

# THE CONCEPT OF PASSING-OFF UNDER THE INDIAN IPR REGIME

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*The voice of the intellect is a soft one, but it does not rest until it has gained a hearing.*

- Sigmund Freud

The voice of this intellect is known as intellectual property (IP) and the legal rights that, arises from this voice is known as intellectual property rights (IPR). Protection of the creative work is essential in promoting and encouraging creativity and dissemination and application of its results. Intellectual property is crucial in ensuring a nation's development and progress.

A manufacturer or trader puts in tremendous effort to make ones goods or services popular and needed in the market. It involves new marketing strategies and creativity in working out a new kind of product loved and demanded by the consumer. He/ she markets their product by naming their business through a 'mark' – called trademark.

Trademark is one kind of intellectual property, which enables a consumer to identify the goods and services of a particular manufacturer from the other in the competitive market economy. It is a prime instrument in advertising and selling the goods. In crisp words, trademark performs two core functions – firstly ,it enables the consumer to identify ones choice of product in a class of goods and secondly, restores the owner's trade and the goodwill attached to the same. This paper basically deals with a common law product born to protect the goodwill and reputation attached to these marks, a common law tort – passing off.

## 1. A CONCEPTUAL UNDERSTADING OF PASSING-OFF

No man is entitled to represent his goods as being the goods of another man, and no man is permitted to use any mark, sign or symbol, device, or other means whereby, without making a direct false representation himself to a purchaser who purchases from him, he enables such

purchaser to tell a lie or to make a false representation to somebody else who is the ultimate customer.<sup>1</sup>

Passing off is a wrong, a common law tort which protects the goodwill of a trader from misrepresentation. Misleading the public into believing falsely, that the brand being projected was the same as a well known brand is a wrong and is known as the tort of “passing off”. The law of passing off, based on common law has remained substantially the same over more than a century though its formulation has changed over the years. The main aim of this law is to protect the good and reputation of a business from encroachment by dishonest competitors.

### **1.1 Classical formulation of passing off**

The principle of the law of passing as mentioned above can also be applied to businesses where no good is involved. This may also be applied to services where a particular service is provided by an individual or a business. Therefore, according to this law it is an actionable wrong for any person who wrongfully passes off his goods or service as the goods or service of another person. The law of passing off has been extended to professions and non-trading activities. In present scenario, this law is applied to many different forms of unfair competition where the activities of one person cause damage or injury to the goodwill associated with the goods or business of the plaintiff.<sup>2</sup>

#### ***1.1.1 Passing off by misrepresenting connection***

There can be a passing action when there is a representation wherein the defendants’ goods or business is connected or associated with the goods or business of the plaintiff. The concept of connection is more appropriate in the case or business where one gets groups of subsidiary and associated companies or trading arrangements. But in the case of goods the concept should not be given too wide a meaning. But every kind of connection wont amount to passing off, for example, if one says that one’s goods are very suitable for use in connection with another’s. It is however sufficient if what is done represents the defendants’ goods to be connected with the plaintiffs’ in such a way as would lead people to accept them on the faith of the plaintiffs’

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<sup>1</sup>*Singer v loog(1881)* 18Ch D 395 at 412

<sup>2</sup> V K Ahuja, *Intellectual Property Rights in India: Volume One* (Lexis NexisButterworthsWadhwa 2009)

reputation. The association or connection must be sufficiently close to affect the goodwill of the injured party. If the defendants' conduct has been such as to mislead members of the public into a mistaken belief that the goods or services of the defendants' businesses are the good or services of the plaintiff, or connected with the plaintiffs' business in some way which is likely to damage the plaintiffs' goodwill in that business, the defendant will be liable for the tort of passing off.<sup>3</sup>

### ***1.1.2 Passing off and goodwill***

The scope of the law of passing off includes the protection of those property, wherein goodwill has become attached to the plaintiffs' business. Therefore, a playwright, author or film script writer has the right to claim goodwill in a fictional character and a film producer who has a license to use the story creating the character can build up a goodwill which may be protected in a passing off action even though he may not be the owner of the copyright.<sup>4</sup>

### ***1.1.3 Passing off applied to non-trading activities***

The law of passing off has been extended and applied to many different kinds of businesses other than trading business in the ordinary sense, for example professional associations, the business of looking after children, or organizing exhibitions, or any kind of services and beauty contests. The gist of all such actions are damages or likelihood of damage to goodwill.<sup>5</sup>

