

Intellectual Property: How to Defend Allegation of Passing Off

If your company has been accused of **passing off**, Dr Rosanna Cooper gives you some guidance in this article on how to defend your business against such allegations.

Let's assume that Company A is called **PARIAL HOST** and has recently set up a website in competition with Company B that owns the mark **HOST MAGAZINE**. Both companies are providing online publications to the same market sector.

Company B has sent a threatening letter before action to Company A, accusing Company A of **passing off**. Company A denies such allegations.

Company B is required by law to comply with the Practice Direction - Protocol which means that Company B is obliged to give Company A (accused of passing off), at the very least, 21 days' from the date of Company B's letter before action in which to reply. This Protocol describes the conduct the court will normally expect of the prospective parties prior to the start of proceedings.

http://www.justice.gov.uk/courts/procedure-rules/civil/rules/pd_pre-action_conduct

If Company B fails to adhere to this Protocol if Company B and commenced proceedings for passing off against Company A, Company A could bring this omission to the attention of the court in relation to costs,

Allegation

The basis of the allegations:

- Company B accuses Company A of passing off as a result of the launch of an online portal named **PARIAL HOST in the same market sector**; and
- Company A intends to launch a hard copy publication entitled **PARIAL HOST**; and
- The use of the name **PARIAL HOST** is likely to cause **confusion on the part of the public** which has caused or is likely to cause damage due to diverted sales, harmful associations with another publication and the dilution of the "**HOST**" name within the same market sector.

In response to the letter before action, Company A must strongly deny such allegations and in no uncertain terms inform Company B that it would be put to strict proof should Company B commence a misguided action for passing off against it. It should be noted that Company A has at no point used the name **HOST MAGAZINE** on its website or in its digital publications.

How to succeed in a Passing off Claim

In order for Company B to **succeed in a passing off action**, Company B has to establish the following (as classically set out in *Reckitt & Colman Ltd v Borden Inc* [1990]):

- Reputation and goodwill
- Misrepresentation
- Damage

Each element of passing off is discussed below.

■ Reputation and goodwill

The overriding consideration in judging the extent of Company B's reputation is whether Company B has built up **goodwill to the point where substantial damage would be caused by the acts complained of**, namely the use of the name **PARIAL HOST** on a website portal that relates entirely to publications pertaining to the same industry. Company A would argue that there is no goodwill and reputation.

■ Misrepresentation

Company B would need to demonstrate **misrepresentation** on the part of Company A in leading, or being likely to lead the public into believing that Company A's name originates from Company B. Furthermore, Company B would need to prove that Company A's **misrepresentation is a reasonably foreseeable consequence of the damage to Company B's business or goodwill**.

Under the law, **mere confusion** in the minds of the public is not sufficient to succeed in a passing off action. Company B will have to demonstrate that Company A **actively deceived** the public into believing that **PARIAL HOST** is owned by or associated with Company B's business. The mere fact that the names **HOST MAGAZINE** and **PARIAL HOST** may be confused by members of the public (which should be denied by Company A), is not sufficient to show passing off. It is also a pre-requisite that the **misrepresentation has deceived**, or is likely to deceive, and that **Company B is likely to suffer damage as a result of that deception**.

Company A should assert that there is no confusion on the part of the public between the said names and where any confusion could hypothetically be adjudged to exist; the average consumer in such intellectually acclaimed markets will be able to ascertain the detail which differentiates one provider, such as **HOST MAGAZINE**, from another, such as **PARIAL HOST**.

In the case of *Reed* (a trade mark case which addressed issues of passing off pertinent to this case), Jacob LJ said:

"...there is a greater likelihood of confusion with very distinctive marks" there is some truth with the opposite proposition. The Court in Lloyd said:

"23. In determining the distinctive character of a mark, and accordingly in assessing whether it is highly distinctive, the national court must make an overall assessment of the greater or lesser capacity of the mark to identify the goods or services for which it has been registered as coming from a particular undertaking, and thus to distinguish those goods from those of other undertakings.

*24. In making that assessment, account should be taken, in particular, of the inherent characteristics of the mark, **including the fact that it does or does not contain an element descriptive of the goods or services for which it has been registered;** ..."*

*84. The last sentence is an acknowledgement of a fact that has long been recognised: **where a mark is largely descriptive "small differences may suffice" to avoid confusion ... This is not a proposition of law but one of fact and is inherent in the nature of the public perception of trade marks.***

*85. It is worth examining why that factual proposition is so - it is because **where you have something largely descriptive the average consumer will recognise that to be so, expect others to use similar descriptive marks and thus be alert for detail which would differentiate one provider from another. Thus in the cited case "Office Cleaning Association" was sufficiently different from "Office Cleaning Services" to avoid passing off.***

Therefore, as **Host** is a descriptive mark, Company A should argue that the public is unlikely to be confused between **HOST MAGAZINE** and **PARIAL HOST**. Company A should provide evidence to Company B of the widespread and generic use of the name **HOST** even in the same market sector, if applicable.

Also, Company A should argue that members of the public are unlikely to be misled into thinking that the online portal operating under the name **PARIAL HOST** has the **same economic origin** as that of **HOST MAGAZINE**, further negating any assertion of a likelihood of association with the names.

The use of the word "**Host**" in Company B's trade mark is a generic term in the provision of publications online. It is trite law that a descriptive mark of this nature would need to be supported by sufficient detail(s) so as to take it beyond descriptiveness.

In the case of *Hasbro Inc and others v 123 Nahrungsmittel GmbH and another* [2011], in relation to passing off, it was universally accepted by all parties that, **even in the same market (children's toys and playthings), whilst phonetically the same, "Play-Doh" and "Yummy-Dough" could both exist and the use of "Yummy-Dough" in and of itself did not amount to passing off of the name "Play-**

Doff. Company A would therefore argue that it cannot be restricted in the use of the descriptive word **Host**.

Company B will have to meet the entire elements of passing off in order to succeed.

■ **Damage**

Company B will have to demonstrate that **damage has been, or is likely to be suffered** due to the public's erroneous belief that the name **PARIAL HOST** and **HOST MAGAZINE** are owned by or originate from Company B. Company A would challenge Company B in terms of proving that there is a likelihood of confusion between **PARIAL HOST** and **HOST MAGAZINE** and therefore that Company B has suffered damage or a likelihood of damage.

Assertions

Company B is unlikely to succeed in an action for passing off for the following reasons:

- The term '**Host**' is **used as a generic term**.
- There are **several companies using the name 'Host'** in their online publications.
- Company A is only **offering a digital magazine**.
- Emphasise if Company A deals in a **niche market**.
- Point out that Company A's logo in respect of **PARIAL HOST** bears absolutely no similarity to **HOST MAGAZINE** and does not give rise to any confusion or likelihood of confusion in the minds of a substantial proportion of the public.
- Company A has **no intention of taking any advantage of any goodwill and reputation** Company B possesses in **HOST MAGAZINE**.

Conclusion

In conclusion, Company A would assert that any claim for passing off against it would fail for the reasons set out above, notably Company B's inability to demonstrate confusion on the part of the public and ultimately damage to it.

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