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“PROTECTION OF UN-REGISTERED TRADEMARKS: A CASE STUDY OF PASSING OFF ACTIONS”

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ABSTRACT

It is evident that the protection of the Trademark is vital for the businesses across the nation and worldwide, as well as to safeguard the consumers from any sort of misinterpretations, cheating and frauds. The act of passing off is thus applicable in the matter of unregistered marks of goods and/or services. The paper aims to discuss the concept of protection of the unregistered trademarks, passing off and infringement as under the Trademarks Act, 1999, since the scope of passing off is vast in comparison to infringement. This paper further provides for the acts that shall constitute passing off of trademarks, the remedies available as per the law. The paper discloses certain Judgement by Indian Judiciary to better understand the process and concept of passing off.

INTRODUCTION

In view of globalisation of trade industry, development in trading and commercial practices, increase of investment flows and transfers of technologies, the need of simplifying and harmonise Trade Mark system was considered necessary to bring-out the comprehensive legislation on the said subject matter. Hereby, accordingly the Trade-Marks Bill, 1999 was introduced. Before the trade mark was recognised by statutory enactments, the court of Equity granted it reasonable protection. The trademarks owners filed suits complaining about infringement. They were entertained by Equity Courts which granted appropriate reliefs. In India, a trade mark owner had a common law right of action to seek injunction restraining the use of his trade mark by the defendant in a manner calculated to pass off the defendant goods as those of the plaintiff¹. The Trademark Act, 1999 deals with the laws related to the Trade-Marks and associated rights in India. Unlike other legislations of various different countries around the world, the registration of Trademarks is not mandatory as under Indian provisions. Consequently, unregistered trademark(s) do not possess the statutory right against infringement. However, the registered trademark(s) possesses statutory rights against

¹ V.J Taraporevala, *Law of Intellectual Property* (Thomson Reuters. Third Edition, 2019).

infringement. The Act provides an extra-ordinary protection to the Trademarks that are 'well known', and accordingly safeguard them from infringement and/or passing off. It is pertinent to mention that, the Trademark Registry recognise well-known trademarks in India as per the Domestic, International and Cross-Border reputations.

The Trademark Act, 1999 provides protection to the well-known trademarks in two classified ways, which are as followed:

- Actions against the Registration of Similar Marks;
- And, Actions against the Misuse(s) of the Well-Known Marks

In addition to provided exclusive rights to the Applicant under the Trademark Act, 1999 specifically to enjoy the usage of its trademark, the applicant is also provided with the protection of their Trademark from any unlawful and/or unauthorised uses by any third party. Subsequently, the owner of the trademark can enforce their rights against the infringer(s) via an infringement suit and/or may file a suit for passing off.

REVIEW OF LITERATURE

- Tina Hart, Simon Clark and Linda Fazzani, Intellectual Property Law (Palgrave Macmillian Law) : The law with regards to passing off arise when due to misrepresentation, the goodwill is harmed in course of trade practice causing damages to the trade and/or goodwill of the trader.
- Ashwani Kumar Bansal, Law of Trade Marks in India: With Introduction to Intellectual Property (Third Edition) : Actions in Passing off in India was prevalent even before the enactments of the Trade Mark Act, 1940. It was a method to claim ownership over the Trademark, and instituting suit that shall establish the title over the Trademark. Subsequently, an individual must showcase that the mark obtained have a reputation and goodwill in the market. That, further the defendant must have used the deceptively similar marl of the complaining plaintiff and thereby, in reality passed off the goods/services and/or been seeking to pass off goods/service as of the complainant.
- K.C Kailasam, Ramu Vedaraman and Anuradha Ramu, Law of Trade Marks - Including International Registration under Madrid Protocol & Geographical Indications (Fourth Edition) : The plaintiff shall demonstrate that the suffering or in a quia timet action, thus likely to suffer damages by the reason of erroneous believes endangered by the same as source of those offered by Plaintiff.

RESEARCH PROBLEM

The economic growth has increased the trades with a faster pace, hereby to recognises one's product and associated name with the good and/or service is commonly known to called as the 'Trade Mark'. The Trade Mark Act, 1999 along with the Trade Mark Rules 2002 provides the set of exclusive rights associated with the trademark. The legislature gives plenty of privileges and rights to the rightful owner over the registered trademark, but does this mean that those who may not have a registered Trade Mark are not subjected to any such privileges and rights?

PROTECTION TO UN-REGISTERED TRADEMARKS

The Trade Marks Act, 1999 reserves in a person the right to maintain an action against any person for *passing off* goods notwithstanding anything contained in the Act. Therefore, nothing in the Act to the including the right conferred on a person under the Act to the exclusive use of the Trademark can affect the right of a person for bringing an action against passing off goods as his goods including remedies in respect thereof. The Act does not define the term "passing off", however, certain references have been given in the Act in Section 27(2), Section 134(i)(c) and Section 135². The law of passing off is based on common law and the object of this law is to protect the goodwill and reputation of a trader from encroachment by dishonest competitors. Windfield stated that, "The law of passing off arose to prevent unfair trading and protects the property rights of a trader in his goodwill"³.

