TOYOTA WINS COURT DISPUTE OVER INFRINGEMENT OF "LEXUS" TRADEMARK: THE DECISION IN TOYOTA MOTOR CORPORATION V. SUBAYA METALWARE NIGERIA LTD & ANOR

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Introduction

In a judgment delivered on December 29, 2017 in ***Toyota Motor Corporation v. Subaya Metalware Nigeria Limited & Anor***[1], the Lagos Division of the Court of Appeal held that the mere filing of a trademark application at the Trademark Registry does not amount to the use or infringement of an existing trademark. The court also decided that stereo systems that are installed in cars form part of the vehicle and therefore fall in Class 12, rather than Class 9 under the Nice Classification[2].

Antecedents

Toyota Motor Corporation (Toyota) is a company that manufactures certain vehicles that bear the **"Lexus"** trademark. As a vehicle manufacturer, Toyota asserts that it has registered its **"Lexus"** trademark in Nigeria under Class 12. Toyota also has car stereo systems fitted in its vehicles which are labelled **"Lexus Premium System."**

Subaya Metalware Nigeria Limited (Subaya) on the other hand is a manufacturer of electronic products and it also has a **"Lexus"** trademark registered in Nigeria under Classes 9 and 11.

The dispute

Toyota filed applications to register a "**Lexus & Device"** trademark in Classes 9 and 11 under the Nice Classification at the Trademarks Registry. When the applications

[1] CA/L/1003/2016

[2] The Nice Classification, established by the Nice Agreement (1957), is a system of classifying goods and services for the purpose of registering trademarks.

were published in the Trademarks Journal of 14th August 2014, Subaya filed Notices of Opposition challenging the applications on the ground that Subaya had existing "**Lexus"** trademarks which were registered in 1996 and 2008 under Classes 9 and 11 respectively.

Following the filing of the Notices of Opposition challenging the applications, Toyota decided to withdraw the applications and proceeded to file letters of abandonment at the Trademarks registry. The trademark applications were therefore deemed abandoned by Toyota and were no longer considered by the Trademarks Registry.

However, Subaya was dissatisfied with Toyota's actions and instituted a suit at the Federal High Court, Lagos Division where it contended that the applications filed by Toyota under Classes 9 and 11 qualified as use and infringement of Subaya's existing **"Lexus"** trademarks.

Subaya also argued that the detachable car stereo system, which is installed in a Toyota vehicle, is **"an electrical apparatus and instrument that produces sound"** which makes it a product registrable under Class 9. Subaya therefore contended that since it is the proprietor of the registered trademark relating to goods with the **"Lexus**" brand in Class 9, the use of the "**Lexus"** trademark on Toyota's car stereo system constituted an infringement of Subaya's trademark.

Consequently, Subaya sought *inter alia*, a declaration that by applying for registration of the **"Lexus and Device"** trademarks under Classes 9 and 11, Toyota had infringed on Subaya's trademarks. It also sought ₦1,000,000,000 (one billion Naira) as damages, ₦500,000,000 (five hundred million Naira) as special damages and ₦15,000,000 (fifteen million Naira) as cost of the action.

Toyota on its part contended that it had not registered any trademark under Classes 9 and 11 and had filed letters to the Trademarks registry indicating that it was abandoning its applications; it therefore submitted that those abandoned applications cannot qualify as infringement of Subaya's trademarks as no certificate of registration were issued for them.

Toyota also argued that it manufactures vehicles and spare parts and that although the car stereo is not needed for a vehicle to perform its functions, it remains a component of the vehicle as it is not manufactured in isolation but is made solely to be used with the vehicle. It therefore argued that the detachable car stereo system, labelled as **"Lexus Premium System,"** falls in Class 12 under the Nice Classification and cannot be an infringement of Subaya's trademarks under Class 9.

The Nice Classification has been updated and so some of the goods and services listed under it have been reclassified. However, at the time the suit was instituted by Subaya in 2014, the 9th Edition of the Nice Classification (which was the applicable regime) classified goods and services under Classes 9, 11 and 12 as follows:

Class 9

Scientific, nautical, surveying, ***electric****, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments;* ***apparatus for recording, transmission or reproduction of sound or images;*** *magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computer; fire-extinguishing apparatus*

Class 11

Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes

Class 12

Vehicles; apparatus for locomotion by land, air or water.

Taking into consideration what it perceived was the intended interpretation of the classifications of the goods, the Federal High Court decided the suit in favour of Subaya and held that Toyota's car stereo system fell under Class 9 **as it is an electronic apparatus that transmits and reproduces sounds**. It also held that the trademark applications made by Toyota (which were withdrawn before the

commencement of the suit) infringed on the Subaya's registered trademarks. The Federal High Court therefore found Toyota liable for infringement and passing off and proceeded to award Subaya damages in the sum of ₦500,000,000 (five hundred million Naira) and costs in the sum of ₦250,000 (two hundred and fifty thousand Naira).

