

**SETTING UP PASSING-OFF ACTION UNDER
INDIAN TRADEMARK LAW**

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ABSTRACT

The paper discusses the meaning of passing off under the Indian Trademark law. The trademark attached with any goods or services give its consumers a specific information about its quality and origin, thereby assisting it to attain a reputation in the market. An action of passing off is initiated when misrepresentation of someone else's goods as one's own, or goodwill of a trademark is hampered deceitfully and a certain amount of damage is caused to the owner of the trademark. Further a detailed analyses on as to what all constitute as the main elements while proving passing off action has also been dealt in the paper. Paper discusses the evolution of the concept across territorial borders and also summarize various remedies available which the trademark owner can claim.

Keywords: Passing-off, Trademark, Infringement, Goodwill, India

INTRODUCTION

Nobody has the right to represent someone else goods as his own, the biggest misconception amongst the general public is that if the trademark is not registered then everyone has the right to use it but the Trademark law provides with the remedy of passing off to deal with such situations.¹³⁸ The trademark attached with any goods or services give its consumers a specific information about its quality and origin, thereby assisting it to attain a reputation in the market. Almost every person who wishes to conduct

¹³⁸ Trade Mark Act, 1999, § 27, No. 47, Acts of Parliament, 1999 (India).

business spends a considerable amount of money in making his/her trade-mark famous and different from its competitors in the market so the protection of this mark becomes really important to protect the consumer from any kind of fraud.

Passing off is considered as a tort under the common law, and protects the reputation and goodwill of the trademark holder against any kind of damage caused to him/her due to the misrepresentation of trademark by the defendant.¹³⁹ In the case of **N.R. Dongre v. Whirlpool Corporation**¹⁴⁰, the court laid down this principle stating that no man can sell his goods under the pretence of some other person. Court took a similar view in the case of **ICC Development (International) Ltd. vs. Arvee Enterprises**¹⁴¹, and held that the action of passing off depends on the simple principle that no one can represent his/her goods as of someone else and gain profit through it.

Though, no uniform definition has been given to passing under the Trademark Act but a mention about it is provided under Section 27(2)¹⁴², 134(1)(c)¹⁴³ and 135¹⁴⁴. Passing off occurs when a person intentionally trades his/her goods in the name of someone else or showcasing them under the pretext of some other trademark. When the potential customers of the plaintiff wrongfully believes that the goods or services they have purchased or used are that of plaintiff since the defendant used trade name of plaintiff then an action of passing off can be established. The whole offence lies on the misrepresentation done by the defendant as aiming to deceive the customers to buy his goods in the name of plaintiff. Passing off can also be done through using similar or confusing tradenames as that of plaintiff.¹⁴⁵

¹³⁹ TRADEMARK DILUTION AND TORT OF PASSING OFF, www.letstalkaboutthelaw.wordpress.com (Last Visited May 23, 2022)

¹⁴⁰ N.R. Dongre v. Whirlpool Corporation, AIR 1995 Del 300

¹⁴¹ ICC Development (International) Ltd. vs. Arvee Enterprises, 2003 (26) PTC 245 (Del.)

¹⁴² Id as 1.

¹⁴³ Trade Mark Act, 1999, § 134(1)(c), No. 47, Acts of Parliament, 1999 (India).

¹⁴⁴ Trade Mark Act, 1999, § 135, No. 47, Acts of Parliament, 1999 (India).

¹⁴⁵ Bansal Ashwini Kr., Law of Trade Marks in India, Centre of Law, Intellectual Property and Trade, 2006.

In **Laxmikant Patel vs. Chetanbhai Shah**¹⁴⁶, it was pointed out by the Hon'ble court that mostly passing off cases are of intentional misrepresentation and to settle the claim against the defendant absence of mens rea will be no defence to escape from the liability of fraud committed. Even though there was no ill intention but if plaintiff is able to establish deception then a case of passing off will be initiated. This principle is based on the concept that "any business should be conducted only in honest ways and no one is allowed to even unintentionally deceive a customer." Passing off is an action initiated to correct an actionable wrong and to protect the ease of doing business. If the plaintiff is able to establish in the court of law that his goodwill has been exploited by the defendant to mislead the customers to buy latter's products, an action of passing off can be initiated.

