

## “The Concept of Passing Off”

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### ABSTRACT

A passing off action essentially involves the unauthorized utilization of another person's goods, services, and the goodwill of their business, which constitutes deception. Such authorized use engenders marketplace confusion or deceit, so fostering unfair competition.

In legal terminology, the act of passing off occurs when one party falsely presents the goods or services of another individual as their own. This situation causes perplexity among customers and consumers, and also has a negative impact on the business of the trademark's original or lawful owner.

The paper discusses the concept of passing off as enshrined under Indian IP law and also deals with examining various landmark judicial pronouncements that helped the interpretation of laws easier.

**Keywords-** passing off, unauthorized, competition, unfair, trademark and etc

### INTRODUCTION

Passing off is a wrong, 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”.

As held in the famous case of *N. R. Dongre v. Whirlpool Corporation*<sup>1</sup>

“A man may not sell his own goods under the pretense that they are the goods of another man.”

Law aims to protect traders from this form of unfair competition.

Legally, classifying acts under this tort aims to protect the right of property that exists in goodwill. Goodwill is defined as the part of business value over and above the value of identifiable business assets. So basically it is an intangible asset.

It enables a business to continue to earn a profit that is in excess of the normal or basic rate of profit earned by other businesses of similar type. It might be due to a particularly favorable location, reputation of the brand in the community, or the quality of its employer and employees.

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<sup>1</sup> N R Dongre v. Whirlpool Corporation, (1996) 5 SCC 714.

The value of goodwill of a brand can be calculated by a number of methods, like subtracting the value of all tangible assets from the total value to establish the value of the intangible assets.<sup>2</sup>

Goodwill can be classified into two zones, viz. institutional goodwill and professional practice goodwill. While institutional goodwill associates itself with business houses, their market position, professional practice goodwill, as is quite obvious from the name, associates itself with professional practices like law, medicine, architecture, engineering and many others.

In itself, professional practice goodwill can be divided into practitioner goodwill, where the skill and reputation of the individual practitioner comes to play, and practice goodwill, which is very similar to institutional goodwill and depends on the institute reputation.

The Dutch Advocate case was the first case where the basic elements of the wrong of passing off were put forth by Lord Fraser. They were as follows

- a misrepresentation
- made by a trader in the course of trade,
- to prospective customers of his or ultimate consumers of goods or services supplied by him,
- which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and
- Which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

Later in the Jif Lemon case, Lord Oliver reduced these principles to three basic features (now known as the classical trinity) which included

- reputation
- misrepresentation
- damage to goodwill

To sum it up, the tort of passing off covers those cases where one trader falsely misrepresents his goods as those of another trader/brand, which has a good reputation/goodwill in the market and thus leads to damaging his goodwill.<sup>3</sup>

In a passing off action, the plaintiff must prove that there is a similarity in the trade names or marks and that the defendant is passing off his goods as those of the plaintiff's. Remedies could

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<sup>2</sup> Sayed Qudrat Hashimy, *Navigating the Complex Terrain of Passing Off under Indian Trademark Law*, 13 SSRN 88 (2022).

<sup>3</sup> Catherine Wai-Man NG, *Goodwill in Passing Off: A Common Law Perspective*; 128-134 (Edward Elgar Publishing Limited 2021).

include injunction or damages or both. Damage or likelihood of damage form the core all passing off actions. The concepts of reverse passing off and extended passing off also hold significance.

Extended passing off consists of those cases where misrepresentation of a particular quality of a product or services causes harm to the plaintiff's goodwill. A famous case example would be *Diageo North America Inc v Intercontinental Brands (ICB) Ltd.*, where the defendant marketed a drink named "Vodkat", which was actually not vodka, but the marketing did not actually make it clear that it wasn't so. The plaintiffs were the biggest manufacturers of vodka and they filed a suit against the defendants for passing off and it was held so.

If a defendant markets the products made by the plaintiff as the products of the defendant, the tort committed is known as reverse passing off.

### **EVOLUTION AND DEVELOPMENT OF THE CONCEPT**

Liability in the tort of passing off ultimately boils down to misrepresentation. It all started in the 17th century, in the cases *Southern v. How* and *Dean v. Steel*. Usually, the judges categorized such torts under deceit or defamation.

