



An insight into Indian perspective in defence to action of passing off & trademark infringement

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Abstract

The recognition of an infringement in various forms has garnered the required attention but passing off has yet not been able to establish a stage in the eyes of the common man and therefore it can still be seen taking place, unreported. The project paper looks at the historical development of Trademark and passing off laws under the Indian laws and International conventions. The issues there under such as how clarity can be brought by characteristic difference between infringement and passing off has been brought to the public domain by the courts in India in a number of cases. The development of liberal interpretation of the laws governing the Trademark have been liberal and has it given room for more infringements or creativity and whence the rights of the creator or the author though unregistered were curtailed, due to unawareness therefore under interest of the public at large it is important to bring the sphere of IPR in the limelight and recognised it. The paper looks at the inter-linkages between the laws for holding out and estoppel vis a vis the trademark while analyzing the defenses to avoid claims in Trademark and passing Off infringement.

Keywords: trade mark, passing off, defenses, tort

Introduction

The principle is that “trading must not only be honest but must not even unintentionally be dishonest.”

- Lord Morris ^[1].

The concept of goodwill for the business was derived from the idea of reputation of the person. Since goodwill is used for body corporates or artificial person it has an estimated value in the market. Therefore, any infringement or passing off of the trademark which carried the said is an offence under the Act, 1999. Passing off as an action arose as a part of tort and was very widely acknowledged in the common law countries. Even India has recognised the same as an inspiration from its colonial past. There has also been another reason to bring about the changes in the Indian Law i.e. the compliance with the TRIPS ^[2] since India became a part of the WTO in 1995. However the act came into force only on the 15th September 2003 ^[3].

The major hypothesis of the project is that the laws have not been able to demarcate a specific line between infringement and passing off beyond registration. Thereby leading to chaos in the common man's mind with respect to the said. Further the paper will try to look at how this lacuna can be bridged by the method of making the people aware of their rights. And also how to secure the rights of an innocent offender. For the purpose of this paper qualitative data was gathered by the method of research conducted by refereeing to the literature review, journal based and published articles. As well as from the official websites of the authority(s) concerned.

Who will be the owner of a trademark?

To understand the offence of passing off, of the trademark it is necessary to understand who the plaintiff will be in such cases. The court has settled the position in the case of *Double Coin Holdings Limited vs Trans Tyres India Private Limited*

^[4]. Here the court stated that the owner of the trademark in general is the person who has used the mark upon the product. This can be anybody at any stage. Therefore, it can be the manufacturer himself who applies the trademark or it could also be the distributor who is branding the product in a certain fashion thereby the trademark belongs to him. However the distributor would have to in such a case add on the essential features and elements to distinguish his efforts from that of the manufacturer and he must also bring this to the knowledge of the manufacturer and take permission or contract accordingly. The most essential necessity is that there must be a creative change made by the person claiming to be the owner.

In the case of, *Seven Towns Limited vs Kiddiland* ^[5]. It was stated by the court that passing off, can also be constituted by the mere packaging of the product in a certain fashion under the labels which constitute an essential feature of the said commercial label.

Therefore it has been evidently inferred that anyone in the processing and distributing chain may apply for the trademarks if the person is responsible to make the reputation of the business. This has also created a new concept of having IPR secured of multiple people who have worked upon a certain project together. This has also created a boom in the market.

Passing off, an offence wider than Infringement

“Passing Off” is an offence under the Act ^[6] under section 27(2).

“Sec 27. No action for infringement of unregistered trade mark.—

1. No person shall be entitled to institute any proceeding to prevent, or to recover damages for, the infringement of an unregistered 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 ^[7].”

Whereby it states that the owner can sue the offender to enforce one's own right if anybody uses the trademark of the unregistered owner to deceive the common-man and public at large to believe in the fact that the goods or services provided are of the real or registered owner. Here the goodwill or the reputation of the owner is used. Therefore, it protects the owner from any kind of imposter or imitation, expressed or implied which in the world of marketing could be considered to be repositories of reputation and goodwill propelling from the business or trade in the said sector where the trademark holds. In passing off the damages are unliquidated.

This however is different from the ordinary infringements that take place. The difference may be explained by the said illustrations:

- a. If X, a proprietor, copies and utilises a similar trademark as that which is famous for the generation of self-interest it is infringement. Here the owner is registered.
- b. If X, a proprietor, deceives the public at large that the goods/services he is providing which are his, are that of the original or real owner it is the offence of Passing off. Here the owner is unregistered and has a goodwill by word of mouth

Lord Langdale was amongst the first to coin and observe that: “A man was not to sell his own goods under the pretense that they were the goods of another man ^[8].”

