

EFFECTS OF PASSING OFF IN PAKISTAN



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Effects of Passing

Off in Pakistan

Submitted to
Sir Afzal Ahmed Khan

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***It is dedicated to my mother; whose
continuous hard work is always inspiring me.***

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Glossary¹²

Assignment: It is a transfer of rights in intellectual property.

Berne Convention: The major multilateral copyright treaty, signed in Berne, Switzerland, in 1886.

Copyright: An exclusive right granted or conferred by the government on the creator of a work to exclude others from reproducing it, adapting it, distributing it to the public, performing it in public, or displaying it in public.

Counterfeiting: The act of producing or selling a product containing another's mark, it is the intentional reproduction of the genuine mark.

Dilution: It is type of violation of a strong trademark in which the defendant's use, while not causing likelihood of confusion, blurs the distinctiveness or tarnishes the image of the plaintiff's mark..

Extended passing off: where a defendant's misrepresentation as to the particular quality of a product or services causes harm to the plaintiff's goodwill.

Fair Use: A defense to a charge of copyright or trademark infringement.

Generic Name: A word used by most people to name a class or category of product or service, such as "cellular phone."

Good Will: The value of a business or of a line of goods or services that reflects commercial reputation. A business with well-established good will could see all its tangible assets destroyed, yet still own its reputation, its good will. Trademark infringement is a form of theft of good will, since a trademark or service mark is a symbol of a business' good will.

Infringement: A violation of one of the exclusive rights of intellectual property.

Intellectual Property: Creations and inventions of the human mind that have commercial value and are given the legal aspects of a property right.

Latches: based on the maxim that law helps the vigilant and not the indolent.

Paris Convention: Paris Convention 1979, for the Protection of Industrial Property.

¹ wipo.int/pctdb/en/glossary

² Wikipedia.com

Patent: A grant by the government to an inventor of the right to exclude others from making, using, or selling the invention.

Piracy: The act of exact, unauthorized and illegal reproduction on a commercial scale of a copyrighted work or of a trademarked product.

Quia timet: is an injunction to restrain wrongful acts which are threatened or imminent but have not yet been commenced.

Reverse passing off: where the defendant markets the plaintiff's product as being the defendant's product

SPECIAL 301 U.S. statutory provisions of Trade Act 1974, requiring annual review of trade agreement rights and foreign trade practices of U.S. trading partners that deny benefits to the United States or unjustifiably restrict or burden U.S. commerce.

Sui generis: protection for intellectual property extended to matters depending upon its own particular characteristics.

Trade Dress: The totality of elements in which a product or service is packaged or presented, such as the shape and appearance of a product or container or the cover of a book or magazine.

Trademark: it can be a word, slogan, design, picture, or any other symbol used to identify and distinguish goods. (2) Any identifying symbol, including a word, design, or shape of a product or container, that qualifies for legal status as a trademark.

Uberrimae fidei: It means that all parties to a contract must deal in good faith, making a full declaration of all material facts, generally refer to insurance contracts.

Unfair Competition: Commercial conduct that the law views as unjust. A person injured by an act of unfair competition is entitled to relief in a civil action against the perpetrator of the act.

Uruguay Round: Uruguay Round of 1994 was regarding Competition, Copyright and Related Rights, Enforcement of IP and Related Laws, Geographical Indications, Industrial Designs, Layout Designs of Integrated Circuits, Other, Patents (Inventions), Plant Variety Protection, Trade Names, Trademarks, Transfer of Technology, Unfair Competition / Undisclosed Information (Trade Secrets), Utility Models. It was the basis of TRIPs and creation of WTO.

Washington Treaty: Washington Treaty 1989, was regarding Intellectual Property of Integrated Circuits, it is not yet enforced.

Abbreviations

AC or App Cas:	Appeal cases (Law Reports)
FSR:	Fleet Street Reports
AIR:	All India Reports
IPR:	Intellectual Property Rights
IP:	Intellectual Property
WTO:	World Trade Organization
WIPO:	World Intellectual Property Organization
TRIPs:	Trade-related aspects of intellectual property rights
GATT:	General Agreement on Trade and Tariff
TM:	Trade mark
©:	Copyright

Over view:

Passing off is a civil wrong mainly related to trade in which a trader (the defendant) uses the goodwill or reputation of another trader (the plaintiff) for gaining profit, this illegal use of the goodwill and reputation constitute a legal action against the defendant. This action is based on the common law but afterwards various countries legislated on the matter by amending or making new laws relating to trade marks, patents, copy rights and free and fair competition in business. It has also been recognized as a wrong in various international conventions GATT or TRIPs, which are also signed by Pakistan.