Later in the eighteenth century, all cases of passing off were classified as cases of deceit, where the action was usually brought not by the deceived, but by the one whose mark was used to deceive. (*Blanchard v. Hill*), limiting the tort to cases where there was a proof of bad faith.

Later, in the nineteenth century, in the case *Millington v. Fox*, it was decided that proof of fraud was not necessary in such a wrong and it was from here that the actual tort of passing off began building its own definition.

The concept of equity was largely used to realise the scope of passing off. The predominant view was that equity intervened to restrain what would be a fraud if allowed to go ahead and that it protected proprietary rights. This particular viewpoint led to the equity courts to awarding compensations instead of injunctions. This idea was based on the theory that, in such a tort, constructively, the defendant was an agent of the plaintiff. Later, in the case *Cartier v. Carlile*, it was decided that a "man must be taken to intend" the natural consequences of his act and mere proof of likelihood of deception was sufficient to prove the wrong.<sup>4</sup>

In *Edelsten v. Edelsten*, it was put forth that mere notice of plaintiff's rights satisfied the requirement of fraud and a man could be held liable in such a case whether or not his actions were honest.

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<sup>4</sup> Vikas Maheshwari, *Passing Off and Infringement of Trademarks in India*, 6(7) EPRA INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH (IJMR) 33-41 (2020).

Whatever the case be, fraud continued to remain an essential element in the tort. Where fraud was not proved, usually an inquiry into the damages caused was ordered.

Finally, it was concluded gradually, that fraud need not be shown while judging such a case.

The final question would be, if the defendant was unaware of the existence of the plaintiff or his brand, would he still be liable for such a tort. The question remained open ended for a long time and at one point, the authorities were opposed to the imposition of liability in such a case. But as of now, the motive of the defendant is not very important in such an action. The only thing that needs to be proved is the reputation established by the plaintiffs.

## **ANALYSIS OF JUDICIAL DECISIONS**

### ***Southern v. How***<sup>5</sup>

The earliest documented case where there was an indication of passing off, this one dates back to 1618. In this case mark of an eminent clothing brand was used to dupe a customer, who bought the defendant's low grade clothing thinking it was the plaintiff's brand.

The defendant was held liable. This though was more a case of deceit, but the principle of passing off clearly started its journey from this case.

### ***A.G. Spalding & Brothers v. A.W. Gamage, Ltd.***<sup>6</sup>

The defendants had organised a sale where they announced they would sell the plaintiffs' footballs at a nominal price. But in reality, the intention of the defendants was to sell a different ball, belonging to the plaintiffs' company of course, than the one advertised.

An action was brought by the plaintiffs seeking to recover damages, which they contended, they had incurred from the dip in sale of their genuine footballs.

It was held that in this type of a wrong, actual passing off was unnecessary. What was important was a description of this wrong in terms of representation. Referring to the defendants' contention that the writ was issued before there was any kind of sale, there lay no basis in the action and hence, it could not succeed, it was declared that offering to sell was an actionable act. It was also declared that there could be no sort of a limit for awarding damages for such a wrong.

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<sup>5</sup> Southern v. How, 79 E.R. 1243.

<sup>6</sup> A.G. Spalding & Brothers v. A.W. Gamage, Ltd., (1915) 84 LJ Ch 449.

***Hendricks v. Montagu***<sup>7</sup>

The plaintiffs, the “Universal Life Assurance Society” brought an action against the defendants to stop them from carrying on business with the trade name “Universal Life Assurance Association”. The injunction sought was granted and it was mentioned that since the names were too similar for differentiation, the tort of passing off was indeed committed.

***J Bollinger v. Costa Brava Wine Co. Ltd.***<sup>8</sup>

Popularly known as the Spanish Champagne case, this particular case saw an action being brought by twelve biggest champagne manufacturers of France, on behalf of every champagne manufacturer in their country, seeking injunctions on use of the word “champagne” while describing Spanish wine, and passing it off as champagne. An injunction was granted.

***The Dutch Advocate Case***

*Erven Warnink B. V. v. J. Townend & Sons*<sup>9</sup> is popularly known as the Dutch Advocaat case. This was the first case where basic elements of passing off were first put forth. Lord Fraser, while delivering the judgment had listed five principles of such a tort, which have already been discussed.

