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INTELLECTUAL PROPERTY RIGHTS AND PASSING OFF

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Abstract

The world today is driven by so many creativities of human intelligence in the form of inventions. An individual's right over such inventive creation is recognized as Intellectual property rights (IPRs). The inventive creation is considered to be an economic asset contributing to the growth of an economy. With the advent of trade and commerce, unscrupulous competitors in the market started using unfair, deceptive and unethical practices to take unjust benefit out of the goodwill and reputation owned by genuine contributors to the economy. In passing off, the intellectual property right of a person is infringed by his goodwill being misrepresented by another person causing reputational and financial damage. Passing off does not have statutory status, with no mandate for registration but is still made to run alongside trademark rights to protect the goodwill of a trader. Goodwill is an intangible asset which is determined not only by reputation but by active trade in the country. Laws against passing off require statutory recognition and need to be given concrete shape in the form of legislation. Implementation of the statutory recognition with the removal of procedural infirmities will encourage trade even amongst the smallest traders in the country. By doing so, the need for registration and traumatizing the traders by infringing their rights can be avoided. Ultimately, the growth of a nation with unfair competition is the need of the hour.

Introduction

Passing off action is one of the less familiar known forms of intellectual property right. Passing off does not have a statutory basis and thus does not require registration to be effective as in case of patents, copyright, trademarks, designs and other types of intellectual properties.

The rights in passing off action are however extremely valuable because they protect 'goodwill' which is defined to be an attractive force of a business that brings in custom. A passing off action

has the ability to protect goodwill which accounts for a substantial ratio of value of a business without having to spend money on filing for trademark registrations.

Passing off arises at its simplest when a defendant misleads customers into believing his goods were, in fact, those of plaintiff so as to profit from the reputation that the plaintiff possesses. The scope of the right of passing off has expanded over many years and covers a variety of parallel situations, the theme being the same that, "No person has any right to represent his goods as those of another".

It can, in effect, be seen to protect traders from unfair competition where customers are misled as to the source of the goods they are purchasing. In **Laxmikant V. Patel v. Chetanbhai Shah and Anr.**¹, the Supreme Court of India emphasized on two important aspects

- Honesty and fair play are, and ought to be, the basic dogmas in the world of trade.
- The cause of action for passing off should consist of misrepresentation rather than fraud resulting in injury".

Elements of Passing off

The concept of passing off has been developed by judgments rather than via statute and so the essentialities of this tort are enunciated in the case laws.

Reckitt &

Coleman Products Ltd v Borden Inc.², otherwise known as the "Jiff Lemon Case", is the leading case of House of Lords decision on the tort of passing off. In this case, Reckitt sold lemon juice in a lemon-shaped container under the name "Jif Lemon" which was in the same way sold by Borden in a similarly lemon-shaped container, the container being slightly larger with flattened side.

¹ (2002) 3 SCC 65.

² 1 All E.R. 873 (1990).

On finding a clear case of infringement of Reckitt's rights in passing off, Lord Oliver reaffirmed the three-part test also called as the "classical trinity" test for passing off as laid down in **Ervin Wanik BV v. J. Townend & Sons (Hull) Ltd.**³. The classical trinity test comprises of three basic elements:

- Establishing Goodwill or reputation related to goods or services with recognizable 'get-up', distinctive of the plaintiff's goods or services.
- Demonstrating Misrepresentation led or is likely to lead the public to believe the goods or services offered are those of the plaintiff than that of the defendant; and
- Demonstrating Damage caused or is likely to be caused as a result of mistaken belief in defendant's misrepresentation as to the source of the defendant's goods and services being the same as that of the plaintiff.

1. Goodwill and Reputation

Goodwill is a concept which cannot be defined in exact terms. It is the outcome of good name and reputation. Goodwill without reputation is not possible but the converse does not hold good. Goodwill is a legal asset whereas reputation is a matter of fact. Goodwill has no existence without trade.

Goodwill is an intangible asset which provides competitive advantage in various forms in the field of trade. For establishing goodwill, the claimant has to create a particular get up of the goods or services which would be recognized by the public as distinctive without associating it with another. Goodwill has a negative impact as a result of confusion in the minds of the public arising out of misrepresentation.

The damage to the plaintiff's goodwill can take place in the following forms:

- Making false representation with the aim to divert the customers
- Tarnishing the claimant's reputation
- Associating inferior quality goods with that of the claimant's goods

³731 (1979), R.P.C. 31 (1980).

The above forms of injury to goodwill have been explained elaborately in the case of **B.K. Engineering Co. v. UBHI Enterprises (Regd.) &Anr.**⁴.

In **Apple Computer Inc v. Apple Leasing & Industries**⁵, it was opined that in passing off action, it is the reputation of the trader that induces the potential customer of acquisition of the article manufactured and so goodwill is to be considered the reputation of the trader.

In **Malhotra Tyre Service Co. v. Malhotra Tyres Pvt. Ltd.**⁶, it was held that without establishing goodwill or reputation, passing off action is not sustainable. Goodwill is reflected to be a striking force that brings in the custom. Goodwill prompts customers to purchase goods or services of a specific brand.

Goodwill necessitates trade than mere reputation. The identification of particular brand amongst consumers with active trade in those goods and services constitutes goodwill of the trader.

The 'get-up' of goods or services refers to the configuration of individual elements engaged in goods or services apart from their brand name. These elements can consist of shape, graphics, color combination, overall packaging or display of the same. Although there is a possibility of establishing goodwill in a get-up, the courts have recognized that it is more challenging to do so.

The court in the case of **Numatic International Ltd v. Qualtex UK Ltd.**⁷, held that brand name denotes origin rather than shape and get up of a product being chosen for the purpose. An identical appearance of a product does not make a member of the public conclude that it came from the same source.

