

Comparative Analysis between Common Law and Statutory Remedies in Trademark Law

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ABSTRACT

A trademark protects the mark from any unapproved use of the mark which shall cause confusion in the minds of the general public. Trademark law protects a trademark owner's exclusive right to use the mark, thereby preventing any unlawful use of the mark by an infringer. Whenever the plaintiff proves that the defendant has caused confusion in the minds of the public by using a similar mark, a trademark infringement claim shall prevail. Whenever the trademark owner proves that the infringer's mark would cause a devaluation of the value of his mark or would harm the reputation, goodwill of the prior mark, the trademark owner shall institute his right to protection of the mark. The trademark is the symbol of origin and source of a mark and endures the stamp of quality. The maker of a trademark would always want to protect his mark from unfair usage and also from fraud and deceit. In case of passing off, the registration of the trademark is extraneous and it is a common law remedy which is completely dependent on the goodwill acquired by the property.

Keywords

Infringement, Passing off, Common law, Goodwill.

INTRODUCTION

Trademark is an incorporeal property, which can be acquired in two ways: by use of the mark on specific goods or by registration of the mark as belonging to a particular person, in relation to particular goods. The development of law of trademark law can be traced back to the beginning of the industrial revolution which saw large scale production and distribution of goods. With the onset of a global competitive, economy, manufacturers started to use certain symbols and marks in order to differentiate their goods from similar goods manufactured by others. As a result of this, certain trademarks acquired goodwill and reputation. Due to high economic worth of trademarks, the competitors started copying well known trademarks or adopt deceptively similar marks in order to reap profits and make unprincipled financial gains.

Therefore, the necessity for protecting the goodwill and reputation of the trademarks was felt by the nations. This led to the nations bringing into force legislative mechanism to extend rights, privileges and protection to the trademark holders. At the international level, the nations, in 1883, adopted the Paris Convention for the Protection of Industrial Property. India is also a member of the Paris Convention for Protection of Industrial Property and a signatory to the TRIPS agreement. Accordingly, India is obliged to ensure that its trademarks regime is in line with these international agreements. Hence, the Trade Marks Act, 1999 repealed and replaced the earlier law contained in the Trade and Merchandise Act, 1958.

The purpose underlying the development of trademark law is based on the following needs:

1. Protection of firms from misassociation
2. Prevention of goodwill misappropriation
3. Facilitation of meaningful consumer participation in the market
4. Encouragement of production of high quality products [1]

FUNCTION OF A TRADEMARK

The purpose of a trademark is to establish a connection between the goods and the source thereof, which would suggest the quality of goods. If the trademark is registered, indisputably the user thereof by a person who is not otherwise authorized to do so would constitute infringement. [2] The spirit, intent and purpose of the Trademark legislation is for protection of the trader and consumer against fraudulent adoption of another's well known trademark with the intention of capitalizing on the attached status and goodwill or dishonest adoption of a trademark which is deceptively similar to the well known trademark. [3]

A Trademark law protects the owner's right to use a trademark. It allows the owner to use the mark exclusively and prevent any unlawful use of the same by any third

party. It seeks to protect the mark from any illegal use which may cause confusion in the minds of the general public. Thus, the purpose of trademark law is to provide an exclusive right to use, to an owner of the trademark. If the owner proves that a third party is using the owner's trademark to create confusion in the minds of the general public, a trademark infringement claim shall prevail. The claim for infringement shall be applicable in cases where in the trademark is registered. On the other hand, a common law recognizes a 'passing off' claim in case of an unregistered trademark.

The trademark owner has to prove that an infringer's mark will cause a depreciation in the value of his mark or would harm his reputation, goodwill of the prior mark to ascertain the right over his trademark. He has to prove that prior mark has a reputation and that the use by the infringer of a similar mark has caused deception and confusion regarding his product in the market. Thus, a registered trademark will get maximum protection under the Trade Marks Act, 1999 ("Act"). An unregistered trademark may also get protection under the Act as the same allows a passing off action. The passing off action is a common law remedy entirely dependent on the goodwill that the trademark has generated by the constant use.

VIOLATION OF TRADEMARK: UNDER COMMON LAW AND THE STATUTE

Common law being firmly entrenched into Indian statutes, the statutes are largely a restatement of the common law, which additionally express exceptions to it. The Trademark Acts of both India and UK have largely inducted the concepts of good faith and bad faith into the statute. These concepts were not traditionally recognized in common law. They are an addition introduced by the institutions of codification. Section 11 of the Indian Trade Marks Act is a specimen in this regard. It protects the reputation of a well-known mark, whether registered under the Act or not. Here, statutory recognition to the trademark plays a minimal role. The overriding consideration in an examination under this section is whether there is any bad faith on part of any of the parties.