It can be exclaimed that passing off action is a species of unfair trade practices in which trader in the market attempts to deceive the customers using unfair practices to obtain some monetary benefit out of it. The whole concept revolves around "deception" and that to calculated deception.

During the course of time, the concept has undergone a series of changes earlier this right was only restricted to one's own goods as of another but as the time advanced, it was extended to business and services also now, it is even extended to professionals and non-trading activities. Today, unfair trade practices or any kind of injury to reputation or goodwill of any person also form the part of passing off. On the broader aspect, law pertaining to passing off protects the interest of customers against any kind of misrepresentation and not of the possessor of the trademark. Selling of someone else's goods deceitfully as those of one's own is not the core of the action. It is the protection of the community from the consequential damage of unfair competition and unfair trading.¹⁴⁷

¹⁴⁶ Laxmikant Patel vs. Chetanbhai Shah, 2002 (24) PTC 1 (S.C)

¹⁴⁷ Consumer Distributing Co. v. Seiko Time Canada Ltd, [1984] 1 S.C.R. 583

JURISDICTION OF COURTS UNDER THE PASSING OFF ACTION

The Trade Marks Act, 1999 under section 134(2) talks about the jurisdiction of courts in the cases of passing off and states that:

*"for the purpose of clauses (a) and (b) of sub-section (1)¹⁴⁸, a" District Court having jurisdiction" shall, notwithstanding anything contained in the Code of Civil Procedure, 1908 or any other law for the time being in force, include a District Court within the local limits of whose jurisdiction, at the time of the institution of the suit or other proceeding, the person instituting the suit or proceeding, or, where there are more than one such persons any of them, actually and voluntarily resides or carries on business or personally works for gain."*¹⁴⁹

According to the mentioned provision, the suit of passing off can be filed in the jurisdiction of the District court where owner of the mark resides or carries on business or personally works for gain. Court laid down the test of "Sliding Scale Test" to determine the jurisdiction in the case of **(India TV) Independent News Service Pvt. Limited v. India Broadcast Live Llc And Ors.**¹⁵⁰ where in the plaintiff is required to prove that the injury caused by the use of similar mark deceptively has been caused in same state forum where the case is instituted.

ESSENTIALS TO CONSTITUTE ACTION OF PASSING OFF

An action of passing off is initiated when misrepresentation of someone else's goods as one's own, or goodwill of a trademark is hampered deceitfully and a certain amount of

¹⁴⁸ Trade Mark Act, 1999, § 134, No. 47, Acts of Parliament, 1999 (India). Suit for infringement, etc., to be instituted before District Court.-(1) No suit

a) for the infringement of a registered trade mark; or

b) relating to any right in a registered trade mark; or

c) for passing off arising out of the use by the defendant of any trade mark which is identical with or deceptively similar to the plaintiff's trade mark, whether registered or unregistered, shall be instituted in any court inferior to a District Court having jurisdiction to try the suit.

¹⁴⁹ Trade Mark Act, 1999, § 134(2), No. 47, Acts of Parliament, 1999 (India).

¹⁵⁰ (India TV) Independent News Service Pvt. Limited v. India Broadcast Live Llc And Ors., 2007 (35) PTC 177 (Del)

damage is caused to the owner of the trademark. Lord Diplock discussed about certain characteristics attached which passing off action in **Erven Warnik B.V. v. Townend**¹⁵¹ -

1. Misrepresentation,
2. Made by someone else other than the trademark owner during the course of his/her business,
3. With the prospective customers of the goods or services supplied,
4. To harm goodwill and reputation of another trade,
5. Caused actual damage to the business which has brought the act in question before the court.

Court in **Harrods v. Harrodian School**¹⁵², led down the *classical trinity* i.e. the three main ingredients of the tort of passing off:

1. Reputation/ Goodwill;
2. Deception; and
3. Damage/ Injury.

Unless the contrary is proved, the courts infer that the customers buying the goods from the defendants was just because of the misrepresentation caused by him.

