

Passing off Action on Trade Marks

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Abstract

The action for passing off is a kind of trademark infringement action. It is a common law action and the principles are laid down in judicial precedents. In order to be a successful action for passing off, it must cover three situations. They are, a misrepresentation, intentional injury to business or goodwill of another trader and actual damage to a business or goodwill of the trader by whom the action is brought or will probably do so. This kind of trademark infringement will be serious issues on trademark infringement in Myanmar. In some cases, a trademark was not registered on any ground, as, for example, it is refused to register by registrar by reason of unregistrable mark. It is meant that this trademark is not granted to register and not presumed that the product is not granted to sell in the market. As a result, a trademark will not be granted to register but it may be a well-known mark in the market. Myanmar trademark law will be passed in the near future. In this new Trademark Law, the provisions relating to passing off protection should be inserted for securing rights on trademark which is not granted to register by trademark office by any ground.

Key Words: Damage, Goodwill, Judicial Precedents, Passing off, Misrepresentation, Trademark, Trinity test.

Introduction

The right relating to trademark is a right of property in a trademark owned by a trader who used a badge as his trademark. This badge or symbol indicates that his trade and goods he deals in are identified with him and distinguished from the trade of his competitors in business, and similar goods which are not his but theirs. The mark or badge works in numerous manners. It signifies that it is a particular name under which a trader does business, that is, his tradename; the name or title by which his goods are referred to, that is, the tradename of his goods; and the appearance of goods or get-up in which the goods are marketed, so far as these are distinctive of his trade and goods. In a trademark action, the plaintiff must prove his title to the mark he claims, that it is registered as his mark or as the mark of his predecessor in business, or that has been otherwise complied with, and that the defendant has infringed the mark. In this case, the proof of the registration is *prima facie* proof of title. In a passing off action, it is a very similar situation to this, but registration is not formed part of it. The plaintiff must prove that the conduct of defendant amounts to pass off as his; and to do this, he must show either that the defendant has actually represented that his goods or business are those of the plaintiff, or that he has used certain symbols or badges in connection with his goods or business, which are reputed in the market to import that the goods or business in connection with which they are used are the plaintiff's goods or business. The action for passing off is a common law action, and the principles are set out in the decisions of judges.

Nature and Definition of Passing off

The practice of passing off will be established when a trader gives consumers the impression that his goods are those of another trader who has already possessed goodwill. In some cases, the passing off activities will take place where one trader indicates that his goods are of the same quality as those of another trader or where one trader creates the impression of association with another trader. Activity of passing off will amount to tort. It provides common law protection of tradename, badge or mark of goods as well as the appearance of

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goods or get-up. This form of protection can be claimed where the mark is unregistered or unregistrable. If a mark is a registered trademark, the proprietor of this mark can bring an action in the form of trademark infringement as well as passing off action.

After registration, a protection of trademark infringement is automatic. Trademarks are recognized as a form of personal property and their use by another without the owner's consent or authorization shall be amount to an infringement of his property right. The proprietor then needs no more proof. On the other hand, the plaintiff in passing off action must establish the presence of goodwill in order to found a right of action. The common law protects the goodwill of a business associate with a trade name or get-up. The protection of passing off is potentially broader than the trademark protection. Business goodwill may compose the name of goods or services, business methods, get-up and marketing style.¹

In the trademark case, whether an act of passing off has occurred can generally be identified with reference to the common elements, referred to under English Law as the classic trinity. These comprise of the reputation of the plaintiff in delivering a particular kind of goods or service, an act of misrepresentation by the defendant and the existing of some degree of damages to the plaintiff's reputation in business as a result of this misrepresentation.

In the case of *Spalding v. Gamage*², five characteristics which must be present in order to create a valid cause of action for passing off are identified: (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) 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.

In seeking to formulate general propositions, however, one must be particularly careful to beware of the logical fallacy of the undistributed middle. It does not follow that because all passing off actions can be shown to have these characteristics, all factual situations in which these characteristics are present give rise to a cause of action for passing off. It is true that their presence indicates what a moral code would censure as dishonest trading, based as it is upon deception of customers and consumers of a trader's wares, but in an economic system which has relied on competition to keep down prices and to improve products, there may be practical reasons why it should have been the policy of the common law not to run the risk of hampering competition by providing civil remedies to everyone competing in the market who has suffered damage to his business or goodwill in consequence of inaccurate statements of whatever kind that may be made by rival traders about their own wares.³

Types of Passing Off

In trademark complaints, which come under the heading of passing off may possibly include three kinds, the classic form of passing off, the extended form of passing off and the reverse passing off.