The Supreme Court in *DurgaDutt v. Navratna Pharmaceuticals* [4] opined:

"While an action for passing off is a common law remedy being in matter an action for misleading, that is, passing off by a person of his own goods as those of another, that is not the gist of an action for infringement, that action for infringement is a statutory remedy conferred on the registered proprietor of a registered trademark for the

exoneration of the 'exclusive right to the use of the trademark in relation to those goods'".

For a mark which is already in use, registration under the Statute does not confer any new right to the mark claimed or any superior rights than what already existed at common law and at equity without registration. The trademark exists autonomously of the registration, which merely affords further protection under the statute. Common law rights are left wholly unaffected. Priority in adoption and use of a trademark is superior in priority in registration. [5]

PASSING OFF

Passing off is a type of tort. The law of passing off, based on common law, has remained substantially the same over more than a century though its establishment has changed over the time. The object of this law is to protect the goodwill and reputation of a business from encroachment by dishonest competitors. An unregistered trade mark which has been used can be protected only by an action for passing off or by criminal proceeding. There are modes adopted for Passing off action. They are as follows:

- i. Direct false representation,
- ii. Adoption of a trademark which is same or colourable imitation of trademark of rival trader,
- iii. Adoption of essential parts of rival traders' name,
- iv. Copying the get-up or colour set -up of the label used by a trader,
- v. Imitating the design or shape of the goods, or
- vi. Adopting the word or name by which the competitor trader's goods or business is known in the market. [6]

The law of passing off is a common law tort which can be used to protect the sight of an unregistered trademark. The essential characteristics of a passing off action were stated in the words of LORD DIPLOCK and LORD FRASER in *Erven Warnink BV. V J. Townend & Sons (Hull) Ltd* [7]. The House of Lords in *Spalding* [8] identified five characteristics which must be present.

In order to have an applicable cause of action for passing off:

- i. A misrepresentation.
- ii. Made in the course of trade.
- iii. To potential customers of his or ultimate consumers of goods or services supplied by him.
- iv. Which is calculated to injure the industry or goodwill of another trader .

v. Which causes actual harm to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

The passing off test was recast in 1990 by the House of Lords:

In which plaintiff must satisfy three elements:

- 1) That the plaintiff has the indispensable degree of goodwill or reputation in the mind of the purchasing public;
- 2) That the defendant has made a misrepresentation to the public; and
- 3) That the plaintiff, as a consequence of the falsification, has had, or is likely to suffer, injure.

In 1992, the Supreme Court of Canada accepted this tripartite test. The three necessary essentials of a passing off action in Canada are thus: the life of goodwill, the deception of the public due to a misrepresentation and actual or potential damage to the plaintiff [9].

COMMON LAW VIOLATION: PASSING OFF

i. The concept of passing off has its roots in common law. The rights acquired through use of a mark over a period of time are not affected or compromised by registration of the mark. The guarantee of common law rights under the Act is provided in Section 27(2) in the form of rights of action against passing off. When the proprietor doesn't register his trademark, he cannot sue for infringement. However, the right to maintain an action for passing off goods is protected under this section. This equitable remedy is based on the principle that no person can represent his goods as another's. Just because a person has registered his trademark under Section 28, does not mean that he will be protected against a suit for passing off. It is a tort intended to promote healthy competition and goodwill, and protection against deceit. [10]

A passing off action may be initiated by proprietors of both registered and unregistered trademarks. In such an action, the plaintiff has to establish not only their title to the mark, but also that the acts of the defendant are such that they are likely to result in the passing off the goods of the defendant as the goods of the plaintiff. [11] The traditional "likelihood of confusion" test applies to passing off. [12]

The necessary elements to constitute passing off have been elaborated in *Reckitt & Coleman Products Ltd. v. Borden Inc.*: [13]

- (i) There must be goodwill and reputation attached to the goods or services of the plaintiff in the minds of the public by association of an identifying mark under which his goods are sold, and such 'get up' must be recognized by the public distinctly.
- (ii) A misrepresentation by the defendant to the public likely to lead the public to believe that the goods or services offered by him are that of the plaintiff's. Whether such representation was intentional or not is completely immaterial.
- (iii) The plaintiff must show that he suffers, or is likely to suffer damage by reason of the flawed belief engendered by the misrepresentation.