### ***1.1.4 Passing off and unfair trading***

The broad principle of passing off can be explained as, in the interest of fair trading and in the interests of all who may wish to buy or sell goods the law recognizes that certain limitations upon freedom of action are necessary and desirable. In some situations the law has had to resolve what might at first appear to be conflicts between competing rights. In solving the problems which have arisen there has been no need to resort to any abstruse principles but rather to the straightforward principle that trading must not only be honest but must not even

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<sup>3</sup> V K Ahuja, *Intellectual Property Rights in India: Volume One* (Lexis NexisButterworthsWadhwa 2009)

<sup>4</sup>*Shaw Bros. V Golden Harvest*(1972) RPC 559

<sup>5</sup> V K Ahuja, *Intellectual Property Rights in India: Volume One* (Lexis NexisButterworthsWadhwa 2009)

unintentionally fair.<sup>6</sup>

## 1.2 Modern formulation of passing off

In its classic form an action of passing off can be initiated when a trader dishonestly represents his goods or services as that of another person, which may cause damage to his goodwill. In the expanded form of passing off, probable effect of such action on the minds of public is considered, and not the intention of the defendant. When the public is likely to be deceived into systematic and not merely occasional confusion, wherein the confusion is going to persist in the minds of the public for a long period of time, then only it gives rise to cause of action for passing off. Over the years, which led to development of new and advanced business technique, devices, the classical form of passing off has moved on to the modern tort of passing-off. And with the invention of radio, television, newspaper and now internet, advertisements have added a new dimensions to this form of tort.<sup>7</sup>

The main gist of the tort of passing off is deception, i.e. to deceive the public into assuming that the product belonged to another person, who has an established goodwill. Also, it is not necessary for the plaintiff to prove that the defendant intended to deceive the public consciously, it can also be as a result of his conduct.<sup>8</sup>

Under the *Advocaate case*<sup>9</sup>, the essential elements that gives rise to a valid cause of action for the tort of passing off, has been laid down:

- a. Misrepresentation,
- b. Made by a person in the course of trade,
- c. To prospective customers of his or ultimate customers of goods or services supplied by him,
- d. Which is calculated to injure the business or good will of another trader( in the sense that this is a reasonably foreseeable consequence), and
- e. Which causes **actual damage**to a business or goodwill of the trader by whom the action

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<sup>6</sup> *Parker-knoll v knoll international*(1962) RPC 265

<sup>7</sup> V K Ahuja, *Intellectual Property Rights in India: Volume One* (Lexis NexisButterworthsWadhwa 2009)

<sup>8</sup>*Harrods ltd v. Harrodian School Ltd* (1996) RPC 697

<sup>9</sup>*ErvenWarnink v. Townshed* (1980) RPC 31

is brought or will probably do so.

Therefore to sum it up, for a valid ground of tort of passing off to arise, it requires the misrepresentation that is made by a person in the course of trade to a prospective customer of his, which is calculated to injure the business or goodwill of another trader and which can cause actual damage to the goodwill of the trader by whom the action is brought or will probably do so.

In the *Advocaate case*, Lord Fraser of Tullybelton expressed the requirements in a different light. According to him, the plaintiff must show:

- a. That his business consist, or includes selling in England a class of goods to which the particular trade name applies,
- b. That the class of goods is clearly defined and that in the minds of the public, or a section of the public in England, the trade name distinguishes that class from other similar goods,
- c. That because of the reputation of the goods, there is goodwill attached to the name,
- d. That he, the plaintiff, as a member of the class of those who sell the goods, is the owner of the goodwill in England which is of substantial value, and
- e. That he has suffered, or is really likely to suffer a substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill attached.

Therefore for the plaintiff to show that there is valid ground of action for the tort of passing off, he must show that, he has a business which has a particular trade name, and that trade name defines the class of goods clearly in the minds of the public, and goodwill is attached to that trade name. And, that he suffered substantial damage to his goodwill as result of the defendant selling goods by that trade name to which the goodwill is attached.

