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Critical Analysis of The Role of Passing Off In The Modern Intellectual Property Legal System

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Abstract
This article critically analyse the tort of passing off under UK legal system and its role in the modern intellectual property legal system. Passing off is a common law tort that protects the goodwill of a trader from damage which is caused by misrepresentation of other merchants. This article introduces the concept of passing off and its elements and sheds the light on the development of the tort of passing off. The authors undertake a qualitative approach to a thorough investigation that reveals that the tort of passing off in the UK has changed some of its rules including the elimination of the requirement of the common field of activity. It was also found that there has not been any development in the UK to expand passing off to catch post-sale confusion.

Keywords: passing off, misrepresentation, goodwill, damage, reputation.

Introduction

It is important first to mention that before 1994 some types of sign were unable to be registered under the UK Trade Marks Act, such as colour, get-up and shape. Therefore, passing off was the only means of protecting unregistrable marks. However, the Trade Marks Act 1994 enabled the above-mentioned marks to be registered, and it could be argued that passing off now plays a less significant role compared to the past (Norman, 2014: 347).

Nonetheless, it is worth noting that passing off may have regained its importance because, in recent cases, it has allowed celebrities to rely on passing off to protect their goodwill and reputation. For example, in the *Irvine* case, which will be explained later, the claimant was able to use passing off to protect his goodwill without the need to show a common field of activity.

There has been a heated debate on whether the UK needs to enact unfair competition law in order to be able to combat unfair practices by traders and also to develop with the technological advancement. In particular, the celebrities are more anxious about protecting their rights under the tort of passing off, because establishing the elements of passing off is quite difficult in particular the element of misrepresentation (Oke, 2020: 49). However, in some countries including the USA protecting such rights is quite easier.

This article attempts to answer the question of whether the tort of passing off has a meaningful role in the modern intellectual property system or to some extent the tort of passing off has developed within technological advancements.

Explanation of the concept of 'passing off'

Passing off is a common law tort that protects the goodwill of a trader from damage which is caused by misrepresentation of other merchants (Smith, 2014). Passing off is sometimes described as a form of trade mark law, but it should be taken into account that it is broader than trade mark law. For a mark to be protected under passing off, it should be distinctive. It is not a matter of the mark being descriptive or geographical, as long as its distinctiveness has been established (Bainbridge and Howell, 2015: 151; Norman, 2014: 358). It is stated that passing off is 'a protean commercial tort' and is not, therefore, confined to the element of the 'classic trinity' (goodwill, misrepresentation and damage; all of which are explained below) and can be developed at any time (Carty, 2012: 106).

Passing off can be used to protect the 'get-up' of products. For example, in the case of *United Biscuits (UK) Ltd v Asda Stores Ltd,* where the claimant (United Biscuits) used PENGUIN as a brand for its chocolate biscuits and the defendant (ASDA) then employed PUFFIN as a brand on its own biscuits. Although the court held that the brand name used by the defendant did not confuse consumers, ASDA was liable for breaching passing off by using a similar get-up for its biscuits (Embley, Bamford and Hancock. 2014: 209; *United Biscuits (UK) Ltd v Asda Stores*

Ltd, 1997). Passing off protects unregistered trademarks and is also an additional protection for registered trademarks. A name can also be protected under passing off, provided its distinctiveness has been established. The name concerned can be a trader's name, a company name or even a telephone number. For instance, in the *Law Society v Griffiths* case, it was held that the defendant was in breach of passing off by choosing a telephone number for his accident helpline whereby the difference between the claimant's and defendant's helpline numbers was only one digit (Norman, 2014: 358; *Law Society v Griffiths*, 1995).

It has been stated that the rationale for passing off is to shield traders and protect the public interest by ensuring that consumers are able to access accurate market information. However, the following has also been stated: 'But of course customers cannot sue under this tort. The prime concern of the action is to protect the claimant rather than champion the consumer' (Wadlow, 2011: 447; Colston and Galloway, 2010: 538). Passing off also continues to protect the rights of traders who have built goodwill for their business, but whose trade mark right is no longer able to be protected because it has expired. However, passing off does not give a monopoly to traders because it does not prevent other competitors from marketing similar or identical products if they do not foster confusing indications of reputation (Colston and Galloway, 2010: 538).

The Trade Marks Act 1994 has had a great impact on passing off because it allowed traders to register any sign and the term 'sign' has been broadly interpreted by the European Court of Just (ECJ), which states that a sign is 'anything which sends a message to any of the senses' (Norman, 2014: 360). Therefore, the scope of registration was extended and, since that time, it has been possible to register colours, smells, get-ups and sounds. Moreover, the addition of article 10 (3) to the Trade Marks Act introduced protection against dilution (Norman, 2014: 360).