This in itself was the promotion of caveat emptor. The very essence that one must not sell under the pretence of being another was not restricted to the said but also the fact that the original or the real author's rights would be defeated if someone makes a similar product under the same trademark whether knowingly or unknowingly of the offender or the author as well. Therefore passing off is a step forward wherein it also protects the rights of the authors or creators who due to lack of knowledge or facility do not register their trademark. However such authors and creators who are an entrepreneur in the business for a very long time manage to create their name by the virtue of “word of mouth” and garner their business. The remedies that have been made available have been injunction in nature of being temporary, permanent, interim, quia timet action (if one is afraid of an infringement, however there are no damages given).

Historical Background

The laws governing the trademark have been governed under the British raj by the common law. However post-independence India got the first Trademark Act only in 1940 which was abolished by the coming into existence of the Act of 1999. The difference is the recognition of Passing off among many other changes.

The birth of the concept to Passing off in trademark

The birth of this can be traced back to the 19th century, year 1880 when it was first explained by stating “No man is entitled to represent his goods as the goods of another man” ^[9].

Therefore no person should be allowed to use the symbols, signs, any representations that are a part of mark that shall lead to misrepresentation ^[10] and deceives the customer to

make the purchase. The passing off can be claimed by the ultimate customer even if it is the agent or the middleman who in good-faith believes the bona fide intentions of the seller. These principles were laid in the case of, “*Singer Manufacturing Company vs. Loog* ^[11].”

The representation of one's goods as another is also cheating consciously the purchaser and the public at large. Therefore if the said infringer with a mala-fide intention sells any article which is of poor quality and not up to the standard it will lead to the diminishing of the business of even the real author. This has also been termed as extending passing off in Erven Warnink's case. This has been another terminology used per se passing off.

Further if the real author is ill-equipped to access his IPR or secure it by means of registration however has been able to establish the business by the reputation in the area and thereby has widened the reach even his IPR shall be protected hereunder. This was largely done since earlier there was lack of connectivity. And also in an era of non-digitalisation it was difficult for everyone to know the manner and method of achieving the IPR. Therefore it is necessary to read the act in its letter and spirit. And the fact that the society is not hampered by competition between unequal's. This has continued to the present generation since not many people have the minimum literacy required to access the digital world and the rest cannot since they do not afford the same.

Characterise passing off: judicial interpretation

There are a few characteristics that were coined by the jurists over the years so as to differentiate passing off from that of infringement of the trademarks. These characteristics include the following:

- a) Misrepresentation by way of pretence to a person of ordinary prudence.
- b) Which has to be propelled by the seller in the course of his employment, business or trade ^[12].
- c) To the purchaser which in itself is violating the concepts such as “caveat emptor” ^[13].
- d) With the intent to injure the reputation of the person or the goodwill of the business which as a consequence would lead to diversion of business and is foreseeable.
The above were declared to be a concept of classical trinity of the passing off action in the case of, *Reckitt and Colman Products Ltd vs. Borden INC* ^[14].
Another addition to the said characteristics has been made recently in the case of, *Eicher Goodearth Private Limited vs. Krishna Mehta* ^[15].
- e) The damage has to be caused in actuality or when there is an eminent danger or fear of losses when the action has been brought before the court.

Contemporary approach

In the latest case ^[16] of 2013 the Karnataka High Court, it has been stated that apart from the above factors, it was also to be considered that alike the lay observer test of the copyright the same should be applied contextually to the infringement in the trademarks. This has essentially evolved the idea from the radical approach of the mere comparison to the contemporary approach of and internal mind based deception or confusion created for an ordinarily prudent man ^[17]. Where by the customers should be shown the trademarks of the two products, their labels, and examine if the customer could be deceived because of any misrepresentation holistically. Another Test that was laid down was the ‘Sliding Scale Test’

thereby the complainant shall prove that there was damage caused to him due to the use of deceptively identical trademark which can also be similar so as to cause confusion [18].

The burden is upon the plaintiff to prove the following

- f) Similarity of the marks and goods/services supplied
- g) The class of customers by way of their intellectual abilities to differentiate, literacy and awareness.
- h) The relationship between various stakeholders i.e. the traders, customers, the person advertising, middlemen or agent if any.
- i) Evidentiary confusion between the marks, created by the intent to deceive.

Misrepresentation even digitally has to be checked upon. It is irrelevant whether it was malafide or not. However if the said was intentional it must be gauged upon by estimating the value of such passed off reputation or goodwill. However, innocent or mala-fide intention to misrepresent the facts would not affect the case on merits but only to the extent of relief that is granted to the plaintiff holding the defendant at fault [19].