The principle of passing off was formulated in the case of *Perry v. Truefitt* (1842)⁴, which stated that, "Nobody has the right to represent his goods as the goods of somebody else". Over the period of years, the concept of passing off law has evolved. It was previously limited to the representation of one's product as of another, eventually, trade as well as services were incorporated. Later, the same was extended to businesses and non-businesses activities. It, at present includes an extensive spectrum of unfair trade and unfair competition, in which individuals' action have harmed the goodwill associated with the conduct of another person and/or group of persons.

² Trademarks Act, 1999

³ Winfield and Jolowicz, *Tort*, Twentieth Edition (James Goudkamp and Donal Nolan, Thomas Reuters, South Asian Edition)

⁴ *Perry v. Truefitt* (1842) 6 Beav. 66

The major challenge here is to establish passing off as plaintiff in the matter must show that a significant portion of the public could mistakenly get an impression between the two businesses. The key question in passing off is whether the defendants' conduct is as to confuse the public at large that the business of the defendant is the plaintiff practices and/or cause confusion between the business activities of two. Such acts of misrepresentations have often damaged the goodwill of an individuals and/or business, causing economic and/or reputational damages.

PASSING OFF ACTION

An action for passing off, as the phrase passing off itself suggests, is to restrain the defendant from passing off its goods or services to the public as that of the plaintiffs. It is an action not only to preserve the reputation of the plaintiff but also to safeguard the public. The defendant must have sold its goods or offered its services in a manner which has deceived or would be likely to deceive the public into thinking that the defendant's goods or services are the plaintiff's. The action is normally available to the owner of a distinctive trademark and the person who, if the word or name is an invented one, invents and uses it. If two trade rivals claim to have individually invented the same mark, then the trader who is able to establish prior user will succeed. The question is, as has been aptly put, who gets these first? It is not essential for the plaintiff to prove long user to establish reputation in a passing-off action. It would depend upon the volume of sales and extent of advertisement.

The second element that must be established by a plaintiff in a passing-off action is misrepresentation by the defendant to the public. The word misrepresentation does not mean that the plaintiff has to prove any mala fide intention on the part of the defendant. Of course, if the misrepresentation is intentional, it might lead to an inference that the reputation of the plaintiff is such that it is worth the defendant's while to cash in on it. An innocent misrepresentation would be relevant only on the question of the ultimate relief which would be granted to the plaintiff as discussed in case of *Cadbury Schweppes v. Pub Squash*⁵ and *Erven Warnink v. Townend*⁶.

KINDS OF PASSING OFF

⁵ *Cadbury Schweppes Pty. Limited and Others v. The Pub Squash Co. Pty. Limited* (New South Wales) [1980] UKPC 30 (decided on 13th October 1980)

⁶ *Erven Warnink Besloten Vennootschap v. J. Townend & Sons (Hull) Ltd.* 1979 A.C. 731

There are two kinds of passing off. i.e.,

1. Extended Passing Off:

This is a kind of case wherein passing off is an actionable that is extended form of passing off. A kind of passing off where misrepresentation as a particular quality of a goods and/or services damage(s) the harmony and/or goodwill of another individual or business.

2. Reverse Passing Off:

This is a kind case of passing off where a trader markets, sells and/or produces the goods and/or services of another individual or business so as to pass off their own business as a segment of another person and/or business.

ELEMENTS OF PASSING OFF

There were several judicial decisions which discussed the elements constituted in Passing off Action of whether registered or unregistered trademarks:

As under the case of *Harrods v. Harrodian School*⁷, the three fundamental elements of the tort of passing-off which were discussed, that were – Reputation, Deception and Damages.

Whereas, there were three fundamental components of passing off. The House of Lords, in the case of *Reckitt & Colman Ltd v. Borden Inc.*⁸ restored these three essential elements, which are also referred to as the ‘Classical Trinity’, i.e., Misrepresentation, Goodwill and Damage. It was stated that, “according to the law of passing off no man could pass off his goods as those of another. It may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed.” *Firstly*, goodwill has to be established or the reputation attached to goods or services which he supplies in the mind of purchasing public by association with the identifying “get up” under which his particular goods or services are offered to the public as distinctive specifically of the plaintiff goods and services. *Secondly*, he must demonstrate a misrepresentation by the defendant to the public leading or likely to lead the public into believing that goods or services offered by him are goods and services of the plaintiff. *Thirdly*, he must demonstrate that he suffers or likely to suffer damage by reason of erroneous belief engendered by the defendant’s misrepresentation that the source of defendant’s goods or services is the same as the source of those offered by the plaintiff. There are two

⁷ *Harrods Ltd. v. Harrodian School Ltd.* ([1996] RPC 697)

⁸ *Reckitt & Colman Ltd v. Borden Inc.* (1990) 1 All E.R. 873

necessary elements, first a misrepresentation expressed or implied but not necessarily fraudulent and second a consequent likelihood of damage to the plaintiff's goodwill.

