹ 1996 (5) SCC 714

brand in about 65 countries particularly in the USA and Canada. Their trademark 'Whirlpool' was registered in India during the period of 1956-57. They established a strong reputation in the Indian market and ensured that their trademark was periodically renewed. In 1977 the trademark registration lapsed on failing to adhere to the renewal procedure, subsequently N.R Dongre, the appellants in this case applied for registration of the mark 'Whirlpool' in 1988. As a matter of procedure when the registration application was advertised in the trademark journal Whirlpool Corporation filed its objection which was dismissed by the registrar on the grounds of lapse of registration on the part of Whirlpool. Consequently, Whirlpool Corporation filed an action before the Delhi High Court for passing off and prayed for an interlocutory injunction upon registration. The High court ruled in favour of Whirlpool Corporation and granted a temporary injunction. The same was appealed by the Appellants before the Hon'ble Supreme Court. The Supreme Court pointed out that Whirlpool corporation operated its business on a large scale by establishing itself in over 65 countries. It had acquired its goodwill across borders by establishing its efficient brand quality in the market which was capable of influencing consumer choice and preference to a great extent. The brand was popularised in India as a result of its advertisement being circulated in international and local magazines. These facts would indicate that Whirlpool had gained a strong transborder reputation. Arguendo, the Supreme Court emphasised on the concept of a passing off action and stated that the purpose of a passing off action was that a person should not sell his own goods by referencing them as the goods of another person. On these grounds the court held that if the Appellants were permitted to register their trademark as 'Whirlpool' there is a high possibility of causing confusion amongst the consumers and is capable of deceiving them with respect to the origin and source of goods sold by the appellant. The acceptance of the appellant's registration would also lead to an irreparable injury to the reputation of Whirlpool Corporation since the appellants might not be able to match the standard and quality of Whirlpool Corporation considering the size of its operation. Thus the Supreme Court dismissed the appeal and upheld the decision of the Delhi High Court. The case of *Toyota Jidosha Kabushiki Kaisha V. M/S Prius Auto Industries Limited*¹² is the most recent decision of the Supreme Court on the primary issue as to which principle will be applicable in India for transborder trademark disputes. Toyota Jidosha Kabushiki Kaisha (the appellants) is a Japanese automobile manufacturer with a global recognition of its products. Toyota had launched the world's first commercial hybrid car, Prius

¹² 2018 AIR SC 167

during the period of 1997-2001 in Japan, USA and UK. The word 'Prius' was registered as a trademark in 1990 in Japan and subsequently in other jurisdictions across the globe. M/S Prius Auto Industries Limited (the respondents) were manufacturers of automobile spare parts in India. Toyota instituted an action of passing off against the respondents on the grounds that they were selling their products under the trademark 'Prius' without prior consent which resulted in the possibility of an unfair advantage over the reputation of Toyota. The single bench of the Delhi High Court granted an ex parte ad interim injunction against Prius Auto Industries by accepting the contention of the global reputation of Toyota. The matter was appealed before the Division Bench of the Delhi High Court where the Hon'ble judges opined that the injunction against Prius Auto Industries was not justified on the grounds of the territoriality doctrine which stipulated that for an action of passing off it is necessary to establish that reputation has been "spilt over" into the Indian market even before the date of the alleged action. Aggrieved by this decision of the division bench, Toyota appealed the matter before the Hon'ble Supreme Court primarily contending that *"to establish goodwill and reputation it is not necessary that the mark should be recognized by every member of the public and it would be sufficient if persons associated with the industry/goods are aware of the mark"*¹³ and in the instant case, Toyota's mark 'Prius' was popularised and publicised via advertisements in leading newspapers and magazines that were circulated all across the globe. On the contrary, Prius auto Industries contended that it had begun using the mark 'Prius' in 2001 whereas Toyota had adopted the mark in India only in 2009 and there was no prior advertisement before the said year. After considering the matter carefully, the court in its judgement enumerated that though Toyota's mark 'Prius' acquired a global recognition and established its goodwill in several countries it was not capable of providing satisfactory evidence that could prove that substantial goodwill for its mark 'Prius' had been acquired in the Indian market prior to the usage of the said mark by Prius Auto Industries in 2001. The court went a step ahead and stated that it would be the territoriality principle that would be applicable for adjudicating transborder trademark disputes and in such instances it is the duty of the courts to determine whether the claimant has acquired goodwill in the Indian market (i.e. to say the claimant has customers in the Indian market), that the opposite party has caused an action of misrepresentation by using the mark in question and thereby resulted in subsequent injury to the reputation of the claimant. It further purported that the evidence to show goodwill

¹³ Ibid

in the Indian market must be “ground breaking” and mere spread of knowledge among customers through advertisements or digital media would not amount to goodwill.

CONCLUSION:

The evolution of trademark laws in India have showcased a modern approach and the Indian judiciary has constantly thrived to ensure that trademark legislations are in line with the trends of globalisation and are capable of creating a conducive environment for accelerating the process of international trade. Though the principle of territoriality *prima facie* appears to be a hindrance to international trade, the manner in which Indian courts have interpreted and applied the doctrine has struck down this suspected hindrance and has been successful in striking a fine balance between protecting the exclusive rights of trademark holders on one hand and protecting domestic traders and the ultimate consumers on the other thus, establishing a comprehensive mechanism to incorporate the rule of territoriality of trademarks in a world without borders.

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