In the year 2001 the SC laid down tests that could be applied so as to ascertain whether there has been any sort of passing off that has taken place. In the case of *Cadila Health Care Ltd Vs. Cadila Pharmaceutical Ltd* [20],

- a) The nature of the trademarks
- b) The nature of goods
- c) Phonetical resemblance
- d) The mode of purchase
- e) Any other peripheral circumstances that may be relevant to the extent of proving similarity or dissimilarity between the parties. The nature of the trademarks include three categories majorly whether they are word marks, label marks or which include both and are called composite marks. The resemblance is taken into account of the marks, the business i.e. if the character of the goods or the performance of the services are similar, and the phonetical element i.e. if it is pronounced in the same fashion by the people at large.

In a recent case of *Boehringer Ingelheim Pharma GMBH & Co KG vs. Premchand Godha* [21] the Delhi High Court stated the MUCOSOLVAN and MUCOSOLVIN of the plaintiff and defendant respectively were famous cough syrups. The court held that they were composite marks, the court also applied another principle i.e. the rule against dissection. Therefore there couldn't be any defence which would state that presenting the words severally. Spilt or in any other form different from the whole word together would also amount to it being composite word/marks in nature.

Further they were phonetically similar both contained the same API [22] i.e. Ambroxol which was used for the purposes of treating cough and cold. Further the class of customers in relation to the intellect and economic ability were the same, and the mode of purchasing would by and large be across the counter and could create deception in the minds of all the parties involved i.e. the customer, the chemists and the dealers in between [23].

Other situations include the ground realities pertaining to India where most of the population has minimal literacy and lack of knowledge of digitalisation in such circumstances it is difficult to adjudge a harsh punishment when there is no out-reach. The second condition could be the misuse of the

stated condition where the equipped misuses the talents of the in-equipped where in to bring checks on such circumstances it is necessary that there be stringent provisions made applicable to safeguard the rights of the under-privileged.

Further the situations on contemplations also include the lack of knowledge of the diverse linguistic culture thereby causing a passing off in another language by deception.

Today in the world of global village, digitalisation and connectivity being one click away the passing off action in trademarks has also been extended to the sphere of profession and non-trading representations. That is to say that the professions, professional associations and organisations many refrain its non-members. In the case of *Vijay Solvex Ltd vs. Shree Hari Agro Industries Ltd* [24], the court stated that it has been time now to evolve from questioning the mere "common field of activity" to the "class of consumers".

Further it is the requirement of using trademarks "prior in time" irrespective of a prior registration of the marks by the impugned user in the action of passing off this has been settled in the precedent laid down in the case of, *Century Traders Vs. Roshan Lal Duggar & Co* [25].

Passing off may also happen by using the Domain Name. Domain name are the addresses to recognise the computers on the internet by its registration and to track the locations. This address works as a business group identifier when the registered domain name is used for not only communication purposes but also for the purposes of conducting commercial activities and thereby it now recognises the specific internet site. The trademark law in itself applies to the usage of the internet. The rules and conditions applicable for a physical trademark are applicable to the virtual trademarks as well. This was settled in the case of *Satyam Infoway Ltd vs. Sifynet Solutions Private Limited* [26]. The SC stated in the judgement that the rationale behind the same is to protect the public at large and the reputation of the rightful owner. The volume of sales and the extent of advertisement shall determine, in case a situation arises whereby "prior use" cannot ascertain the rightful owner if there has been a trademark which has been invented by two rival/competitive business without copying or infringing each other's rights, who gets to keep the trademark.

This judgement has been a very good example to showcase how the judiciary must keep up with the basic structure of the constitution to be organic and dynamic in nature. Which should also be encouraged in application to other laws.

Therefore, the registration of the domain also is not an excuse in the given circumstances [27].

Defences in passing off Common Defences

Apart from some general defences like Defence of delay, laches, estoppel and acquiescence [28]. There are some broad defences that a defendant can take like while pursuing his case like;

- The dirty hands doctrine. i.e. the plaintiff himself is guilty of fraud
- The plaintiff is not the owner of the mark
- The plaintiff has abandoned his trademark [29]
- There is no likelihood of confusion or deception because of defendant goods [30].
- The mark of the plaintiff is generic or publici juris.
- The mark is generic in Nature
- The plaintiff has given consent or have encouraged the use of trademark in question.

However there has been the defence that has been used since long i.e. the existence of the trademark in “common trade” being there for a long time and used by many people majorly in the said trade. However the court in the case of *Aristo Pharmaceuticals Private Limited vs Innova Cap Tab* ^[31]. Stated that the evidence that are necessary for such a claim have to be used very extensively and must be available in common market in expressed similarity. Another major defence available is the trans-border reputation, this was laid down in the case of *Peretti Van Melle Benelux B.V. vs Ramkrishna Food Products* ^[32].