In *Baker Hughes Ltd. v. Hiroo Khushalani*⁹, the Delhi High Court held that the plaintiff in an action of passing off must establish the following elements:

1. The plaintiff has acquired a reputation or goodwill in his goods, name or mark;
2. A misrepresentation, whether intentional or unintentional, which proceeds from the defendant by the use of the name or mark of the plaintiff or by any other method or means and which leads or is likely to lead the purchaser into believing that the goods or services offered by the defendant are the goods and services of the plaintiff; or that the goods and services offered by the defendant are the result of the association of the plaintiff;
3. The plaintiff has suffered or likely to suffer damage due to the belief endangered by the defendant's representation.

In *Laxmikant V. Patel v. Chetanbhai Shah*¹⁰, the Hon'ble Supreme Court held the three elements of passing-off action are:

1. Reputation of the goods;
2. Possibility of deception; and
3. Likelihood of damages to the Plaintiff

POSITION IN INDIA OF PASSING OFF

In India Passing off action was prevalent even before the enactment of the Trade Marks Act, 1940. It was the way to assert the trademarks right. To institute a suit, one should establish the title on the trade mark. Secondly, the one must show that the mark has obtained a reputation and goodwill. Thirdly, it was to be shown that the defendant has used a mark similar to the mark of complaining plaintiff and has thereby actually passed off his goods or has been seeking to pass off his goods as those of the complainant.¹¹

The Hon'ble Supreme Court in *Cadila Health Care Ltd. v. Cadila Pharmaceuticals Ltd.*¹², held that, "Principles laid by English Courts cannot be applied in India in their entirety. Courts

⁹ *Baker Hughes Ltd. And Anr. v. Hiroo Khushlani And Anr.* [(2000) 102 Comp Cas 203 (Del)]

¹⁰ *Laxmikant V. Patel v. Chetanbhai Shah and Anr.* [2002 (24) PTC 1(SC)]

¹¹ Ashwani Kumar Bansal, *Law of Trade Marks in India* (2006)

¹² *Cadila Healthcare Ltd. v. Cadila Pharmaceuticals Ltd.* [2001 (2) PTC 541 SC]

in India have to bear in mind the difference in situation between England and India. A purchaser in India cannot be equated with the purchaser in English". It defined the term passing off as, "passing-off is said to be species of unfair trade competition or of actionable unfair trading by which one person, through deception attempts to obtain an economic benefit of the reputation, which other has established for himself in a particular trade or business." The action is regarded as an action for deceit. Further held that the following factors to be considered in case of passing off action of an unregistered trademark for deciding the question of deceptive similarity:

1. The nature of the marks, i.e, whether the marks are word marks or label marks or Composite marks, i.e., both words and label works.
2. The degree of resemblance between the marks, phonetically similar and hence similar in idea.
3. The nature of goods in respect of which they are used as trademarks.
4. The similarity in nature, character and performance of goods of the rival traders.
5. The class of purchasers who are likely to buy the goods bearing the marks they are likely to exercise in purchasing and/or using the goods.
6. The mode of purchasing the goods or placing orders for the goods.
7. Any other surrounding circumstances which may be relevant in the extent of dissimilarity between the competing marks.
8. Dissimilarity between the competing marks.

REMEDIES FOR PASSING OFF AS UNDER INDIAN LAWS

The remedies as under the infringement and/or passing off are made available, in order to compensate the losses that has been incurred by the registered owner of the trademark and/or the user of the mark. Various remedies are available for the registered trademark owners. A person who has been aggrieved by passing off and/or infringement may pursue the concern with the following remedies by bringing a lawsuit in the court of law. Section 135(1) lists the reliefs, which may be granted to the plaintiff who established his case by the court in case of infringement and passing off are:

1. Injunction:

Injunction is one of the reliefs which an aggrieved person may obtain in any suit for infringement of a registered trademark or for passing off of the registered trademark or unregistered trademark. The remedy of injunction is an effective remedy in preventing the infringement of registered trademark or unregistered trademark.

Section 135 of the Trademarks Act, 1999 grants the relief of injunction. While granting an injunction, the Court should always rely on the fact that whether the balance of convenience lies with the plaintiff and whether an irreparable damage or injury would occur to the plaintiff if injunction is not provided for against the defendant. Section 135 (2) further provides for ex parte injunction or any interlocutory order for any of the following matters, namely:

For discovery of documents;

- a. Preserving of infringing goods, documents or other evidence which are related to the subject-matter of the suit;
- b. Restraining the defendant of or dealing with his assets in a manner which may adversely affect plaintiff's ability to recover damages, costs or other pecuniary remedies which may be finally awarded to the plaintiff.

