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Protect Your Brand! Trade Marks Explained – Part 3: Unregistered Trade Marks and Passing Off

This publication is Part 3 of a series on trade marks. When read together, the series gives the reader a succinct yet clear understanding of trade marks from a business perspective.

1. Unregistered trade marks and passing off

Unlike registered trade marks, which give the owner the automatic right to prevent third parties from using a confusingly similar sign, the only way a business can protect itself when using an unregistered trade mark is by bringing court proceedings for a common law claim for passing off.

The main purpose of passing off is to prevent someone from using a mark in which goodwill subsists in a way which operates as a misrepresentation to consumers.

For example, the lemon below on the left is a well-known brand from the 1950s. If anyone saw the packaging of a lemon containing lemon juice, they would believe it belongs to JIF due to JIF having used this packaging for a long period of time. When a third party started selling a product of a similar kind, JIF made a claim for passing off, as the third party was affecting the goodwill JIFF developed with consumers by misrepresenting their product, which ultimately damaged the reputation they had built.



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Advantages of passing off, compared to the registration and enforcement of trade marks include:

- Passing off can be used to prevent the use of visually similar branding (e.g. “get up” or “look and feel”) which might not be protectable by means of a trade mark registration or infringement action.
- There is no cost or administrative burden to obtaining the protection.

However, passing off actions have certain disadvantages, including:

- It will be difficult to establish goodwill in a passing off case in the early days of your business as goodwill builds up through use over time.
- You must also provide a lot of evidence to prove goodwill, which is a time-consuming process and will increase the cost of bringing the claim for passing off.
- This kind of protection is only achievable through court proceedings and can be costly.

To establish a claim of passing off, you must prove three things:

- Goodwill;
- The competitor makes a misrepresentation that is likely to deceive the public; and
- The misrepresentation damages the original owner’s goodwill.

2. Goodwill

The idea of goodwill is that a trade mark owner has a good name, reputation and connection to a business. This good name brings in customers and regular trade.

The scope of goodwill is affected by geographical limitations as public recognition is crucial to establish the distinctiveness of a trade mark. An example is a family run shop in Mile End, London which is only recognised by locals in the area. People from Essex will not recognise it, meaning the business is limited to the public that know them in Mile End.

If you want to establish goodwill, you must be a trader and be commercially active. A trader is someone who is engaged in a business or commercial activity. The courts recognise many things to be business and commercial activity such as authors, charities and unincorporated associations. However, there are limitations to what can be a commercial activity and for example, hiring a hall for political meetings is not a commercial activity because this is not done by a trader for commercial purposes.



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Generally, goodwill is not established until a trader starts trading with the public. However, pre-launch publicity can establish goodwill. For example, when you advertise the publication of a book you are creating potential customers and orders, which can cause millions of people to pre-order the book. This could be enough for a court to find goodwill exists.

The key to establishing goodwill is that there must be a substantial number of customers or potential customers who have had the opportunity to assess the merits of these goods. This can be done through many means such as book reviews, previous books and so forth.

The courts recognise that businesses may have periods of no trading, and that goodwill does not just cease when business stops but it dissipates over time. If a business stops trading, then the business wanting to establish goodwill needs to prove that the public still associates the goods with a particular trader, and there is evidence of an intent to resume the business.

3. Misrepresentation and deception

Misrepresentation means the infringing party's use must persuade consumers to mistakenly buy their product instead of the claimant's product. The infringing party need not have intended to misrepresent your product, but it must have caused confusion in the minds of the public.

There is no set form the misrepresentation must take and the court allows a wide variety of factors (which may be actions or words) to constitute misrepresentation. However, only certain conduct is actionable as misrepresentation, namely:

- **Misrepresentation as to source:** the infringing party's actions give rise to suggestions that their goods are your goods.
- **Misrepresentation as to quality:** the infringing party makes a representation about the quality of your goods.
- **Misrepresentation that you have control over the goods:** the infringing party's conduct gives rise to the suggestion that you have some control over their goods

Once you have established that the misrepresentation falls into one of these categories, the next step is to prove that the misrepresentation is deceptive (i.e. it deceives or is likely to deceive and you will suffer damages due to that).

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The infringing party must deceive a substantial part of the general public (or where goods are not sold to the general public, the deception must be to the specific part of the public that can buy the goods). When the court looks at deception of the misrepresentation, they consider many factors including:

- Strength of the public's association with the claimant's sign;
- Similarity of the defendant's sign to that of the claimant;
- Proximity of the claimant and the defendant field of business;
- Characteristics of the market;
- Intention of the defendant.

4. Damage connected to the misrepresentation

The following types of damages are recognised by the courts:

- Loss of existing trade and profit as a result of the infringing party diverting trade and ultimately profits from your business, to theirs.
- Loss of potential trade and profit. This might occur where the infringing party starts trading in a location that you wanted to expand into in due course.
- Loss of licensing revenues as a result of the infringing party undermining your ability to license your own mark.
- Damage to reputation.
- Dilution as a result of the infringing party's use making your good become generic or commonplace.

5. Conclusion

Enforcing unregistered trade marks through passing off claims is generally more time consuming and costly than obtaining and enforcing registered trade marks. Therefore, registering a trade mark is generally the preferred option for businesses who want to protect their brand.

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