Barred Defences under the law of Trademark for Passing Off

As per provisions of section 27 of Trade mark Act, it inferred that registration is no defence to the offence of passing off as under section 27 (2) of the Act. This is a non-obstinate clause to the entire of the Act. This therefore has a large scale implication upon the rights even of the proprietorship of the one who has registered the trade mark earlier in time. This thereby implies that passing off is a broader remedy than infringement by virtue of it being able to defeat the rights even of the registered holder.

Genuine Mistake is irrelevant to prove passing off. Malafide intention though a classical characteristic but in the modern times has been given up, thereby it is not considered relevant in order to settle the claims. Even if there has been passing off under a genuine mistake of fact it shall remain indifferent to adjudge the matter of law upon passing off ^[33].

The business conducted generally termed as E-business is covered under the section 2(z) of the Act to determine itself as a service, which is provided. Therefore, the owner of the domain name is also the service provider. It however is apparent that there has been no specific provisions made for the protection of the domain names or any digital element in the case of passing off. It is provisionally that the Act is applied contextually to the circumstances.

In a very peculiar case of *Groupon, Inc vs. Mohan Rao* ^[34]. Facts of the case are such that the plaintiff used the domain names which were very country specific for his business, www.groupon.(xx) some examples being of the (xx) are “sg” for Singapore, “jp” for Japan, “kr” for Korea, “ca” for Canada. Therefore, the contention raised was that when the defendant created his domain name he named it www.groupon.in in this circumstance the general people at large who transact with the plaintiff may be falsely implicated to believe that the domain name is that of the plaintiff operating in India. Therefore the defendant was asked to repeal such a domain name.

There are other bars to defence as well such as action against only one of the many offenders does not let the accused claim relieve since other offenders are yet not charged the court stated this in the very famous case of, *Pidilite industries Ltd vs Jubilant Agri and Consumer Products* ^[35]. It has been settled in the common-law and as well as the modern times that it is absolutely the prerogative of the plaintiff as to whom does he think necessary to sue for the infringement or passing off of his rights ^[36]. This position has been settled in the case of *Assam Roofing limited vs JSB Cement Limited Liability Partnership*.

Remedies Available

Further there have been instances where there have been damages made to be paid and injunctions granted upon the

registered user of the marks till there has been a resolution ^[37]. Thereby it has been evidently clear that registration is no evidence to rely upon in cases of trademark infringement and it shall not be a factum for grant of equities to the defendants. The damages are unliquidated damages which are ascertained based on the reach and extent of the business and the degree of passing off.

The jurisdiction as to initiate an action against passing off has been mentioned in the Sec 134(1) (c) which states that it can be instituted in a court having a jurisdiction and stature as that of a District Court within the territorial limits of whose jurisdiction, where the defendant actually and voluntarily resides or carries on business or personally works for gain ^[38].

Conclusion

It has been observed that the passing off is an offence of deception either directly or indirectly. The protection under the law is essentially for the purposes of protecting the moral and economic rights of the unregistered trademark in the market and that the infringement protects the rights of the registered trademark in the market. As seen in the earlier chapters the trademark has to be misrepresented by the defendant, whether it has been done consciously or not is irrelevant so as to hamper the reputation or good will of the owner or his business respectively. Thereby also causing an extending passing off as stated. However the lacuna is that there has not been a precise and specific definition as to what shall constitute a goodwill and how to liquidate such damages.

The above stated characteristic makes it evident that there has not been a very line demarcated that brings clarity very rigidly apart from registration as to the difference between the infringement and passing off. And there is a lot of reliance upon the common law for precedents to deal with passing off since even the 1999 Act only has a passing reference of the said. Therefore the only test that can be used here is the lay observers test as stated and the test to determine whether there has been an in-appropriation of the name or the goodwill that the owner of the trademark.

This therefore leads to a chaotic situation for the general population at large. The only defences available are that of usage being ‘prior in time’ even though it is unregistered. Registration which is ‘prior in time’ is no excuse or a proof of innocence or ownership over the trademark. The confusion between infringement and passing off may be caused also due to the fact that both have the same end goal i.e. to protect the owner from any kind of misuse of his title.

India has been recognised as one of the fastest growing countries in comparison with its Asian neighbours apart from China. Therefore, to boost the competition and fair usage so as to protect the rights of the honest person it is very important that there is growing awareness of the IPR and especially the rights such as passing off in trademark.

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