Lord Oliver of Aylmertonin *Reckitt & Coleman v. Borden*<sup>10</sup>reformulated the classical formulation of passing off. He laid down the classical trinity, i.e. goodwill, confusion and damage. First, the plaintiff must establish a goodwill or reputation attached to the goods or

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<sup>10</sup>*Reckitt & Coleman v. Borden*(1990) RPC 341

services which he supplies in the minds of the identifying get-up, whether it consist simply of a brand name or a trade description or the individual features of labelling or packaging under which his particular goods or services are offered to the public such that the get-up is recognized by the public as distinctive specifically of the plaintiff's goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public, whether intentional or not, leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Thirdly, he must demonstrate that he suffers or, in a *quiatimet* action that he is likely to suffer damage by reason of the erroneous belief engendered by the defendants' misrepresentation that the source if the defendants' goods or services is the same as those offered by the plaintiff.

### **1.3 Means adopted for passing off**

There are various methods that can be used by a person to pass off his goods as that of another person. These methods includes misrepresentation, imitation, copying etc. Some of the methods are:

- a) Direct false representation, here the person directly lead the public to believe that his goods or service is that of another person.
- b) Adoption of a trademark which is the same or a colorable imitation of the trade mark of a rival trader,
- c) Adoption of an essential part of a rival traders' name,
- d) Copying the get-up or color scheme of the label used by a trader,
- e) Imitating the design or shape of the goods,
- f) Adopting the word or name by which the rival trader's goods or business is known in the market, and many other ingenious methods.

A customer who orders a particular good which has a particular name and receives another good, then it is a passing off but if he had examined the goods he would not have been deceived. Therefore direct misrepresentation due to the reason mentioned above is rare.

The defendant cannot rely on the fact that his statement is literally and accurately true, if, notwithstanding the truth, it carries with it a false representation. The circumstances under which and the reasons for which, the trade description was adopted is material.

But if a person sells his goods by labelling as 'similar to' or 'better than' that of another trader, he is not liable to an action for even if such statements are untrue and injurious to the plaintiff. But the addition of the words 'equal to', or 'substitute for' even if inconspicuous may be liable to action. Thus injunction was granted against the use of 'equal to day and Martin', 'Day and Martin' being the plaintiffs' trade mark and 'equal to' in small letter. In another case 'Yeast tablets', a substitute for 'Yeast Vite' was held passing off although not infringement.

#### **1.4 Categories of passing off**

The tort of passing off can be divided into two broad categories. The first category consists of those cases wherein both the plaintiff and defendant are engaged in a common field of activity. And the plaintiff complains that the defendant has named, packaged or described his product in such a manner in which it has led to creation of belief in the minds of the public that the product or goods of the defendant is that of the plaintiff. And thus, leading to damage to the goodwill of the plaintiffs' business.

The second broad category of passing off, consist of cases where it is alleged that the defendant has promoted his product or business in such a way as to create the false impression that his product or business, is in some way approved, authorized or endorsed by the plaintiff or that there is some business connection between them. By this false linkage or relationship, the defendant hopes to gain on the goodwill of another.<sup>11</sup>

#### **1.5 What the plaintiff have to prove**

For a cause of action for passing off to arise, it must be proved that a false representation has been made by the defendant; it can also be made in expressed words. The common case for passing off is where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods of another are associated in the minds of the public, or a particular class of public. In such cases the point to be decided is whether, having regard to all the circumstances of the case, the use by defendant in connection with his goods of the mark, name or get-up in question impliedly represents such goods to be the goods of the plaintiff, or a particular class or quality, or, as it is sometimes put, whether the defendants; use of such

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<sup>11</sup>*ICC Development( International) Ltd v Ever Green Service Station and Another*(2003) 26 PTC 228(Del), p 235.

mark, name, or get-up is calculated to deceive. It would however be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on.<sup>12</sup> The representation need not be made fraudulently. It is enough if it has in fact been made whether fraudulently or otherwise, and the damages may probably ensue.

How far the use of particular words, signs, or pictures does or does not lead to passing off must always be a question of evidence, and the more simple the phraseology, the more like it is to a mere description of the article sold, the greater becomes the difficulty of proof, but if the proof, but if the proof establishes the fact the legal consequence will follow<sup>13</sup>. The principle mentioned above applies to both passing.