Passing off, occurs when a person is selling his own goods as being the goods of another person. The consumers are confused or taken in the apprehension that goods are of the plaintiff, this misrepresentation or deception can cause the damage to the plaintiff's trade or goodwill.

This tort is often intermingled with fraud and deceit and does not commonly recognized as separate wrong in Pakistan. However, after the adoption of TRIPS standards in our statutes, it is legal recognized, its composition make it different from other actionable wrongs as. Element of 'malice' in the intention is not a necessary element in this tort, the mere occurrence of confusion to the ordinary man / consumer is enough to initiate an action under passing off.

An 'ordinary person' is defined as a person / consumer who would take ordinary care in purchasing goods, he will take ordinary precaution to see or even check his desired commodity's brand. The damage to plaintiff caused by passing off are not related to his control over the trade name,

damage to goodwill or reputation or harmful association or inability to expand the trade.

In Pakistan, passing off is common but we lack specific legislation which may recognize and define the wrong with remedial measures for the plaintiffs. In the developing economies like ours, we need to recognize this practice as a separate wrong, through comprehensive legislation not only to protect the on going investors but also to give protection to the perspective investors.

I want to write on this topic because passing off is practically common in Pakistan, this tort is not only individually damages the traders and business of the traders but also affect the environment of fair competition in an economy. Commonly, the affected trader does not have any classified remedy; thus such cases are entertained in the Courts under the prevalent laws. In other words, the tort is indirectly covered in the Pakistani law without any particular specifications on the subject. This study focuses in the following areas of Passing off:

- History, introduction and various means.
- Differentiation with other civil and criminal wrongs.
- Effects on Fair Competition, cover under Pakistani statutes and International Conventions.
- Remedies and Recommendations.

CHAPTER - 1

HISTORY, INTRODUCTION AND VARIOUS MEAN

a. Introduction:

- a.i. History and Development.
- a.ii. Lord Diplock's Definition.
- a.iii. Essential Ingredients.
- a.iv General Perception and interpretation in USA and Britain.

b. Means of Passing Off:

- b.i. Imitation of appearances of the plaintiff's product.
- b.ii. Where similarity created in name / trade mark of the plaintiff's goods.
- b.iii. Where defendant uses the plaintiff's name.
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a. Introduction:

The tort of passing off is committed where the plaintiff's goods are passed off by the defendant, as being his own (that is, the defendant's) goods. The person whose goods have been passed off in this manner may have an action in tort in respect of any losses which he has incurred.³

Passing off is a tort established by the common law to protect and enforce the unregistered trademark rights. The good will of the trader is protected from a misrepresentation, and any damage caused by such misrepresentation.

The law of passing off prevents one person from misrepresenting his or her goods or services as being the goods and services of the claimant, and also prevents one person from holding out his or her goods or services as having some association or connection with the plaintiff when this is not true.⁴

This tort has been variously connected with the economic tort and malicious falsehood but at the same it has been consistently recognized as a separate tort, as being different from other types of torts related to intellectual property. The major foundation of being different is that it is based on common law and not on statute law.

a.i. History and Development:

The history of passing off can be traced in the late 19th century, for example in cases where Lord Halsbury wrote

³ Pg. 347 Law of Tort 10th Edition by E.D Pitchfork.

⁴ Wikipedia.org.wiki

that,⁵ "nobody has any right to represent his goods as the goods of somebody else". This is the original essence of passing off.

In *Erwen Warnick B V v J Townend [1979]*⁶ laid down the principles identifying the passing off, which were further defined in *Reckitt and Colman Products [1990]* and principle of the Classic Trinity are made, these are:

- 1) Goodwill owned by plaintiff,
- 2) Misrepresentation
- 3) Damage to goodwill

The history of passing originated in England but in the late sixties and seventies it is also recognized in Canada and USA through court decisions and legislation. For example, in a case the plaintiff made a drug under the registered name of Librium in distinctive black and green capsules with the name "Roche" on them. The medicine was identical to the plaintiffs with a little variance that letters "DDSA" were written instead.⁷ The Court of Appeal upheld an injunction with the following remarks:

"This representation need not be made fraudulently. As long as it is made and does, or is likely to, complete innocence of the defendant making the representation or pretence may be a reason for limiting the account of the profits made by the defendant though its use to the period subsequent to the date when he became aware of the true facts. The representation must be made in the course of business, usually this will mean that the goods in question are sold to the public in

⁵ *Reddaway and Frank Reddaway & Co Ltd v Banham and George Banham & Co [1896] A.C. 199 (H.L.)*

⁶ *Erwen Warnick B V v J Townend & Sons (Hull) Ltd [1979] AC 731, 742 (HL) [Advocaat]*

⁷ *F. Hoffman La-Roche & Co. AG v. DDSA Pharmaceuticals Ltd, 61 C.P.R 243,1969.*

the normal way, i.e. in shops or otherwise over the counter."

The crux of the issue is use of name, appearance or other means of describing the goods that amounts to an attack on the goodwill of the plaintiff. The reason here is that good will is established by the plaintiff's earlier use of the name, get-up or any other feature, it is termed as classical passing off.

It is possible that a plaintiff has goodwill abroad that and the use of such goodwill as that of the plaintiff's amounts to passing-off. When a local business is initiated in England as part of an international business, the goodwill of the international business continues to belong to that business.

Where a plaintiff ceases a business, even then he can take up an action in passing off. This principle is also established by the courts in England that a trader retains goodwill for some time after he ceases to trade. It means, goodwill is an asset which can be exploited in the future and can not be abandoned as such, and such trader has the right to protect it in future for some time. The main reason behind this protection is that the public would be confused with the goods being purchased were those of the plaintiff by reason of the design and appearance. There is a clear apprehension that such likeliness may cause actual or potential injury to the goodwill and reputation of the plaintiff.

Another type of passing off is its extended form that is 'where a defendant's misrepresentation as to the particular quality of a products or services harm the plaintiff's

goodwill. Such example of discussed earlier in *Erven Warnink v J Townsend & Sons (Hull) Ltd* [1979] AC 731, where the plaintiff sells 'advocaat' juice, sued a manufacturer of a drink, which is similar but not identical to advocaat, however, that was being marketed as 'advocaat.'

The extended form of passing off is also used by celebrities to enforce their personality rights, especially in common law countries. It is where a celebrity whose images or names have been used can sue if it is presented in such a way that it is being endorsed or sponsored by the plaintiff.

There is another type called 'reverse passing off', it occurs where the defendant launches the plaintiff's goods as being the defendant's product⁸. In other words the simple rule is where a defendant may represent that he or she made goods which were in fact made by the plaintiff.

a.ii. Lord Diplock's Definition:

The authority in tort of passing off is the 'Champagne case' where, Lord Diplock presented two distinguished elements, which were not highlighted in earlier cases. The first was that the element of the goodwill of the plaintiff, in that case represented by his ability to use without deception the word "Champagne" to distinguish his sparkling wines, made by the *champions* process from grapes produced in the Champagne district of France, was not exclusive to himself but was shared with every other shipper of sparkling wine to England whose wines could satisfy the same conditions.

⁸ *John Roberts Powers School v Tessensohn* [1995] FSR 947

Second element was that a class of traders entitled to the proprietary right as being able and capable of having expansion in their production of wine with distinction.

The classic definition of the tort of passing off is given in the judgment of Lord Diplock in *Erven Warnink BV v F Townend & Sons (Hull) Ltd*⁹. He identified five different characteristics, which must be present, to initiate an action of passing off:

- (1) a misrepresentation;
- (2) made by a trader in the course of trade;
- (3) to prospective customers of his or ultimate consumers of goods or services supplied by him;
- (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and
- (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action, for an injunction) will probably do so.¹⁰

Above five elements have to be proved to be existed in any passing off case. Most of these elements are based on facts which can be examined in the market and need no further evidence. The attention will be focused instead on the different ways in which this tort can be committed.¹¹

a.iii. Essential Ingredients:

⁹ *Erven Warnink BV v F Townend & Sons (Hull) Ltd* [1979] AC 731

¹⁰ *Torts* by G. H. L. Fridman Pg. 573

¹¹ Pg. 348 *Law of Tort* 10th Edition by E.D Pitchfork

The principle of the Champagne case is accepted in England, where after that judgment the traders who did not have an exclusive right to use a particular trade name, but such traders / manufacturers belong to a class consisting of, those who had a right to use the name in question, were given the right to initiate passing off action.