Elements of passing off

The three elements of passing off (classic trinity) were established by the court in the *Jif Lemon* case as goodwill, misrepresentation and damage.

1.1. **Goodwill**

Passing off protects a claimant's goodwill, which is attached to the goods or services rather than the mark itself (Beverley-Smith and Barrow, 2014: 57). Therefore, a trader must establish goodwill and whether the trader has goodwill is dependent upon evidence demonstrating that customers recognise a particular sign as indicating the origin. It is worth noting a distinction between reputation and goodwill. For the existence of goodwill, reputation must exist but, for the existence of reputation, goodwill does not need to exist. In other words, if a trader has goodwill it means that he/she also has a reputation, but if a trader has a reputation, it does not mean that he/she has goodwill. Therefore, goodwill cannot exist without reputation, but reputation can exist without goodwill (Colston and Jonathan Galloway, 2010: 540; Norman, 2014:349; Bainbridge and Howell, 2015: 153).

Furthermore, goodwill has limitations in both time and geography. According to UK passing off, a trader must have goodwill in the UK. In regard to time, the goodwill of a trader can survive even if the business closes. However, it is limited in time. If the trader does not have any intention of reopening his/her business, then the goodwill will cease to exist (Normaan, 2014: 349). For example, in the *Riddle v United Service Organisation Ltd* case (*Riddle v United Service Organisation Ltd*, 2004), the son of Nelson Riddle, who was a composer and leader of an orchestra in the 1960s, took out passing off litigation after his father's death against a defendant in 2004 who ran an orchestra called the Nelson Riddle Orchestra UK. Nevertheless, the court held that no goodwill had survived after 40 years. Therefore, the son was unsuccessful in his passing-off claim and could not stop the defendant using the aforementioned name.

1.2. **Misrepresentation**

The second element which a claimant has to establish is misrepresentation. The claimant must demonstrate that a defendant is 'leading or likely to lead the public to think that the goods or services of the defendant are produced or associated with the claimant' (Colston and Galloway, 2010: 540). In other words, there must be confusion or the likelihood of confusion for the public. This misrepresentation can be intentional or unintentional and it is not important whether the public knows the actual identity of the claimant. The claimant must prove that there has been actual confusion by customers between the two products. Moreover, misrepresentation has to be made in the course of trade (Smith, 2014; Colston and Galloway, 2010: 54). For example, the *United Biscuits (UK) Ltd v Asda Stores Ltd* case was related to the similarity in packaging of their two brands. Asda designed the packaging of its biscuit brand so that it was very similar to that of Penguin biscuits. It was held that Asda had tried to design its packaging with a subtle difference to Penguin biscuits to avoid being liable for passing off. Therefore, the court held that this had confused the public and Asda was found to be liable for passing off (*United Biscuits (UK) Ltd v Asda Stores Ltd*, 1997). However, in the Arsenal *Football Club v Reed* case, it was held that the defendant was not liable for passing off because the defendant had a sign in his shop which clearly stated that his products did not come from the club and the word 'official' was not on the defendant's product, while it was on the claimant's *(Arsenal FC Plc v Reed*, 2001). It is noteworthy that proving confusion is difficult. Survey evidence, sales figures and witness statements can be used to prove confusion. However, UK courts are doubtful about survey evidence; they prefer testimony (Embley, Bamford and Hancock, 2014: 212).

In addition, a 'common field of activity' has been one of the requirements in passing off to prove confusion because, if the claimant and defendant are not in the same line of business, proof of confusion will be difficult. Although in the*Jif Lemon* case it was not required that the claimant and defendant must be competitors and have a common field of activity, the court has dismissed some cases because

of the lack of a common field of activity (Norman, 2014: 357). For example, in the *McCulloch v May* case, in which the defendant had used the name of a children's radio presenter with its cereal products, the court held that there was no passing off because the claimant and defendant did not share a common field of activity (*McCulloch v May*, 1947). Moreover, in *Lyngstad v Anabas Products Ltd*, where the defendant had used the claimant's image (the claimant was a member of the pop group ABBA) on its T-shirts, the court rejected the claimant's claim because the claimant and defendant did not have a common field of activity (*Lyngstad v Anabas Products Ltd, 1977)*.

Misrepresentation is deemed to be one of the barriers to developing passing off so that it becomes unfair competition law. In the *L'Oreal v Bellure* case, the court made it clear that misrepresentation was a key obstacle preventing passing off from developing into unfair competition law (*L'Oreal v BellureNV*, 2006).