## 2. STATUS OF PASSING OFF IN INDIA

### 2.1 Trademarks Act, 1999

In India the tort of passing off a good or service as that of another persons' goods or service is governed by *the Trademarks Act 1999*. The trademarks affords no bar to a passing off action. The concept of passing off has been statutorily incorporated by sec. 27(2) of the act. The act does not define passing off but it is referred to under sec 27(2), 134(1)(c) and sec 135 of the *trademarks Act 1999*. **Sec. 27(2)** states the rights of action against any person for passing off goods as the goods of another person and the remedies thereof. This section lays down the remedies available to a plaintiff who has as suffered damages to his goodwill at the hands of the defendant as a result of passing off. Section **134(1) (c)** refers to injunction of courts to try suits for passing off arising out of the use of any trade mark. Section **135** specifies the remedies available in respect of passing off arising from the use of a trademark.

The status of passing off in India can be ascertained through various case laws. *In Kirloskar Diesel Recon Ltd v Kirloskar Proprietary Ltd*<sup>14</sup>, the Bombay High court held that, to ascertain whether a case is a tort of passing off, the real question if is that, whether any confusion was

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<sup>12</sup>*Spadling v Gamags*(1915) 32 RPC

<sup>13</sup>*Camel Hair Belting case*(1896) 13 RPC 218

<sup>14</sup> AIR 1996 Bom 149

created in the minds of the public and consequent damage to the plaintiff as result of the misrepresentation. The focus is shifted from the external objective test of making comparisons of activities of parties to the state of mind of public in deciding whether it will be confused. It was further held that with the passage of time and increase of reputation, the trade mark 'Kirloskar' has acquired the secondary meaning and become a common known word. The judgments relied upon by Mr. Kane pertain to the cases of one type of business and not where variety of businesses has been carried by the plaintiff and the defendant as in the instant case. The business activities of the respondents vary from pin to piano as borne out from the object from the object clauses of the memorandums of association of the respondents. The appellants have still to commence their business activity but as mentioned in the memorandum of association of the 1<sup>st</sup> appellant in each appeal, some of the object clauses therein overlap with the activities of respondents.

In *Cadbury India Limited and others v Neeraj Food Products*<sup>15</sup>, the court found packaging adopted by the defendant so similar to the plaintiff's packaging, that there was every likelihood of unwary purchasers being deceived. The court held that the plaintiff had made out a *prima facie* case of dishonest passing off by the defendant of his goods as those of the plaintiff, and therefore, the plaintiff was entitled to the grant of interlocutory injunction.<sup>16</sup>

In *Cadila Health Care Ltd v Cadila Pharmaceutical Limited*<sup>17</sup>, the supreme court laid down certain tests for ascertaining passing off. The court observed that in an action for passing off on basis of unregistered trademark generally for deciding the question of deceptively similarity the following factors were to be considered:

- a) The nature of the marks i.e. whether the marks were word marks or label marks or composite marks i.e. both words and label marks.
- b) The degree of resemblances between the marks, phonetically similar and hence similar and hence similar in idea.
- c) The nature of the goods in respect of which they were used trade marks.
- d) The similarity in the nature, character and performance of goods of the rival traders.

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<sup>15</sup> (2007) 35 PTC 95 (Del)

<sup>16</sup> *Cadbury India Limited and others v Neeraj Food Products*(2007) 35 PTC 95(Del), pp 128-29

<sup>17</sup> (2001) 5 SCC 73

- e) The class of purchasers who were likely to buy the goods bearing the marks they required, on their education and intelligence and a degree of care they were likely to exercise in purchasing and using the goods.
- f) The mode of purchasing the goods or placing orders for the goods.
- g) Any other surrounding circumstances which might be relevant in the extent of dissimilarity between the competing marks.

Weightage has to be given to each of the aforesaid factors depending upon facts of each case and the same weightage could not be given to each factor in every case.

In *Ayurherbs Pharmaceuticals Private Limited v Three-N-Products Private Limited*<sup>18</sup>, the court stated that the use of the respondent's trade mark 'Ayur' by the appellant in their trade name 'Ayur herbs Pharmaceuticals Private limited' amounted to passing off, as it was likely to cause confusion in the mind of the ordinary purchaser.

## **2.2 Remedies against passing off**

Section 135 of the *Trademarks Act 1999*, provides that in any suit for passing off, the court may grant relief including injunction, and at the option of the plaintiff, either damages or an account of profits, together with or without any order for the delivery-up of the infringing labels and marks for destruction or erasure.