The facts of a particular case and the very nature of the misrepresentation against which a trader / plaintiffs is considered entitling to a protection. Lord Fraser remarked that the case was rightly decided;

'because it was soundly based on the principle of earlier passing-off actions, namely that the plaintiff is entitled to protect a right of property in the goodwill attached to a name which is distinctive of the product or class of product sold by him in course of his business.'

Generally modern economic systems encourage competition by keeping down prices and the improved products. The common law through various precedents has curtailed the risk of unfair competition by giving a civil remedy to every competing trader, who suffered damage resultant to false statements of the rival traders.

In parallel to common law limits on the rival trader, the Parliament imposes a higher standard of protection of consumers on the traders. The enactments do not put civil liability on the rival competing traders who suffered actual damage as a result of such competition. However, common law has provided remedies for unfair trading by an action for passing-off.

a.iv. General Perception and interpretation in USA and Britain:

In USA passing off is "misrepresentation of inferior goods of one producer as superior goods made by a reputable, well-regarded competitor in order to gain commercial advantage and promote sales."

Passing off is termed as 'doctrine of palming off' in United States and is applied to a case with facts wherein the defendant is accused of engaging in Unfair Competition against the plaintiff.¹² The term palming off means the "action of selling or displaying the product of property of another as one's own."¹³

The Chief Justice Hughes, used the words palming off in the¹⁴ *Schechter* case (1935) to describe the essence of "unfair competition" in American common and statutory law. Generally courts refer to intentional deceit and palming off," the term means "action of selling or displaying the product of property of another as one's own."¹⁵

Trade Mark Act 1966 of USA prohibits passing off as being "unfair competition". The section 1125 of the statute prohibits following two actions;

- i) false designation of origin for product and
- ii) false representation or description of products, which creates likelihood of confusion, mistake, or misrepresentation in the market.

¹² enotes.com Online West encyclopedia on American Law.

¹³ Oxford English Dictionary.

¹⁴ A.L.A. Schechter Poultry Corp. v. United States, 295 U.S. 495 (1935)

¹⁵ Drbillong.com Copyright © 2004-2007 William R. Long

In US law Reverse Confusion occurs when a new trader flooded the market with a trademark similar to old trader and such action creates overwhelming confusion to the consumers.

In 1996 Congress added a new provisions through the Federal Trademark Dilution Act of 1995, the law provides the owner of a "Famous" mark a right to seek an injunction , damages in the case of intentional violation, resulted in the dilution of the mark's "distinctive quality"

It is pertinent to mention that the basis of the tort of passing off is laid down in the common law. Passing off is referred to as the "law of unregistered trade marks" but an infringement to a registered trade mark is also protected under passing off.

In UK, another case of Reckitt and Colman Products Limited v Borden Inc. (1990), Lord Oliver has defined the infringement as:-

"First the plaintiff must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by which the identifying 'get-up' (whether it consists simply of a brand name or a trade description or the individual features of labeling or packaging) under which his particular goods or services are offered to the public. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Thirdly, he

must demonstrate that he suffers, or in a *qua timet* action, is likely to suffer damage."

Thus, goodwill may be grown through a mark, name, get up or any other sign which is distinctive of a business. The right under passing off protects the goodwill of a business *per se*.

It is perhaps derived from preposition that "nobody can represent his goods as the goods of someone else."

Actual damage is not necessary alleging that misrepresentation is likely to cause damage to the goodwill of the business is enough. It refers to element of foreseeability by the defendant and on the trader to prove. It protects against all activities of a business that may lead the public into believing that they are the actual trader. It is therefore a flexible and adaptable area of law, geared to protect what might be called the reputation and association of goods or services to a particular business.¹⁶

Part - b. Means of Passing Off:

As already described passing off can be an intentional or unintentional act or omission by trader in course of a business that can mislead or create deception or it is foreseeable that can cause confusion to the consumer.

Mere production of the goods that the consumer is deceived in his initial contact, presuming the good are produced by the plaintiff. The defendant in passing off action

¹⁶ Gillhmas.com/articles

represents as if, the products have sponsorship, approval, ingredients, benefits, OR that person has a sponsorship, status, affiliation, or connection, whereas, actually he do not possess. OR there are cases where goods are new or factory finished product but actually they are deteriorated, altered and reconditioned.

Disparaging the product of the other through false or misleading presentation OR where one advertised the products without the intent to sell them the way they are presented before the public.