In the present case, the first plaintiff was a company from the Netherlands which manufactured a beverage made from eggs and brandewijn spirit. The drink was called Advocaat. The defendants were an English company manufacturing a drink of a similar name (Old English Advocaat), but altogether different in nature, being prepared from eggs and fortified wine. Being a wine based drink, the excise duty on the defendants’ product was much lesser than that on the plaintiff’s product, which had a huge share of the English “Advocaat” market. This resulted in the defendants taking over much of the plaintiff’s market share. An injunction was sought to stop the defendants from using the name “Advocaat”. Initially it was held that the term “Advocaat” had earned a good reputation and goodwill, being recognised as a drink of good quality and taste, something which the defendants’ product did not comply with, with it having a different recipe. It was held that the defendants were guilty of the tort of passing off. The Court of Appeal reversed this decision by Gouling J., only to see the House of Lords restoring it.

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<sup>7</sup> *Hendricks v. Montagu*, 17 Ch D 638.

<sup>8</sup> *J Bollinger v. Costa Brava Wine Co. Ltd.*, [1960] 1 All ER 561.

<sup>9</sup> *Erven Warnink B. V. v. J. Townend & Sons*, [1979] A.C. 731.

***The Jif Lemon Case***

*Reckitt & Colman Products Ltd. v. Borden Inc.*<sup>10</sup> is popularly known as the Jif Lemon case. The judgment in this case finally formulated three basic principles of the tort of passing off.

The facts of this case go as such;

The plaintiff was a manufacturer of lemon juice and, since 1956, had been selling such juice under the name "Jif" in plastic containers resembling real lemons. The defendant's product, manufactured in 1985-86 marketed three different kinds of lemon juice in containers precariously similar to those of the plaintiffs', the only difference being a differently coloured cover and a different brand name, "Rea Lemon".

The plaintiffs' brought an action for passing off and were successful, with both the Court of Appeal and the House of Lords upholding the decision.

Walton J., observed that a careful shopper might be able to distinguish between the different brands, but, to quote him;

"the slightest peradventure that the effect of the introduction of any of the defendant's lemons on to the market would be bound to result in many housewives purchasing them in the belief that they were purchasing the well known and liked Jif brand."

The fact that the brand "Jif" was identified by the shape of its container and not by its label provided the ultimate evidence.

***Calvin Klein Inc. USA v. International Apparel Syndicate*<sup>11</sup>**

In this case, the plaintiff, an internationally reputed US company with a tremendous goodwill for designer clothing brought an action for passing off and trademark infringement against International Apparel Syndicate, an Indian company to stop them from using the trade name Calvin Klein and the mark CK.

Calvin Klein did not have a market in India, but their goodwill was based on their reputation earned through advertisements. They also had worldwide trademark registrations in 136 countries including India. In India, their registration covered only textile goods, while their application for trademark registration for clothing, footwear and headgear was still pending. False representation by the Indian company that they were official CK licensees and marketing their products under the trade name of Calvin Klein led to the Calcutta High Court passing an

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<sup>10</sup> *Reckitt & Colman Products Ltd. v. Borden Inc.*, [1990] 1 All E.R. 873.

<sup>11</sup> *Calvin Klein Inc. USA v. International Apparel Syndicate*, 1999 PTC (19) 160(Cal)(DB).

interim order for injunction, stopping International Apparel Syndicate from using the name Calvin Klein and the mark CK, which subsequently became permanent.

The defendants' contention that the plaintiffs could not bring an action because they did not sell their goods in India was disallowed. The court said that the marks were used with an intention to deceive the customers and to trade riding on the international reputation of Calvin Klein.

***Honda Motors Co. Ltd. v. Mr. Charanjit Singh and Ors*** <sup>12</sup>

The defendants manufactured pressure cookers under the name "Honda", in India. Their application for registration had already been rejected once before and they had applied for registration again, while continuing to sell their products.

The plaintiffs, popular all over the world for their motor goods and electrical appliances brought an action against the defendants. In India, they ran a joint venture with the Siddharth Shriram Group.