The main theme for the action of passing off can be expressed through the classical trinity which plaintiff have to prove for succeeding in his/her action against the defendant. On the one hand, the plaintiff is required to prove that the goodwill its mark has collected through years of business and the reputation which the customers bear in their mind about the plaintiff's mark while purchasing the goods and services and on the basis of it they can distinct the goods. Further, he must establish deception on the part of the defendant as he while selling his goods or services demonstrated them to be of plaintiff which likely to make customers believe that what they are buying are of plaintiff. Along with this most importantly plaintiff should be able to prove along with proper evidences that he has suffered or is likely to suffer damage due to the misrepresentation on the part of defendant. If defendant is allowed to continue then it would deceive the consumers damaging the mark of

plaintiff. The misrepresentation caused can be expressed or implied and not necessarily fraudulent but if it is causing damage to the goodwill of the plaintiff then the action can succeeds. Now author of the paper would discuss all the three elements in brief separately:

1. **Goodwill-** Lord Macnaghten has stated "Reputation is connected with the business and the advantage of the good name is its goodwill. It is the one thing which distinguishes an old established business from the new established business at its first start. The goodwill of a business must emanate from a particular centre or source. However, widely extended or diffused its influence may be, goodwill is nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates."¹⁵³

The attractive force in business is the goodwill and comes with its own advantages and benefits. It is a distinguishing feature amongst the various business running over the market and it need not to be bear in everybody's mind but rather amongst a relevant cluster. However, it is necessary that certain majority of people that to prospective buyers must generate the reputation.

Only when there is the real possibility of damage to the goodwill of the mark the action of passing off lies. So while establishing the action the plaintiff needs to prove goodwill attached with the business and a significant amount of damage has occurred to it. The Karnataka High Court in **Deepam Silk International vs. Deepam Silks**¹⁵⁴, restraint defendant from using the trademark of plaintiff through an injunction stated that if plaintiff is able to prove that he has been using the concerned mark for a significant period of time for conducting the business and is able to gain

¹⁵¹ Erven Warnik B.V. v. Townend, (1979) 2 All ER 927

¹⁵² Harrods v. Harrodian School, (1996) RPC 698

¹⁵³ Commissioners of Inland Revenue vs. Muller & Co.'s Margarine Ltd., (1901) A.C. 217

¹⁵⁴ Deepam Silk International vs. Deepam Silks, 1998 (18) PTC 18 Kar

reputation amongst prospective buyers there would be high chances of him succeeding in the claim. Allowing defendant to use the same mark will jeopardise the reputation of plaintiff and no compulsion can be casted upon defendant to maintain a certain quality of goods or services.

2. **Deception-** Leading the prospective buyers of goods and services of plaintiff to believe that the services offered are offered by defendant are of former is the deception on the part of the defendant. Misrepresenting one's own goods and services as those of plaintiff is most important in the action of passing off. If not express, implied misrepresentation to set up a claim.

In the Advocate's Case¹⁵⁵, Lord Diplock stated that, "the ill contention of defendant towards the connectivity of line of business of defendant and plaintiff would damage the good will of the plaintiff and deceit the customers about the similarity between the both."

In every passing off action it is mandated for the plaintiff prove that defendant deceit the customers which has caused certain reasonable amount of damage to the plaintiff. In **Spalding v. Gamage**¹⁵⁶, it was held that if the defendant use of mark is to deceive and to represent the goods and services as that of plaintiff then the action lies.

3. **Damage-** Another requisite to set up passing off action is that the plaintiff have suffered a damage or is likely to suffer damage due to the misrepresentation of his goods and services by the defendant. In fact, damage is presumed to have been occurred when there is a proof of deception, the courts believe that a certain amount of damage have been caused to plaintiff either monetary or

not. Burden of proof lies with the defendant, it has to prove in the court of law that no deception has been caused.

The presence of all the three above-mentioned elements if proved to have been occurred that the action lies against the defendant.