Other ways may include that the defendant have advertised the products with intent to supply lesser than demand in the market, as the quantity is disclosed in the advertisement. There could be passing off where a statement is misleading the fact regarding the existence of, and reduction of prices OR defendant does an action or omission, creating a likelihood of confusion or of misunderstanding.¹⁷ The passing off can take place in many ways, the major or usual modes of passing off are given hereunder:-

b.i. Imitation of appearances of the plaintiff's product:

To understand this we refer to a case title White Hudson & Co. Ltd. V Asian Organization Ltd.¹⁸, in that case the plaintiff used to manufacture a cough sweet namely 'Hacks' in Singapore, with a red wrapper on it. Consumers commonly knew it as a red wrapper cough sweet. The plaintiff had monopoly in selling cough sweets in that shape. Another sweet with the name of 'pecko' and same wrapper the

¹⁷ Duhaime.org/legal Dictionary / deceptive trade practices.

¹⁸ White Hudson & Co. Ltd. V Asian Organization Ltd [1964] 1 WLR 1466

defendant started to import. The plaintiff approached the court under passing off action with the plea that consumers in Singapore can not read English and only recognizes the red cough sweets.

The court held that the 'plaintiff's had interest in the appearance of their product' and restrained the defendants from passing off. It was clarified in that case that defendant tried to show that their product was as if the goods of the plaintiffs and that innocence is no defense to passing-off action.

Similar colour scheme can be considered as passing off, it may include the colors used in the logo, products, website or other advertisement. . However, in passing off plaintiff with un-registered mark or patent is protected and covered. In Pakistan, there is great need that manufactures in our market are made aware of their rights. There are examples in our local markets like use of name 'RAHAT" with a same font style and color is being used both by a chain of bakery and by a chain of shopping malls and both are not registered. Likewise another trade mark of "Baréeze" clothing rage is passed off with ordinary embroidered printed cloths of smaller traders.

In Cadbury-Schweppes Pty Ltd. V Pub Squash Co Pty Ltd ¹⁹ the Privy Council held that:

"a cause of action could lie, not only in respect of the physical appearance of the goods, but also in respect of the way they are advertised."

¹⁹ Cadbury-Schweppes Pty Ltd. V Pub Squash Co Pty Ltd [1981] 1 WLR 193

In above case a trader launched the advertisement in which he associated his drink with a virile, sporting image. After some time the defendant advertised in a closely similar way that to the plaintiff. Court held that the injunction is not entitled for the party who had sued in passing off because he had no established image public was not associating his product with that image. The Privy Council further held that, if the plaintiffs had been able to establish the association, then an action in passing off could be proved against the plaintiffs.

Where other business make advertisement that looks similar to the plaintiff's or considered likely to cause confusion to the consumer, then it can be declared as passing off by the courts. Now a days, this can be through online advertisements i.e. use of similar words to a web site or search engine.

b.ii. Where similarity created in name / trade mark of the plaintiff's goods:

IT is a very common and typical way of committing passing off, in such case the defendant designs, a similar trade dress as that of the plaintiff uses. The defendant can copy and adopt a similar design, shape or style of the plaintiff's product or defendant can even create a similar a company's website looks similar to the plaintiff's or has similar pictures or writing; it could be considered as passing off.²⁰

To understand it further we may have a look at a case,²¹ where the plaintiffs used to make belting made with camel hair, further export the product. The product of the plaintiff had a design on the product had a camel picture with

²⁰ Bizhelp24.com/business-law

²¹ Case book of Torts by Winfield and Jolowicz, Reddaway V Banham [1896] AC 199

the words 'Camel Hair Belting'. The defendant also started manufacturing camel hair belting and endorsed the words only the words 'Camel Hair Belting' but not the picture of the camel.

Feeling aggrieved the plaintiff took the case in the court, it was held that as the plaintiff's goods were exported the words 'Camel Hair Belting' is not the trader dress of the plaintiff's product and not the description of the product's ingredients. Therefore, the defendants had committed passing off over the goods of the plaintiff.

Another example is a case where the ²²the plaintiff, was manufactures of wine from the Champagne a district France. Whereas, the defendant produces wine with the name i.e. 'Spanish Champagne'. The plaintiff wanted to restrain the defendant and approached the court for that purpose. The court held that the plaintiff has the right to protect his goodwill referring to a particular area where the wine is produced. The injunction was granted to the plaintiff against the defendant.