### **2.2.1 Injunction**

Injunction is a preventive relief; it is a relief in equity and therefore based upon the principles of equity<sup>19</sup>. The purpose of equity is to protect the interest of the plaintiff to an extent it is justified. The court would grant injunction based upon the extent of restraint to which the defendant should be subjected to in future to safeguard the plaintiff's rights and interest and to prevent the infringement of trade mark and passing off of the goods and products of the defendant as that of the plaintiff. The court would also address the defenses raised by the defendants, such as delay and laches; acquiescence on the part of the plaintiff; *bona fide* and concurrent user of the mark by the defendant; and the injury and loss that would be caused to the defendant in the event of grant of a complete injunction, and other relevant consideration<sup>20</sup>.

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<sup>18</sup> (2007) 35 PTC 261(Del)

<sup>19</sup> *NR Dongre v Whirlpool Corporation* (1996) 5 SCC 714, p. 726

<sup>20</sup> *Canon Kabushiki Kaisha v B Mahajan* 2007(35) PTC 265(Del), p. 271

Under the Indian law, there are two types of injunction, temporary/ interim injunction and permanent injunction. Temporary injunction is for a temporary period, it is to continue until a certain period, or until the further order of the court. The *Code of Civil Procedure, 1908*(CPC) regulates the granting of temporary injunction. But the permanent injunction can only be granted by the passing of a decree made at the hearing and upon the merits of the suit and thereby, defendant in the suit is perpetually enjoined from assertion of a right or from commission of an act, which would be contrary to the rights of the plaintiffs.

The cases in which interim injunction is to be granted or to refuse is difficult to distinguish. If it is granted as a matter of course, then the defendant will immediately stop trading in the article in question and the suit will become infructuous. If that happens, the plaintiff would have achieved his purpose without a trial. It can only be allowed to happen if the plaintiff has such a strong case that it is almost impossible to refute. In *Gora Mal Hari Ram v Bharat Soap and Oil Industries*,<sup>21</sup>the Delhi stated that no such material on record was shown that would establish in the minds that the plaintiffs enjoy such a reputation in relation to the soap 'Savera' as would impel the grant of an interim injunction. The fact is that a limited registration has been granted to some other manufacturers, so it is a matter of doubt that the plaintiff has a irrevocably connected with the trade mark. It may be that at the trail such a reputation may be established and the plaintiff may get a permanent injunction to restrain the defendants. Therefore, in this case the court was satisfied that an interim injunction cannot be granted on the facts and circumstances of the case.

In *Anil Food Industries v Alka Food Industries*<sup>22</sup>,the trade mark 'Anil' was registered both in favor of the plaintiff and defendant in respect of union territory of Delhi. In this case, the court held that the question of the defendant being enjoined from using the trade mark does not arise in respect of the union territory of Delhi. This matter was not considered from the point of view of sec. 27(2) of the act.

### 3 CONCLUSION

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<sup>21</sup> 23(1983) DLT 401

<sup>22</sup> 1989 PTC 129

The concept of Passing off was introduced long before trademarks became register able. It was intended to protect traders by providing them action against another person passing off the goods as that of the trader. The action of passing off protects the trader from any injury or damage to the business and goodwill. There are two approaches to the law of passing off, i.e. the classical formulation and formulation. According to classical formulation, passing off is an actionable wrong that applies to goods and businesses. Whereas the modern formulation, states that with the advancement of science and technology, a new dimension has been added to the tort of passing-off which includes radio, television and internet advertisements. Also with the passage of time, new methods are being adopted to pass-off goods as another person's goods. The basis of establishing cause of action for passing off is to prove false representation made by the defendant, along with the creation of confusion in the minds of the customer.

In India the tort of Passing-off is governed by the *Trademarks Act, 1999*. The act does not define Passing-off but there are provisions that provide remedy to a person who has suffered damage or injury as result of the tort. Sec. 27(2) provides the rights of action against the person who has committed the tort of passing off. And sec.135 of the act lays down the remedies available in respect of passing off arising from the use of trademark.

The concept of passing off is distinct from trademark infringement. The main difference lies in the fact that, for cause of action to arise in case of trademark infringement the trademark should be registered, whereas in passing off registration is not necessary. Also a action for infringement can be initiated if the mark is deceptively similar or identical, but in case of passing off, the likeness and similarity of the marks are not sufficient. It should also be likely to deceive or create confusion in the minds of the public.

Therefore, the concept of passing off is important to protect the rights of those traders who has not registered their goods by providing remedy against the person who passes off his goods as that of another person and thereby causing damage to the goodwill and business of that person.