CHARACTERISTICS OF PASSING OFF ACTION

Just like every other legal action, there are certain characteristics attributed with the action of passing off. Some of them have been discussed below:

- a. *Not necessary to be done with ill intention-* In the court of law, the plaintiff is not obligated prove that defendant has committed some fraud or with some fraudulent intention, even if defendant had no such intention he/she would be held liable. Even though the mark has been adopted innocently by the defendant without any other intention the passing off action can be initiated. In the case of **Horlicks Ltd. vs. Bimal Khamrai**¹⁵⁷, defendant imitated the plaintiff mark and used "Horlioks" for his business innocently. Court while granting the injunction stated that whenever there is a chance of confusion amongst the buyer of the goods and services due to the identical marks that is bound to be stopped however innocently it is done. The law cannot permit carrying of business with such mark.
- b. *Action not restricted to goods only-* The action of passing off is not limited to just the selling of goods. If the passing off action is succeeded then it can restrain defendant to use the same mark as that of plaintiff even though they both are dealing in different services.¹⁵⁸
- c. *No proof of deception is required-* As a matter of fact, it is required by the plaintiff that a false

¹⁵⁵ Advocate's Case, (1979) AC 731, p. 741-742

¹⁵⁶ Spalding v. Gamage, (1915) 32 RPC 273

¹⁵⁷ Horlicks Ltd. vs. Bimal Khamrai, (2003) 26 PTC 241 (Del.)

¹⁵⁸ Sales Affiliates Its. Vs. Le Jean Ltd., (1947) 64 RPC 103

misrepresentation of his goods or services have been made by the defendant to be proved however no proof of deception is required. Even if no deceit is caused, just misrepresentation is enough for initiating the claim.¹⁵⁹ The courts have the duty to examine the damage caused on the basis of the evidence presented to prove misrepresentation.

- d. *Goods or services offered might not be of same description-* Even if both plaintiff and defendant deals in totally different sets of goods and services, then also an action can lie if the mark is identical. There have been several instances wherein even though both plaintiff and defendant dealt in altogether different commodities but then also court granted injunction to bar the defendant for further use of the mark.
- e. *Use of mark prior to the dispute-* To establish the claim before the court, plaintiff have to prove the prior use mark than the defendant. Owner of the mark will be the one using it previously than the other one. It is one of the most important requisite that needs to prove before setting up the claim.

EVOLUTION OF THE PASSING OFF ACROSS TERRITORIAL BORDERS

In the initial stage of the evolvement of the IP law or specifically trademark, there was no mention of passing off and only infringement was recognized as a ground to file the suit. The benefit of getting compensating due to damage caused due to the illegal copying of trademark was given if the mark is registered with the appropriate authorities and not otherwise. Using of someone else mark to deceive the prospective buyer is a part and parcel of unfair trade practices. During the course of time, the concept of passing off have been differentiated from infringement and owners of unregistered mark are also able to claim reliefs. Now, we

would discuss about the stand of United Kingdom and India in the evolution of passing off action.

United Kingdom

In the 17th century, the passing off action was classified under the tort of defamation and deceit by the House of Lords while deciding the issues. However, till 19th century the concept started evolving and courts starts recognizing it in its original form. Originally, passing off was only confined to the trade mark, where defendant used to misrepresent amongst the buyers that the goods and services are of plaintiff. Passing off was defined by the House of Lords in the case of, **Singer Manufacturing Co. v. Loog**¹⁶⁰ as:

“...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 ... he must not ... make directly, or through the medium of another person, a false representation that his goods are the goods of another person.”¹⁶¹

Later the court came up with the classical trinity test to determine when can a suit of passing off be instituted. The three requirements provided in the test became the passing off law in United Kingdom. Within the ambit of the concept, howsoever negligent the misrepresentation be, the defendant would be held liable if harm is caused. However the common law has not defined passing off in exclusivity, The Trade Mark just talks about the procedure for registration of a mark and section 21, 32 and 67¹⁶² provides for the right to use the registered mark but nowhere in the act has the term passing off being used or talked about.