STATUTORY INFRINGEMENT

VIOLATION:

Infringement occurs when a person who is not a registered user or a licensee of the registered trademark uses the trademark in relation with goods or services for which it is registered. In such a case, the registered user may file a suit for infringement on the invasion of the statutory right. Section 29 of the Trademark Act of 1999 lays down the various aspects related to infringement of a registered trademark.

A mark is said to infringe when it is likely to cause a mental state of bewilderment in an appreciable number of consumers. [14] The Trademark Act makes punishable the infringement of a trademark by a person who is not the registered or the permitted user of the mark. Such infringement may occur in one of the various ways laid down in Section 29. The use of an identical or similar mark for an identical or similar category of goods or services is considered infringing if it is likely to cause confusion in the minds of the consumers or if it is likely to be associated with the registered trademark. The essential requirement for infringement is the registration of the mark which is claimed to be infringed.

Marks which are deceptively similar to a registered trademark are deemed to infringe the mark. Section 2(1)(h) of the Trademark Act of 1999 defines Deceptive Similarity as, A mark shall be deemed to be deceptively similar to another mark if it so almost resembles that other mark as to be likely to deceive or cause confusion. If the assessment of two marks shows that the differences

between them are minute and wholly insignificant, so that an average consumer would not identify any noticeable difference, they will always be identical. In other cases, they will be considered as no more than similar. [15] When both the mark and the goods are only similar and nothing more, the defendant is likely to get the benefit of doubt.

In the case of *M/S Biofarma v. Sanjay Medical Store*, [16] the Delhi High Court has laid down the factors for deciding the question of deceptive similarity:

- (i) The nature of the marks ,i.e. Whether the alleged mark is a word mark or a label mark.
- (ii) The degree of resemblance between the marks.
- (iii) The nature of the goods in respect of which both the marks are being used.
- (iv) The similarity in the nature, character and performance of the goods of the rival traders.
- (v) The average intelligence of the purchasers of goods and a degree of care they were likely to exercise in purchasing the goods.
- (vi) The mode of purchasing the goods or placing orders of the goods.
- (vii) Any other circumstances.

Section 29(2) is much wider in scope [17] and covers three situations-

- (i) Unregistered proprietor's mark is identical to that of the registered proprietor's mark with respect to similar goods.
- (ii) Unregistered proprietor's mark is similar to that of the registered proprietor's mark with respect to identical goods.
- (iii) Both the marks and the goods are identical.

However, in order to evoke this sub-section it is important to satisfy that the use of such unregistered trademark is likely to cause confusion to the public.

Section 29(3) states that where both the mark and the goods in respect of the marks are identical, then the court shall presume that such use by the unregistered proprietor is likely to cause confusion to the public.

Section 29(4) deals with cases where both the registered and unregistered marks are identical or similar but the goods with respect to these are not similar.[18] The trademark should be highly reputed or well known or should be of such nature that it enjoys a high level of distinctiveness or is inherently distinctive in nature.[19]

Section 29 (5) deals with situations where a person, not being a registered proprietor, uses a registered trademark as his trade name or part of his trade name, name of his business concern or apart the name of his business concern dealing in goods or services with regards to the registered trademark.[20]

Section 29 (7) deals with situations where a person applies a registered trademark to a material that is intended to be used for labeling or packaging goods, as a business document or for advertising goods or services, provided such person when he applied the mark, knew or had reason to consider that the application of the mark was not only duly authorized by the proprietor or licensee.[21]

Section 29 (8) deals with situations where a registered trademark is said to be infringed by advertising of such mark is such advertising-

- (i) Takes unreasonable advantage of and is contrary to honest practices in industrial or commercial matters or
- (ii) Is injurious to its distinctive character; or
- (iii) Is against the reputation of the public.[22]

Section 29(9) deals with situations where infringement of a registered trademark is caused by spoken use of the mark. The pronunciation of such mark is a determining factor in ascertaining infringement.[23]

According to Section 13, the trademark is deemed to be registered from the date of application, and thus a suit for infringement may be applied for even before the registration is complete, as long as the mark is registered by the date of the hearing.

Section 29 also provides against infringement by dilution, wherein the same or similar mark is used by a person in relation to goods or services of an altogether different category than the ones for which the mark is famous for. The essential criterion here is that the mark should enjoy a reputation in India. This is similar to the concept of dilution in US law, which encapsulates the aspects of blurring and tarnishment.

Frank I. Schechter, in his famous Harvard Law Review article, defined dilution as “the gradual whittling away or dispersion of the personality and hold upon the public mind of the mark or the name by its use upon non-competing goods”.[24] The dilution may have varying degrees of damage to the trademark. Blurring occurs when the mark is used with dissimilar goods or services, resulting in the blurring of the distinctiveness of the goods and services for which the mark is reputed, thus causing an unfair advantage to the user. Tarnishment on the other hand, refers to a detrimental impact of the use of the mark for inferior goods or services.