Injunction may be of following types:

- Anton Piller Order:

Anton Piller order is an ex parte order to inspect defendant's premises. A Court may grant such an order to the plaintiff where there is a possibility of the defendant destroying or disposing of the incriminating material.

- Mareva Injunction:

Mareva Injunction is such an order, the Court has the power to freeze defendant's assets where there exists a probability of the assets being dissipated or cancelled so as to make judgement against him worthless or un-enforceable.

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- Interlocutory Injunction:

Interlocutory Injunction is the most commonly sought and most often granted form of injunction. It serves to take action against the defendant on the basis of past infringement. The interlocutory injunction is an order restraining the defendant from continuance of the acts which amount to infringement. It serves the purpose of preventing further infringement.

- Perpetual Injunction:

Perpetual Injunction is an order restraining the defendant totally, for all times to come, from doing any act which infringes the right of the proprietor of the trademark. Perpetual injunction is generally granted when the suit is finally decided.

2. Damages:

The grant of damages is an award for compensatory damages to the plaintiff with an aim to compensate him for the loss suffered by him whereas punitive damages are aimed at deterring a wrong doer and the likeminded for indulging in such unlawful activities. Whenever an action has criminal propensity also the punitive damages are clearly called for so that the tendency to violate the laws and infringe the rights of other with a view to make money is curbed. The punitive damages are founded on the philosophy of corrective justice and as such, in appropriate cases these must be awarded to give a signal to the wrong doers that the law does not take a breach merely as a matter between rival parties but feel concerned about those also who are not party to the dispute but suffers breach. In *Yahoo Inc. vs. Sanjay V. Shah*¹³, the Delhi High Court held that the defendants passed off their goods as if the goods were manufactured by the plaintiff using the deceptively similar “Yahoo”. The Hon’ble High Court not only granted permanent injunction restraining the defendants from the use of the trademark “Yahoo”, but also decreed for damages amounting Rs. 5,05,000/- in favour of the plaintiff.

3. Accounts of Profit:

Account of profits are the actual profits which the defendant has made by infringing the legal rights of the plaintiff. Sub-section (1) of Section 135 provides for grant of relief which includes, at the option of the plaintiff, either damages or an account of profit. In taking account of profits, the damage the plaintiff has suffered is totally immaterial. The object of account of profit is to give to the plaintiff the actual profits the defendant has made and of which it is established that the profits were improperly made.⁴⁵ Section 135 (3) expressly enacts that where the court is satisfied that it is a case of innocent infringement, it shall grant only nominal damages. Further, in such situation, the Court shall not grant an account of profits.

PASSING OFF ACTIONS DEFENCES

In an action for passing off the defendants may set-up the following defences, even though :

1. The name, mark or other symbol, the use of which is sought to be restrained, is not distinctive of the plaintiffs’ goods or business and has not acquired reputation.

¹³ *Yahoo Inc. v. Sanjay V. Shah* 2006 (32) PTC 157 (Del.)

2. The defendant's use of the name, mark or other symbol is not such as to be likely to pass off his goods or business as those of the plaintiffs.
3. The defendant has a right of his own to use the name, mark or other symbol complained of by virtue of honest concurrent use or otherwise.
4. The instances of passing off that has occurred are isolated due to bona fide mistake and are not likely to be repeated.
5. The plaintiff is not entitled to relief on account of delay, estoppel, acquiescence, deceptive use of the mark or symbol, misrepresentation of facts or fraudulent trade.
6. The defendant is using the words that are totally different and that the fact that, the defendants' mark is registered is no defence.

CONCLUSION

With increased rivalry and economic growths, trademark registration has become very necessary. One must register the trademark-the name by which he sells goods/services, the same is done in order to protect and/or guard against the damages to one's goods/services and associated goodwill. However, this does not mean who do not get the trademark registered cannot protect their rights and interests; such business owners can very well protect their rights by the concept called 'Passing off'. The act of passing off can be carried out by exploiting the rights of the plaintiff's mark, trademark or any distinguishing mark(s) to induce in potential market place that shall believe that the goods of defendant are of plaintiff. Protection of the rights requires demonstration of one's proved reputation and goodwill in the marketplace. As no precise definition or criteria is specified in law to prove goodwill and reputation, many people fails to prove the same and thereby is not subject to such remedies, causing huge losses. Thus, this is suggestive that one should get his/her trademark registered as soon as they propose to use the same, this shall only secure the practice of rights and privileges allowing the due interference of law in case of infringements.

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