India

¹⁶⁰ Singer Manufacturing Co. v. Loog, (1880) 18 Ch D 395

¹⁶¹ Ibid

¹⁶² Trade Mark Act, 1994, § 21, 32 & 67, No. 89/EEC, Acts of Parliament, 1994 (United Kingdom).

¹⁵⁹ Id as 19.

Even before the enactment of the concerned act, the concept of passing off was in common usage. It was used as method as to who is the actual owner of the trademark in dispute and which party can have the title over it. For setting the claim of passing off plaintiff was required to prove that he/she has attained goodwill out of it and defendant is harming the same and deceiving the buyers to gain benefit. Just like the English law, the concept of passing off in India has also evolved from the law of tort, misrepresentation of plaintiff's trade mark to deceive the potential customers and making them believe that the goods offered are of plaintiff resulted in passing off action.

Unlike other jurisdictions, the Indian law has evolved in much broader sense and both the previous Trade Mark Act, 1958 and latest Trade Mark Act, 1999 expressly talks about passing off under Section 27¹⁶³ where it is clearly stated that:

1. Owner of the unregistered mark can institute a suit to recover damages from the person infringing his trade mark.
2. Nothing in this Act shall be deemed to affect rights of action against any person for passing off goods or services as the goods of another person or as services provided by another person, or the remedies in respect thereof.¹⁶⁴

Suit can be instituted under Section 27(2) even when the subsequent user of the mark has filed or received the certificate of registration if the owner is able to prove that he is using the mark before the defendant. So it can be said that for an action of passing off registration is immaterial. It is just that plaintiff proves the harm to goodwill and some kind of economic or similar damages is caused due to illicit use of mark.

REMEDIES UNDER PASSING OFF ACTION

The list of reliefs which court can grant when the plaintiff is able to establish his/her claim under passing off is

mentioned in Section 135¹⁶⁵ of the Trade Mark Act, 1999 are:

1. Restraining on further use of mark through Injunction;
2. Damages or an accounts of profits.

Further, if the court is satisfied then these mentioned reliefs are granted or court will grant no relief if passing off is done innocently as mentioned under Section 135(3).

Accounts of Profits: Court under section 135(1)¹⁶⁶ have the discretion to either grant damages or accounts of profit if defendant has attained some profit which belonged to plaintiff but due the misrepresentation of mark on the part of defendant, some or whole profit is diverted towards defendant. Under this relief, plaintiff is entitled to receive actual profits and deceitfully made by defendant.

Damages: It is a compensation which the court awards in lieu of the damages suffered by the plaintiff due to the misrepresentation by the defendant. The whole concept is based on corrective justice methodology wherein the breach of law by the wrong doer is punished in this form. The damage caused is not only harm the plaintiff but its prospective buyers also, in fact they are more vulnerable to it. Damages awarded here are not calculated on the basis of actual injury or loss of profit but is awarded by taking into consideration various other factors. Some of the matters are discussed below:

- Award of damages even when no deceitful act is committed.
- Plaintiff suffered some kind of loss in business like loss of customers, or reputation, goodwill by the acts committed by the defendant.
- When the goods or services offered by the plaintiff are similar in type and quality, that selling of them would harm the plaintiff.

Injunction: The right to obtain injunction has been expressly mentioned under the Trade Mark Act, 1999 under Section 135¹⁶⁷ and aggrieved party can file a suit in the

¹⁶³ Id as 1.

¹⁶⁴ Ibid

¹⁶⁵ Trade Mark Act, 1999, § 135, No. 47, Acts of Parliament, 1999 (India).

¹⁶⁶ Ibid.

¹⁶⁷ Id as 28.

court of law to get the relief of injunction whether the disputed mark is registered or not. The concept of Injunction can traced in various other legislations like under Specific Relief Act, 1963 under section 36-42¹⁶⁸, also Order 39 Rule 1 and 2 read with Section 151 of Civil Procedure Code¹⁶⁹ also talk about the law on injunction. On deciding the plea court is bound to satisfy itself that an irreparable damage is occurred to the plaintiff and if injunction is not provided it would continue.