To be the classic form or classic trinity of passing off, three elements must be fulfilled. Lord Diplock formulated five characteristics which must be present to be a successful action for passing off in *Erven Warnink Belsloten Vennootschap v. John*

¹ Tina Hart, Linda Fazzani & Simon Clark, Intellectual Property Law, the Cromwell Press, Trowbridge, Wilshire, 4th edition, 2006, P. 132.

² (1915) 32 RPC, 273.

³ Peter J Grove, Source Book on Intellectual Property Law, Cavendish Publishing Limited, London-Sydney, 1st edition, 1997, P. 674.

Townend & Sons (Hall) Ltd.⁴ (**The Advocaat Case**). In the case of **Reckitt & Colman Products Ltd. v. Borden Inc**,⁵ Lord Oliver reduced the five guidelines to three elements. These three elements to form a passing off action are goodwill owned by a trader, misrepresentation and damage to goodwill. As a result, these criteria are called classic trinity passing off.

The plaintiff has the burden of proof to show false representation to the public to have them believe that goods or services of the defendant are that of the plaintiff. There must be some connection between the plaintiff's and defendant's goods, services or trade. They must show likelihood or actual deception or confusion by the public.⁶ Then it is the Court's duties to consider similarity or identity of the marks, goods or services. In this step the criteria for considerations are often: aural, visual and conceptual similarity. It is also applied in trademark infringement cases.

For the element of damage to goodwill, there may be a loss or diversion of trade or dilution of goodwill. The plaintiff need not prove actual or special damage, real and tangible probability of damage is sufficient. This damage should however be reasonably foreseeable. It is not enough just to show likelihood or actual deception or confusion.⁷

A trademark complaint which comes under the heading of passing off may include the extended form of passing off, and are comprised of the personality rights of celebrities.⁸ In the extended form of passing off, a misrepresentation as to the particular quality of a product or service causes harm to another's goodwill. An example of this is **Erven Wornink v. Townend & Sons Ltd.**⁹, in which the makers of advocaat sued a manufacturer of a drink similar but not identical to advocaat, but which was successfully marketed as being advocaat.

Another variety of passing off is so called reverse passing off. This type of infringement can occur where in a trader's market, another trader's products or services are rendered as being his own.¹⁰ It is also usually known as straight passing off.

Characteristic of Passing Off

According to traditional form of passing off action, three characteristics must be fulfilled. It is also called trinity passing off. These three elements are (a) the existence of plaintiff's goodwill, (b) a misrepresentation, and (c) damage or likely to damage to the plaintiff's goodwill or reputation.¹¹

Goodwill can be classified into two aspects, 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.¹²

The plaintiff must establish goodwill associated with the goods of their get-up. Goodwill has been defined as the whole advantage, wherever it may be, of the reputation and connection of the firm which have been built up by years of honest work or gained by lavish

⁴ 1979 AC 731 (HL)

⁵ 1990, 1 All ER 873

⁶ <https://en.m.wikipedia.org/wiki/passing-off>.

⁷ ibid.

⁸ <http://trademark.laws.com/passing-off/types-of-passing-off>.

⁹ 1979 AC 731 (HL).

¹⁰ John Robert Powers School v. Tesseensohn (1995) FSR 947

¹¹ Consorzio del Prosciutto di Parma v Marks & Spencer plc (1991) RPC 351

¹² <https://www.lawteacher.net/free-law-essays/business-law/tort-of-passing-off-project-assignment-law-essays.php>.

expenditure of money.¹³ The claimant will need to prove that the goodwill existed at the time that the defendant commenced his activity rather than at the time of the action.¹⁴

As to misrepresentation, nobody has any right to represent his goods as the goods of somebody else. It is rare for the misrepresentation to be made expressly, but in *Reddaway v. Banham*¹⁵ the defendant called his product camel-hair belting which was precisely what it was: the plaintiffs, his erstwhile employers, had long called their product by the same name. The misrepresentation was clear enough, and the case turned on whether the use in this way of a descriptive term could be passing off.