The Appeal

Toyota was dissatisfied with the decision of the Federal High Court and appealed the judgment. The Court of Appeal unanimously set aside the decision of the Federal High Court. In arriving at its decision, the Court considered whether Toyota can be held for passing off and trademark infringement on the basis of the applications for the registration of the trademarks which were subsequently withdrawn.

The Court of Appeal examined Section 5 (2) of the Trademarks Act which provides that a trademark shall be deemed to be infringed by any person who, not being the proprietor or registered user of the trade mark, uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion in the course of trade or in relation to any goods.

Having considered the provisions of the Trademarks Act, the Court of Appeal decided that Toyota has a legal right to make an application for the registration of the trademarks in Classes 9 and 11, regardless of whether its motive was wrong or done in bad faith. It held that the publication of the applications in the Trademarks Journal cannot be considered as an infringement of Subaya's registered trademarks as by publishing the **"Lexus & Device"** trademark, it was not used in the course of trade or in relation to any goods.

The Court also went further to hold that the publication of the applications in the Trademarks Journal is a statutory requirement under Sections 18 and 19 of the Trademarks Act. Thus the compliance of Toyota with the provisions of the Trademarks Act at that preliminary stage of registering s trademark cannot then be considered as an infringement.

In considering whether the use of the detachable car stereo system, labelled as **"Lexus Premium System,"** also amounted to an infringement of the Subaya

trademark, the Court held that to argue in this manner is "undoubtedly without substance". It decided that the detachable car stereo is a sound system designed to function in a vehicle/car making it a+ component/apparatus of the vehicle and bringing it under Class 12. Tijjani Abubakar JCA therefore held as follows:

"It is unreasonable and wrong to conclude that an apparatus manufactured for the sole purpose of functioning as a unit of a whole, will stop being a unit and be regarded in itself as a whole merely because it has been detached from the whole. All the more, if it is the intention of the draftsman that such a unit be regarded as a good on its own, the clear intention would have been made manifest as in the case of vehicle lights and vehicle air-conditioning which has been clearly identified under Class 11. Obviously, it cannot be seriously argued that Exhibit P4 was used by the Appellant on goods in respect of which the 1st Respondent's mark is registered. The 1st Respondent's mark is registered in respect of goods in Classes 9 and 11 and not in respect of goods in Class 12, a vehicle in particular, wherein Exhibit P4 was detached from".

The Court therefore set aside the judgment of the Federal High Court and held that Toyota did not infringe on Subaya's trademarks. The award of damages and costs were also set aside by the Court of Appeal.

Impact of this case on trademarks development in Nigeria

The Court of Appeal judgment is quite influential in a number of ways as it makes it clear that where an applicant has a pending application before the Trademarks Registry, that application cannot be considered as an infringement of an already existing registered trademark.

To put this in context, reference is made to section 18 of the Trademarks Act which provides that after an applicant applies for the registration of a trademark, the Trademarks Registry may accept the application for registration. In practice, this means that the Trademarks Registry issues letters of acceptance to the Applicant and

his application can then be published in the Trademarks Journal to enable existing users of similar trademarks to oppose the registration[3].

However, it is pertinent to note that due to the inability of the Trademarks Registry to publish Journals on a regular basis, most applicants could have trademark applications that were accepted by the Registry but have not yet been published in the Trademarks Journal. What some of these applicants have been constrained to do in these situations is to use those applications in connection with their goods pending when the applications are published in the Journal and a certificate of registration issued subsequently.

In this writer's view, the impact of this judgment means that the use of the trademark applications in connection with any goods or services, under the above circumstances, will be regarded as trademark infringement. However, if the applicant merely has the application pending before the Trademarks Registry, it will not be considered as an infringement but will regarded as an application in line with Section 18 of the Trademarks Act.

The second impact it appears to have, at first glance, is indicating that a car stereo system is an inalienable component of a vehicle and so is classified under Class 12 of the Nice Classification. This may no longer be applicable as it is necessary to state that the suit under consideration was commenced in 2014 when the **9th Edition** of the Nice Classification was applicable. However, under the **11th Edition** of the Nice Classification which came into force on 1st January 2018, Class 12 provides as follows:

Vehicles; apparatus for locomotion by land, air or water.

….This Class does not include, in particular: certain parts of vehicles for example, electric batteries, mileage recorders and ***radios for vehicles (class 9)***

Class 9 is then reclassified as follows:

Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and

[3] Section 19, Trademarks Act

instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, ***recording discs; compact discs, DVDs and other digital recording media***; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers; computer software; fire-extinguishing apparatus.

It would therefore appear from the foregoing reclassification that parts of a car such as car stereos can no longer be classified under Class 12 but would now fall under Class 9. The effect of this is that car manufacturers who intend to have different car parts bearing their trademark may have to register those parts under the relevant Class as if they fail to do so, an infringement suit from another company having a similar trademark in a different Class may just be lying around the corner.

If you would like to get more information on this and other areas of intellectual property, you may contact the Intellectual Property Practice Group of the firm through its email address: iplagos@aelex.com.

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