In **Aristo Pharmaceuticals v. Wockhardt**¹⁷⁰ the court granted injunction against using the mark “SPASO PROYVON” as the medicine created under the mark was deceiving the buyers to be manufactured in the plaintiff company. In the SLP filed in Supreme Court stated that to obtain the injunction evidence need to be presented before the court and only on careful analysis relief could be given as balance of convenience need to be maintained.

Also, there is a provision to obtain *ex-parte injunctions* and *interlocutory orders* under section 135(2)¹⁷¹ in the below-mentioned matters:

- For discovering the trade related documents;
- To preserve infringing goods and other related evidences needed to decide the disputed matter;
- Refraining the accused to dispose of his property or other subject matter in a manner that it prejudices the interest of plaintiff.

Now, Injunctions can be of following types:

1. **Anton Piller Order**- It is ordered when there are chances of defendant destroying or disposing the subject matter of the suit. These are in the form of ex-parte orders granted to inspect the premises of defendant.
2. **Mareva Injunction**- Ordered to suspend the selling or dealing of defendant assets by the court,

so that when the judgment is passed it does not become unenforceable due to the acts committed by the accused to dodge from the punishment.

3. **Interlocutory Injunction**- The most famous and most often granted relief to restrain the accused from continuing with his action of causing damage to plaintiff. The first two injunctions are granted to prevent any future actions of defendant however, it helps in making defendant accountable of his past actions and any further infringement.
4. **Perpetual Injunction**- It restrains the defendant to perpetuity and refrains him from further continuing the act. It is generally granted when the suit is finally decided and defendant is held liable for using the mark of plaintiff deceitfully.

CONCLUSION

India being one of fastest growing economy in the world with a tremendous increase of competition in business. The growth in trade needs a whole set of governing rules so that not only the business traders but most importantly consumers are protected of any kind of unfair trade practices. From the whole research it could be undisputedly concluded that laws like passing off really form an ingrate part in protecting the interest of consumer and traders. Passing off has emerged an asset to the owner of trademark who has not registered his mark but has gained goodwill amongst the buyers. We have observed that over the years the Trade mark laws in India has made the conducting of business a little simpler than before as it contains various provisions for protecting the interest of owner.

Also, with the advancement of technology when everything is just one click away, a need for greater protection is needed for the business in cyberspace is felt. Similarly, earlier our laws used to protect the reputation of only those marks which are registered, but later a need to protect the unregistered mark was felt and then the concept of passing off evolved. India has borrowed the concept from common

¹⁶⁸ Specific Relief Act, 1963, § 36-43, No. 47, Acts of Parliament, 1963 (India).

¹⁶⁹ Code of Civil Procedure, 1908, § 151, No. 5, Acts of Parliament, 1908 (India).

¹⁷⁰ *Aristo Pharmaceuticals v. Wockhardt*, 1999 (Suppl.) Arb. LR 449 (SC)

¹⁷¹ *Id* as 28.

law and just like United Kingdom treated passing off as a tort protecting the interest of owner of the mark and consumer from any kind of misrepresentation made by the defendant. This misrepresentation make buyers believe that the goods or services offered to them belong to plaintiff and are of same quality.

Mostly the action of passing off is filed in the court of law to protect the goodwill and reputation but if we analyse different acts, it can be concluded that there is no precise definition to goodwill or reputation nor there is any measuring rod to measure them. Facts and circumstances of each case help in deciphering what actually is goodwill for one and how it has been hampered by the defendant acts. While proving the case, the plaintiff needs to just present in the court that his/her goodwill is being damaged by the acts of misrepresentation by the defendant and if the court is satisfied the action is succeeded.

However, after analysing the whole concept, it would be always better to safe and register your trade mark for proper protection of rights and interests of both owner of the mark and prospective buyers. Even though, a suitable amount of remedies are available under the Trade Mark Act, 1999 but sometimes plaintiff might fail to establish his/her case before the court and defendant is benefitted out of it but if the trade mark is registered then the chances of deceiving decreases and if then also such similar action is committed there are always chance to file a case of infringement.

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