In the judgment, it was held that with an established business and sale of quality products, the name "Honda" had become associated with the plaintiffs' reputation and its goods. It was said that it is very easy for the public to associate the plaintiffs with any product that carries the name of "Honda". Further, the honourable judges also held that by using the name "Honda" the defendants were creating confusion in the consumers' minds, which was indirectly affecting the business of the plaintiffs in an adverse way. An injunction was ordered to stop the defendants from using the name "Honda".

***Colgate Palmolive Company And Anr. v. Anchor Health and Beauty Care Pvt. Ltd.*** <sup>13</sup>

Both the plaintiffs and the defendants manufacture well known toothpaste brands. The plaintiffs sued the defendants for passing off. The contention of the plaintiffs was that the defendants' use of colour and pattern of colours in their dental products was dangerously similar to the plaintiffs'. According to the plaintiffs the proportion of colours (red and white) used by the defendants was almost identical to that of the plaintiffs (1/3:2/3). The reason for bringing in such an action was that the plaintiffs were established in the Indian market since 1951, and had a tremendous goodwill in the country, while the defendants had entered the market only in 1996. It was held by the court that though there cannot be any monopoly over colour, in a country with a huge number of illiterate and semi-literate people, by marketing a new product with a design closely resembling that of the older product, it is easy to create confusion in the minds of the public, especially when a similar product has been prevailing in the market for close to half a century. It was adjudged that the defendants were using the trade dress of the plaintiffs. The

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<sup>12</sup> Honda Motors Co. Ltd. v. Mr. Charanjit Singh and Ors, 2003(26) PTC1(DEL).

<sup>13</sup> Colgate Palmolive Company and Anr. v. Anchor Health and Beauty Care Pvt. Ltd., 2003 VIII AD Delhi 228.

court ordered an injunction, restraining the defendants from using the red/white combination in the disputed order.

***Smithkline Beecham v. V.R. Bumtaria***<sup>14</sup>

The defendants used the name “ACIFLO” for one of their pharmaceutical preparations. The plaintiffs’ sued the defendants for passing off since they had been using the name of “ARIFLO” for the same product, a name which was registered. They did not have a market in India. The plaintiffs contended that advertisements in medical journals amounted to building of a goodwill in India, which was being misused by the defendants. The court held that the reach of medical journals was restricted to a specific class of people and so was the reputation, hence, there was no passing off.

**PASSING OFF AND TRADEMARK INFRINGEMENT**

Passing off is different from trademark infringement.

To understand the differences between passing off and trademark infringement in India, we need to analyse the scope of trademark infringement and the Trademarks Act, 1999.

Trademark is a company’s identity enabling a customer to distinguish products under that trademark according to the goodwill of the company and quality of the products. Trademarks help the owners to avoid their competitors from using the trademark to their own benefit. The most important and significant point is that the name and reputation of a company is deeply rooted within the trademark. A company cannot afford to let any other person misuse its trademark and in the process harm the reputation, goodwill, and not to forget the business, which must have taken years to become solid.

Section 29(1) of the Trademarks Act, 1999 helps define infringement;

“A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and, in such manner, as to render the use of the mark likely to be taken as being used as a trade mark.”<sup>15</sup>

Passing off is not defined in the Trademarks Act, 1999. But various courts have tried to follow the common law in helping build an idea of passing off. Passing off is said to take place when a trademark, registered or unregistered is infringed in a manner where not only is the mark

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<sup>14</sup> Smithkline Beecham v. V.R. Bumtaria, MANU/DE/2890/2005.

<sup>15</sup> Christopher Wadlow, The Law of Passing-Off: Unfair Competition by Misrepresentation 341-356 (Sweet & Maxwell 2004).

dangerously similar to that of the plaintiffs', but also it rides on the plaintiffs' goodwill to help establish a market and thus ruin the plaintiffs' market. "Goodwill" plays a big part in instituting an action against the tort of passing off.

Trademark infringement is protected by Section 29 of the Trademarks Act, 1999, as its ambit stretches up to registered trademarks only.