In **George East Housewares Ltd. v. FackelmannGmbh& Co Kg and Probus Creative Housewares Ltd.**⁸, it was held that public had not been educated to recognize the shape of a product as indicative of the origin of goods and thus lacked the requisite goodwill to claim the passing off action.

⁴AIR Delhi 210 (1985)

⁵1 Arb L.R 93 (1992)

⁶(1991) 20 DRJ 1

⁷ EWHC 1237 (Ch) (2010)

⁸ EWHC 2476 (IPEC) (2016)

2. Misrepresentation

A passing off action is also justifiable by evidence of misrepresentation. In misrepresentation, the public is misled by the false representation of the goods or services provided by the defendant.

The acts constituting misrepresentation in passing off are as follows:

- The defendant should have deceived consumers as to the identity of the goods rather than confused them. In **Reckitt & Coleman Products Limited v Borden Inc.**⁹, it was held that it is not sufficient to prove mere confusion which does not lead to a sale in a passing off action.
- It is not necessary for the plaintiff to show that majority relevant section of the public has been deceived by misrepresentation. In **Lego v. Lemelstrich**¹⁰, it was held that passing off arises only when a substantial part of relevant public believes that there is a business connection between the plaintiff and the defendant.
- An intention on the part of the defendant is immaterial to succeed in a passing off action. In **Guinness Ireland Group v. Kilkenny Brewing Company Ltd.**¹¹, it was held that the defendant's state of mind is irrelevant in a passing off action.

Other forms of Misrepresentation

- ‘Reverse’ or ‘Inverse’ passing off

Reverse passing off happens when the defendant misleads the public to believe that the plaintiff's goods are his own.

In **Bristol Conservatories Ltd. v. Conservatories Customs Built Ltd.**¹², the defendants showed customers, pictures of the plaintiff's conservatories rather than those created by the defendants. It was held that the plaintiff was entitled to passing off action.

⁹1 All E.R. 873 (1990)

¹⁰F.S.R. 155 (1983)

¹¹1 ILRM 531 (1999)

¹²RPC 455 (1989)

In **Zee Telefilms v. Sundial Communications**¹³, it was held that wrongful representation of plaintiff's work as that of their own amounts to reverse passing off of plaintiff's work by the defendants.

- **'Extended' passing off**

In Extended passing, goodwill resides in a common class of goods, rather than in a specific brand, and the defendant pursues to pass off his goods by linking his goods to that common class. In order to prove a case on extended passing off, the plaintiff needs to show that the goods or services belong to a class of traders whose goods or services are known distinctively and that the class can be identified with certainty.

The plaintiff also needs to show that the name by which particular goods or services are known to have distinguishable characteristics which differentiate it from other goods or services, and that the public is driven to purchase those goods or services by reason of those features.

In **J. Bollinger v. Costa Brava Wine Company Limited**¹⁴, it was held that it was not a matter to be taken up for consideration that the persons truly entitled to describe their goods by name and description are a class producing goods in a certain area rather than an individual.

In **Ervin Wanik BV v J. Townend& Sons(Hull) Ltd.**¹⁵the court held that in an extended passing off, the defendant invades the goodwill in the distinctiveness of goods shared by a group of traders of which the claimant is one.

3. Damage

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Damage in monetary or reputational form is the end result of passing off. The plaintiff needs to show that he has suffered or is likely to suffer damage to goodwill as a result of the defendant's misrepresentation. Damage can result in:

- Plaintiff losing profits out of trade
- Ruination of the plaintiff's reputation

¹³(2003) (5) BomCR 404.

¹⁴RPC 16 (1960).

¹⁵AC 731 (1979), R.P.C. 31 (1980).

Conclusion

Passing off though considered being a trivial tort covers wider aspects in the field of Intellectual property. Goodwill associated with passing off demands protection of an individual's right from a wider perspective. Laws against passing off keep evolving now and then to protect the goodwill in diverse instances of passing off.

The flexible nature and enforcement of this right without the need for registration makes it advantageous to the genuine traders. Though passing off is defined and conceptualized easily, dimensions covered by passing off in present times is extensive.

The need for bringing passing off in statute is called for today because of its wider coverage in the intellectual field and exploitation of economic interest of genuine traders contributing to the economy. Smallest traders in the country are the most affected because, in addition to suffering loss in their petty business, they are also forced to approach courts to protect their rights.

The hopes of such smallest traders are completely shattered which can prove to be fatal. Registration is again a time consuming, lengthy and expensive process which cannot be sought for by every genuine trader equally irrespective of his financial status.

Laws should be framed in such a way that a successful passing off action has a deterrent effect on the public. Finally, a liberal approach should be shown towards the plaintiff to prove his genuine case without facing hardship and procedural infirmities.

References

1. Laxmikant V. Patel vs Chetanbhai Shah and Anr. (2002) 3 SCC 65.
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3. Ervin Wanik BV v J. Townend& Sons(Hull) Ltd, AC 731 (1979), R.P.C. 31 (1980).
4. B.K. Engineering Co. v. UBHI Enterprises (Regd.) &Anr. AIR Delhi 210 (1985).
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6. Malhotra Tyre Service Co. v. Malhotra Tyres Pvt. Ltd. (1991) 20 DRJ 1.
7. Numatic International Ltd v. Qualtex UK Ltd. EWHC 1237 (Ch) (2010).

8. George East Housewares Ltd. v. FackelmannGmbH& Co Kg and Probus Creative Housewares Ltd. EWHC 2476 (IPEC) (2016).
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12. Bristol Conservatories Ltd. v. Conservatories Customs Built Ltd. RPC 455 (1989).
13. Zee Telefilms v. Sundial Communications (2003) (5) BomCR 404.
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