1.3. Damage

After a claimant has established the above two elements, he/she must prove the third, which is damage. The claimant has to prove that his/her goodwill suffered damage or there is a likelihood of damage as a result of the defendant's misrepresentation (Smith, 2014). However, 'damage must be real rather than speculative' and unfair advantage or free riding cannot be seen as amounting to damage under the 'classic trinity' (Carty, 2012: 106). For example, in the *Stringfellow and others v McCain Foods GB Ltd* case, the claimant argued that he might merchandise the club name in the future, but the court rejected his argument due to its being pure speculation (*Stringfellow and others v McCain Foods GB Ltd and Another*, 1984). It is worth mentioning that in most cases, there is a likelihood of damage to goodwill once misrepresentation is established, it is only in the rare circumstances that the court may find that there is no damage to goodwill even if misrepresentation is established (Tan, 2017: 12).

There can be different types of damage. If a claimant and defendant have a common field of activity, the damage will usually involve a loss of profit because customers buy the defendant's product rather than the claimant's. The damage can also be loss of reputation if the quality of the defendant's goods or services is worse than that of the claimant (Norman, 2014: 355; Smith, 2014). For instance, in the *Spalding v Gamage* case, the claimant disposed of footballs as faulty stock. The defendant sold these footballs and described the footballs as being of first-class quality in an advertisement. Therefore, as a result of the defendant's conduct, the claimant's goodwill suffered damage.

It should be taken into consideration that if a claimant and defendant are not in the same line of business, in other words, if they do not share a common field of activity, they might not be able to prove damages (Embley, Bamford and Hancock, 2014: 212; Scanlan, 2003: 563) . For example, in the *Stringfellow and others v McCain Foods GB Ltd* case, the claimant had a famous nightclub under the name of 'Stringfellows' and the defendant then sold chips under the name

'Stringfellow'. The claimant was unable to prove damage because of not having a common field of activity. Therefore, the claimant was not successful in pursuing a claim against passing off (*Stringfellow and others v McCain Foods GB Ltd and Another*, 1984). Moreover, in the *Wombles Ltd v Wombles Skips Ltd* case, the claimant was not successful in stopping the defendant from using the name 'Wombles' for rubbish skips because the claimant and defendant were not in competition and did not have a common field of activity (*Wombles Ltd v Wombles Skips Ltd*, 1977).

A common field of activity has been explained above and described as a necessary element to proving misrepresentation and damage. However, a question can be posed: is a common field of activity still necessary to be successful in a passing-off action? It is a question which should be taken into consideration and will be answered later in this paper.

Development of passing off

Passing off has been developed to include extended and reverse forms. In the modern tort of passing off, extended and reverse passing off have come to fall within the scope of the classic trinity. In the *Advocaat* case, the court extended the tort to encompass a misrepresentation 'which concerned a distinctive product defined as a product of a particular character or composition, having recognisable qualities which can be identified with reasonable precision'. Therefore, as a result, the phenomenon of shared reputation was accepted. However, the claimants had to demonstrate that they had built goodwill in the product and this was likely to suffer damage (Carty, 2012: 106; *Erven Warnink BV v Townend & Sons Ltd*, 1979). Moreover, in the *Vodkat* case, the existence of extended passing off was also recognised. The court held that using the name 'VODKAT' for a non-vodka product constituted extended passing off (*Diageo North America v Intercontinental Brands*, 2010).

Furthermore, reverse (inverse) passing off occurs when a defendant falsely states that the claimant's goods or services are the defendant's product (Bainbridge and Howell, 2015: 158). For example, in the *Bristol Conservatories Ltd v Custom Built Ltd* case, the defendant stated to customers that the claimant's products were made by the defendant. The court held that the claimant's goodwill was harmed as a result of this misdescription and, therefore, constituted passing off (*Bristol Conservatories Ltd v Custom Built Ltd*, 1989).

It is also necessary to mention that there has not been any development in the UK to expand passing off to catch post-sale confusion. This confusion is where misrepresentation appears after customers have bought products, but there was no misrepresentation at the time of sale. However, goodwill can still suffer damage by 'a process of dilution or erosion'. According to the UK system, post-sale confusion does not amount to passing off but, in other jurisdictions, such as Australia, it is considered as passing off (Bainbridge and Howell, 2015: 158). For instance, the *Bostick Ltd v Sellotape GB Ltd* case concerned get-up. The claimant sold a blue

product called 'Blu-tack' and a similar product was sold by the defendant called 'Sellotak', but the blue colour of the defendant's product was only seen after buying and removing the packaging of the product. The court held that there was no passing off because there was no confusion at the time of sale (*Bostick Ltd v Sellotape GB Ltd*, 1994).