#### “29. Infringement Of Registered Trade Marks

- (1) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which is identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered and in such manner as to render the use of the mark likely to be taken as being used as a trade mark.
- (2) A registered trade mark is infringed by a person who, not being a registered proprietor or a person using by way of permitted use, uses in the course of trade, a mark which because of-
  - a) its identity with the registered trade mark and the similarity of the goods or services covered by such registered trade mark; or<sup>16</sup>
  - b) its similarity to the registered trade mark and the identity or similarity of the goods or services covered by such registered trade mark; or(c) its identity with the registered trade mark and the identity of the goods or services covered by such registered trade mark, is likely to cause confusion on the part of the public, or which is likely to have an association with the registered trade mark.
3. In any case falling under clause (c) of sub-section (2), the court shall presume that it is likely to cause confusion on the part of the public.
4. A registered trade mark is infringed by a person who, not being a registered proprietor or a person. using by way of permitted use, uses in the course of trade, a mark which-
  - a) is identical with or similar to the registered trade mark; and
  - b) is used in relation to goods or services which are not similar to those for which the trade mark is registered; and
  - c) the registered trade mark has a reputation in India and the use of the mark without due cause takes unfair advantage of or is detrimental to, the distinctive character or repute of the registered trade mark.
5. A registered trade mark is infringed by a person if he uses such registered trade mark, as his trade name or part of his trade name, or name of his business concern or part of the name, of his business concern dealing in goods or services in respect of which the trade mark is registered.

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<sup>16</sup> Ibid.

6. For the purposes of this section, a person uses a registered mark, if, in particular, he-
  - a) affixes it to goods or the packaging thereof;
  - b) offers or exposes goods for sale, puts them on the market, or stocks them for those purposes under the registered trade mark, or offers or supplies services under the registered trade mark;
  - c) imports or exports goods under the mark; or
  - d) uses the registered trade mark on business papers or in advertising.
7. A registered trade mark is infringed by a person who applies such registered trade mark to a material intended to be used for labelling or packaging goods, as a business paper, or for advertising goods or services, provided such person, when he applied the mark, knew or had reason to believe that the application of the mark was not duly authorised by the proprietor or a licensee.
8. A registered trade mark is infringed by any advertising of that trade mark if such advertising-
  - a) takes unfair advantage of and is contrary to honest practices in industrial or commercial matters; or<sup>17</sup>
  - b) is detrimental to its distinctive character; or
  - c) is against the reputation of the trade mark.
9. Where the distinctive elements of a registered trade mark consist of or include words, the trade mark may be infringed by the spoken use of those words as well as by their visual representation and reference in this section to the use of a mark shall be construed accordingly."

To make things crystal clear as far as unregistered trademarks are concerned, Section 27 of the same act would be enough;

“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.

Unregistered trademarks are not protected against pure infringement by the Trademarks Act, 1999 and infringement of such marks can only be protected by bringing an action for passing off. Similarly, confusion between two registered trademarks can be solved by bringing in an action

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<sup>17</sup> ROUTLEDGE, INTELLECTUAL PROPERTY LAW 96-104 (Taylor & Francis Group 2006).

for passing off. Clause 2 of Section 27 gives clear mandate that nothing mentioned in the entire act would affect the rights of any person for instituting an action for passing off.

Unregistered trademarks are granted protection against passing off under Section 134 of the aforementioned act. Sub-clause c of clause 1 of Section 134 says that no suit for passing off arising out of the use by the defendant of any trade mark which is identical with or deceptively similar to the plaintiffs trade mark, whether registered or unregistered, shall be instituted in any court inferior to a District Court having jurisdiction to try the suit.

Section 135 of the act deals with relief in suits for infringement or for passing off and basically includes injunction and damages.

## **CONCLUSION**

In a country where a considerable percentage of the population lives in rural areas, it is very easy to pass off goods. Thousands of instances of passing off can be found out throughout India. Right from garments to tobacco to toothpaste to pencils to pens, you name it, you find it. Unfortunately, a legal solution has evaded most of these. But with the Trademarks Act, 1999 providing protection against passing off, situation has improved, as can be observed from a huge splurge in the number of Indian cases concerning passing off in the recent past. Passing off has come a long way through the common law system and now has some well-defined principles and ambit. Perhaps the time is ripe to bring in legislation and enact a statute concerning passing off.