

# Reading Resource: Necessity of Registration of a Trademark, Passing off & Transborder reputation

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## Learning Outcomes

In this Module, learners will understand about:

- Whether a Trademark registration is mandatory in India?
- What is passing off and how to enforce it?

### I. Whether a Trademark needs to be Registered in India?

A trademark is not created upon its registration. A trademark exists independent of the registration. The registration of a trademark only provides for an added means to protect a trademark *i.e.* a statutory protection.

The Registration of a trademark will impart the protection under the statute while the common law right subsisting in the trademark by its use will remain unaffected.

**Section 27(2)** of the Act provides for the common law remedy of passing off that can be taken against an imitator. It is for the trademark holder to decide whether a trademark needs to be registered or not.

A trademark registration is not mandatory in India but it is always advisable to register a trademark as it assists in smooth enforcement of the statutory trademark rights and grant an exclusive right to use the trademark in relation to the goods/services in which it is registered.

## II. Passing off

Passing off is an actionable wrong where a person passes off his goods/service as the goods/service of another. **Section 27(2)** of the Trademark Act, 1999 states that:

*“(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.”*

To succeed in a passing off action the following three elements ('classic trinity' as referred to in the *Jif Lemon' Case*) have to be present:

- The goods or services have **acquired goodwill or reputation** in the marketplace that distinguishes such goods or services from competitors;
- The **imitator misrepresents** his goods or services, either intentionally or unintentionally, so that the public may have the impression that the offered goods or services are those of the claimant; and
- The claimant trademark owner may **suffer damages** because of the misrepresentation.

Thus, a tort of passing off action may succeed only when the classic trinity is satisfied.

The Supreme court differentiated an infringement action and passing off action in *Kaviraj Pandit Durga Dutt Sharma v. Navaratna Pharmaceutical Laboratories*<sup>2</sup> and opined that:

*“In an action for infringement, the plaintiff must, no doubt, make out that use of the defendant's mark is likely to deceive, but where the similarity between the plaintiff's and the defendant's mark is so close*

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

<sup>2</sup> [1965]1SCR737

*either visually, phonetically or otherwise and the court reaches the conclusion that there is a limitation, no further evidence is required to establish that the plaintiff's rights are violated. Expressed in another way, if the essential features of the trade mark of the plaintiff have been adopted by the defendant, the fact that the get-up, packing and other writing or marks on the goods or on the packets in which he offers his goods for sale show marked differences, or indicate clearly a trade origin different from that of the registered proprietor of the make would be immaterial; whereas in the case of passing off, the defendant may escape liability if he can show that the added matter is sufficient to distinguish his goods from those of the plaintiff."*

In the case of ***Ruston Hornsby v. Zamindara Engineering Co.***<sup>3</sup> , the Hon'ble Supreme Court explained the nature of the two actions as under:

***"In a passing off action, the issue is as follows:***

*"Is the defendant selling goods so marked as to be designed or calculated to lead purchasers to believe that they are the plaintiff's goods?"*

***But in an infringement action, the issue is as follows:***

*"Is the defendant using a mark which is the same as or which is a colourable imitation of the plaintiff's registered trademark?"*

Therefore, in the case of an infringement action the only question involved is whether the imitator is using a mark which is the same as or which is a colourable imitation of the Trademark owner's registered trade mark.

Hence, it is much easier to contest a trademark infringement suit rather than a passing off action as a passing off action is maintainable only upon satisfying the

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<sup>3</sup> 1970 AIR SC 1649

classic trinity. For example, suppose a trademark HEAVY FOODS in respect of a restaurant exists and the trademark has obtained registration.

Now if an imitator opens a restaurant in the vicinity called HEVY FOODS, then in an infringement action the court presumes confusion and as the marks are similar and in respect of identical services.

But, if the trademark is not registered then for an action for passing off, the plaintiff will have to prove goodwill, misrepresentation and a likelihood of damages which may not be easily proved.

Further, a trademark passing off action can succeed even if a trademark infringement action fails as a trademark registration can be invalidated by lapse of the mark due to non-renewal or not obtaining registration for the goods/services in question.

### III. Transborder reputation

Transboundary reputation means than **the reputation that has spilled over to India (or another jurisdiction) wherein there is no actual use or registration** of a trademark.

In India, the concept of transborder reputation was propounded in the seminal case of *N.R. Dongre and Ors v. Whirlpool Corporation and Anr*<sup>4</sup> wherein the Supreme Court in an action of passing-off ruled that mere advertisement of a trademark, without physical presence of goods in the Indian market, was sufficient to establish local use and goodwill.

The Supreme Court further substantiated this doctrine in *Milmet Oftho Industries & Ors. v. Allergan Inc.*<sup>5</sup> and held that a mark adopted and used in the international market prior to adoption and use of an identical mark in India by a third party can be protected even though the foreign mark had never been used in India. Since then,

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<sup>4</sup> AIR 1995 Delhi 300

<sup>5</sup> (2004 (28) PTC 585 (SC)

many companies have been able to successfully initiate passing off action against imitators in India based on Transborder reputation. However, the law will not protect foreign corporations who have no intention to come to India or who have no intention to introduce their products in India.

**To establish Trans-border reputation two factors have to be taken into consideration:**

- Reputation of the trademark in the foreign jurisdiction(s); and
- Knowledge of the trademark in India due to its reputation abroad.

The concept of transborder reputation will assist us, if a similar or identical mark to a known foreign mark is fraudulently adopted/applied for by an entity, in a passing off action or in an opposition/rectification action. We can rely on the transborder reputation to establish priority over the contested mark and reputation in India.

Trans border reputation can be established by the presence of the mark in websites accessible in India, presence in social media, online sales of the products/services under the trademark, advertisements in magazines, availability in duty free shops, etc. But in the recent case of *Toyoto Jidosha Kabushiki Kaisha v. M/s Prius Auto Industries Ltd & Ors*<sup>6</sup>, the Apex Court has held that the trademark PRIUS has not acquired a reputation in India even after producing '*advertisements in automobile magazines, exhibitions of the car held in India and other countries, hits on the claimant's website...seeking information of Prius car...and the information on the internet*'.

**The Supreme court observed that:**

*"The advertisements in automobile magazines, international business magazines; availability of data in information-disseminating portals like Wikipedia and online Britannica dictionary and the information on*

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<sup>6</sup> CIVIL APPEAL NOS.5375-5377 OF 2017

*the internet, even if accepted, will not be a safe basis to hold the existence of the necessary goodwill and reputation of the product in the Indian market at the relevant point of time, particularly having regard to the limited online exposure at that point of time, i.e., in the year 2001.”*

**It further held that,**

*“All these should lead us to eventually agree with the conclusion of the Division Bench of the High Court that the brand name of the car Prius had not acquired the degree of goodwill, reputation and the market or popularity in the Indian market so as to vest in the plaintiff the necessary attributes of the right of a prior user so as to successfully maintain an action of passing off even against the registered owner.”*

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