The fundamental rule is that one man has no right to pass off his goods for sale as the goods of a rival trader, and he cannot therefore be allowed to use names, marks, letters, or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person. It is this fundamental rule which governs all cases, whatever be the particular mode adopted by any man for passing off his goods as those of a rival trader, whether it is done by the use of a mark which has become his trademark, or in any other way.¹⁶

Proof of damage is not in every case essential to enable the plaintiff to maintain his action, for if he shows that the defendant is acting so as to pass off goods which are not the plaintiff's as his, it will generally be assumed that the plaintiff is thereby prevented from selling as many of the goods as he otherwise. But if this assumption is negative by the circumstances of the case, proof of actual or probable damage is necessary.¹⁷

Remedies for Passing Off Action

The relief granted to the plaintiff, if he succeeds in a passing off action, corresponds to that granted in the action for infringement of a registered trademark to which the first mentioned action is so closely allied. It comprises (i) an injunction restraining the defendant from passing off, or doing or continuing acts which are calculated to pass off, his goods as those of the plaintiff, (ii) an order for the delivery up for destruction, or for the erasure of the names or other badges, of any goods already marked with the deceptive names or badges, and in the possession or under the control of the defendant, and (iii) damages in respect of the past interferences with the plaintiff's rights, or (iv) an account of the profits made by the defendant by the sale of goods under the deceptive names or badges, or some one or more of these.¹⁸

In Myanmar, when the defendant invades or threatens to invade the plaintiff's right, or enjoyment of property, the Court may grant a perpetual injunction.¹⁹ A trademark includes a device, brand, heading, etc. and any combination thereof which is used as cosmetics and the different name but similar trademark, get-up, size of container and instruction cause the passing off action. Although the names are different, similar trademark, get-up, size of container and instruction cause likelihood of confusion.²⁰

The Court not only forbids further infringement by its injunction, but, where the defendant is proved to have spuriously marked articles in his possession or under his control,

¹³ *Trego v. Hunt* (1895) AC 7

¹⁴ *Inter Lotto (UK) Ltd v. Camelot Group Plc* (2003) EWCA Civ 1132; (2004) RPC 9.

¹⁵ 1896, AC 199

¹⁶ Source Book on Intellectual Property Law, Peter J Grove, Cavendish Publishing Limited, London-Sydney, 1st edition, 1997, P. 680.

¹⁷ The Law of Trade-Marks, Trade-Name, and Merchandise Marks, Duncan Mackenzie Kerly, Sir, Forgotten Books, London, 2012, P. 415.

¹⁸ *Ibid*, P. 428

¹⁹ Section 54 of the Specific Relief Act

²⁰ U Tin Lat (a) U Sai Lat and two v. U Kyaw Nyein, 2001, MLR, P. 126. (also known as Taung Gyi Mauk Mai case)

it also orders the erasure of the marks, or the delivery up of the marked articles for that purpose, or, if erasure is impracticable, for destruction.²¹

In the case of *Maung Maung v. Daw Khin Than Myint*²² the Court held that the remedies that may be granted in actions for passing off include both interim and perpetual injunctions and an award of damages or an account of profits. Further, the Court may grant the delivery up of infringement articles or labels for the destruction or erasure of the offending mark.

In order to grant any kinds of relief for passing off infringement, it is not necessary that the two trademarks or tradenames must be similar in all particulars. In comparing the two, it will amount to counterfeiting or passing off although the slight differences exist between them, if there are any similarities or confusing factors to consumers or customers.

Myanmar is a founder member of World Trade Organization (WTO). In this result, Myanmar does have an obligation to conform with international conventions relating to trade in which WTO is a member. In some future days, Myanmar will pass a Trade Mark Law. After that, the protection of passing off protection for well-known marks will be an important issue in trade and commerce.

Conclusion

The protection of passing off is a common law method for trader's rights in his or her tradename or trademark. It has a wider scope of protection to restrain unfair commercial practice. For a successful action, it must fulfill at least the classical trinity test, viz; misrepresentation, damage to goodwill and real damage caused to plaintiff. The passing off action protects owner of a mark or badge as well as the customer in confusion of products among traders. As a result, the protection of passing off is an important role in trademark protection and trademark laws. The provisions relating to protection of passing off on trademarks should be inserted in future Myanmar Trade Mark Law.

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