In addition, to answer the question posed earlier, it is believed that to prove a passing-off action, there is no need to have a common field of activity in the modern form of passing off, although the classic form of passing off was originally intended to protect against competitors in the same field of activity (Tan, 2017: 8). In the *Irvine v Talksport Radio* case, the defendant gained permission from the claimant to use his image in an advertisement, but the defendant doctored the claimant's image by removing a mobile phone from the claimant's hand and replacing it with a radio. The court held that it was a false endorsement and the defendant was liable for passing off even though there was no common field of activity. In this case, the claimant proved that he had goodwill because he was a famous racing driver and there was confusion because people would think that Talksport radio was endorsed by the claimant. Moreover, the court stated that the claimant had suffered damage by the loss of licensing fees because the claimant was granting a licence to other businesses (Davis, 2010: 561). Furthermore, in a very recent case, *Fenty v Arcadia Group Brands Ltd*, the claimant (*Rihanna*), who is a famous pop star, was successful in a passing-off action to prevent the defendant from using her image on its T-shirts, although there was no common field of activity (*Fenty v Arcadia Group Brands Ltd (t/a Topshop)*, 2013).

There is a current heated debate on whether passing off is sufficient to protect the rights of traders, the UK should have unfair competition law, or the courts should extend passing off to include misappropriation. It is believed that misappropriation should be accepted as part of the classic trinity and, therefore, not only damaging goodwill, but also exploiting it, fall within the ambit of passing off (Carty, 2012: 106). There are also cases where the court de facto displaces damage with misappropriation. In the *Taittinger v Allbev* case, it was noted that the defendant sought to gain benefit from the claimant's reputation, while the defendant did nothing to build its own (*Taittinger SA v Allbev Ltd*, 1993). In the *United Biscuits v Asda* case, the defendant was prevented from gaining advantage from the claimant's reputation and this was indeed done to stifle and inhibit unfair competition. Therefore, if passing off changes to include misappropriation, such as under French and German law, then taking advantage of a claimant's reputation is adequate for a defendant to be liable without establishing confusion and real damage (Carty, 2012: 106). Furthermore, Davis indicates that there is indirect proof that courts have accepted this wider protection: She concludes that the tort of passing off has in fact come to include a remedy against misappropriation. She gives the following cases - *Taittinger v Allbev* and *Irvine v Talksport Radio*- as examples of where a court imposed liability on defendants for taking unfair advantages by defendants. She stated, therefore, that the UK should enact a law of

unfair competition to give certainty (Davis, 2010: 561). Those who are in favour of including misappropriation believe that a trader should not be allowed to reap something which does not belong to him/her. There is also a public interest to have a healthy market, competition has to be fair (*Ricketson, 1984: 1)*.

However, those who are against introducing unfair competition law believe that it would stifle competitive efforts, create market obstacles, lessen consumer choice and undermine market information. They state that the classic trinity encourages competition and should, therefore, remain. They also claim that applying flexible unfair competition law serves those who are in a dominant position in the market and makes barriers for new entrants who wish to compete with them (Carty, 2012: 106).

Wadlo states that it would be dangerous if the concept of damage in the classic trinity were broadened to entail misappropriation. Therefore, misappropriation should be rejected as part of the classic trinity because Wadlo believes that there is no precise definition for the term ‘misappropriation’. He also notes that the notion of misappropriation is already there because one type of damage is the diversion of sale, which is a 'misappropriation of custom' particularly when a defendant acts intentionally. Nevertheless, using the term ‘misappropriation’ should be avoided because itcan include loss (damage) or unjust enrichment, but under the classic trinity unjust enrichment is not adequate; there must be loss or damage (Wadlow, 2011: 447).

Conclusion

The research critically analysed the tort of passing off under UK legal system and its role in the modern intellectual property legal system. It was found that there have been cases where the courts attempted to expand the tort of passing off to unfair competition. It is believed that passing off should be flexible and react to changes in business practices. For example, in the *Taittinger v Allbev* case, the Court of Appeal stated that demonstrating consumer confusion was not necessary; instead, protection was conferred against dilution. There are also cases where there is no need for a common field of activity with regard to the tort of passing off to protect personality rights, such as in the *Rihanna* and *Irvine* cases.

However, there have also been cases where the courts rejected expanding passing off and did not give protection beyond the classic trinity, even though there had been clear evidence of taking unfair advantage of the claimant. For example, in the case of *Harrods v Harrodian School Ltd*, the court held that there was no liability because the claimant could not prove confusion.

As a result of the above decisions by the courts, heated debates have arisen regarding whether the tort of passing off should be changed to unfair competition or be restricted to the classic trinity. It can be said that after the enactment of the Trade Marks Act 1994, the role of passing off has decreased because the Act expanded the scope of registration to encompass colours, smells, get-ups and sounds and, more importantly, the addition of article 10 (3) has widened the scope

of the Act to catch unfair competitive behaviours. Therefore, it is believed that passing off should not be expanded and changed to unfair competition because there is already a means of protecting against unfair competition.***

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