The provision also addresses the question of what amounts to a use of the mark. If the mark is affixed to the goods directly or to their packaging, or is used in advertising or business communication, or is used for imports, exports, storage, sale or display for sale, it is construed to be a user of the mark. Advertising which uses the mark must not give an unfair advantage in contravention of honest industrial practices, or cause a detriment to the distinctiveness or reputation of the mark.

The recognition given by the Act to the numerous protections for the reputation enjoyed by registered trademarks has widened the protection which could earlier be availed only by an action against passing off.

ACTION FOR INFRINGEMENT AND PASSING OFF

There are many commonalities between legal actions for infringement and passing off, as a result of which, the two actions are often combined in a single suit. Section 134 of the Act provides for the filing of suits for both infringement and passing off in Courts not inferior to District Court. Section 135 provides for relief in such suits. Courts may grant an injunction along with damages or an account of profit. Over and above these, the court may also decide to order the delivery-up of erring marks to be destructed or erased.

It is advisable to club actions for infringement and passing off together in the same suit so that failure on one count may still afford the plaintiff a chance to succeed on the other count. If in the same suit a passing off action which is not based on the ground of similarity provided for in Section 143 is combined with an action for infringement, then the lowest Court to adjudge this suit is the District Court.

Thus, the Courts, while examining Trademark related disputes, consider in depth principles of common law and equity along with what the statute says.

DIFFERENCE BETWEEN PASSING OFF AND STATUTORY REMEDIES UNDER TRADEMARKS LAW

Passing Off (common law) sec 27(2)	Statutory Remedies (Infringement) sec 29
Passing Off is a common law remedy.	An infringement is an action for deceit.
An action for Passing off is thus a indiscriminate action and is enforceable in respect of registered as well as unregistered trademarks.	An action for infringement is a statutory rights. It's dependent upon the validity of registration and is subject to the other restrictions laid down in sections 30,33,34,35 and 36 of the act.
Registration of a trademark is not a pre-requisite.	Registration of a trademark is required.
The right available in case of an unregistered trademark is passing off.	Statutory remedy is the right type of relief available in the case of registered proprietor of a registered trademark.
Plaintiff is not only required to establish deceptive similarity of the two contesting mark, but also required to prove deceptive or confusion among the public and likelihood of injury to the plaintiff's goodwill.	The plaintiff is only obligatory to establish that infringing mark is deceptively similar to the registered mark in respect of similar goods/services and no further proof is required afterwards as there is a presumption of confusion.
Prosecution under criminal remedies is harder.	Prosecution under criminal remedies is easier.
The use of the mark by the defendant of the trademark of the plaintiff is not essential in any action for passing off, But it is <i>sine quo non</i> in case of infringement	An action for infringement takes place when the defendant has used the mark of the plaintiff.
Benefit of instituting the suit u/s34 of the Trademarks Act,1999 is available wherein the registered proprietor or registered user of the trademark can institute the suit where they actually and willingly resides or carries on business or personally work for gain.	Such benefits are not available and the regular rules of jurisdiction provided under section 20 of CPC 1908 apply i-e passing off action has to be filed where the defendant resides or carried on business or cause of action has arisen.

CONCLUSION

As is the case with most important laws in India, the law relating to trademarks in India is also heavily based on the foundation of common law. There are multiple similarities in the actions for violation of trademarks under the common law and the statutory systems of the law. Owing to the dissimilarities in the two actions, the cause of action in each case varies in its details, and so does the result in each combined suit. The remedy for passing off being equitable in nature, it is likely to be awarded in cases where infringement cannot be proved. Thus, the preponderance of common law in the law relating to trademarks in India is a safeguard against palpable damages, whether proved under statute or not. Simply put, where there is a use, there is definitely a right, and consequently, a remedy. In passing off action is enforced in unregistered goods and services, and in case of infringement of the suit and the passing off the remedy will be same. And the passing off is coming into being when it is injured the claimants good will, in case of misrepresentation and in case of damages, where the position is same like in an infringement suit. And finally, when the concept of passing off is reading with realm name and technological changes, then the concept of passing off is in a different dimension. A study of a few decided cases makes it clear that infringement and passing off are different from each other. Therefore, passing off has not been clearly specified in the 1999 Act, its conclusion can be drawn from the common law. Hence, the acid test for a passing off claim is to find out whether the owner of the good has acquired a reputation or goodwill.

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