Another case is a famous case in the history of passing off title Erven Warnink vs. T Townend and Sons²³, the plaintiffs were producing and selling a drink made with eggs and spirits called as (Advocaat). They had established goodwill if that product, the defendants began to produce a drink with similar contents and named it as 'Old English Advocaat'. The plaintiff sued the defendants and prayed for grant of an injunction to restrain the defendants from using his trade name. The court held that the name of product

²² T Bollinger V Costa Brava Wine Co Ltd [1960] Ch. 262.

²³ Erven Warnink BV v F Townend & Sons (Hull) Ltd [1979] AC 731

distinguishes the plaintiff's produce from the goods of other traders, therefore, the plaintiff are entitled to an injunction restraining the defendants.

1.b.iii. Where defendant uses the plaintiff's name:

Where the defendant utilizes name of plaintiff but not the plaintiff's product name, the tort may accrue. There is an example of a case of Maxim's Ltd v Dye 1977.²⁴ The facts of the case revolve around an owner of a well known restaurant namely Maxim's in Paris. On the other hand defendant opened a French restaurant in Norwich with a similar name. The defendant's restaurant did not operate to the standard as the restaurant in Paris. The plaintiff approached the court for grant of injunction with the plea that it is affecting his business in Paris. It was accepted by the Court on that reason and injunction was accordingly granted.

Above mode is considered as the commonest way of committing passing off; that is where the defendant tries to put similarity to the plaintiff's name by changing features, spellings etc. on his product.

We start with a case, where a publisher publishes some poems with a statement that those belong to Lord Byron but actually written by some unknown writer. The case titled Lord Byron V Thomson (1816) ²⁵ that defendant was declared as committing tort of passing off.

b.iv. Using the defendant's name:

²⁴ Case book of Torts by Winfield and Jolowicz, Maxim's Ltd v Dye [1977] 1 WI,R 1155

²⁵ Pg. 348 Law of Tort 10th Edition by E.D Pitchfork.

The rule is that all traders have the right to use their own name to launch and advertise the product; provided that such action is not misleading the consumers. If so, such trader can be stopped, this provision is laid down in the case of Parker-Knoll Ltd. V Knoll International Ltd. 1962²⁶. In that case both the parties were well-known companies manufacturing furniture Both parties were furniture manufacturers, the plaintiff's company was doing business in UK, whereas; the defendants business was established in America. When the defendants commence his business in UK, the plaintiff went in court to seek an injunction for restraining the defendants from using their name without making difference on their product.

The majority in the House of Lords held that the plaintiff had the entitlement for injunction, the reason behind; that an established goodwill and goods associated with themselves alone. However, if the defendants used their own name it was very much likely to confuse the public. It was not essential to prove the malafide intent of the defendant to confuse the public, mere likelihood of deception was enough.

²⁶ Case book of Torts by Winfield and Jolowicz, Parker-Knoll Ltd. V Knoll International Ltd. [1962] RPC 265

CHAPTER – 2

DIFFERENTIATION WITH OTHER CIVIL, CRIMINAL WRONGS

d. Passing off, Deceit and Fraud.

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e. Passing off and Economic Torts.

- b.i. Grounds of Economic Tort.
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- b.iii. Difference between passing off and Economic Torts.

f. Passing off and Malicious Falsehood.

- c.i. Falsehood
- c.ii. Malice
- c.iii. Damages
- c.iv. Difference between Passing off and Malicious Falsehood.

As in last chapter it is discussed that tort of passing off majorly consist of three elements namely; misrepresentation, goodwill owned by trade and damage to goodwill

Passing off is recognized as a separate tort for last many years but even today some legal scholars disagree on its classification as a separate domain. Their arguments based on the link between passing off and deceit or with malicious falsehood. Passing off is also classified as part of economic torts for the reason that both torts are for the protection of the financial interests of plaintiff. This tort is also considered as part of intellectual property law related to copyright, trademarks and patents.

a. Passing Off, Deceit And Fraud:

The person committing passing off through circulation of his goods deceives the public, but member from the general public can not sue such trader passing off. The trader's goods are passed off but he himself is not deceived. The case different from deceit, in which the trader deceived the other counter part, in the other case he is not deceived rather his goods are passed off.

It was held in a case *Policy v Freeman*²⁷ that "a defendant who willfully or recklessly makes a false statement to another with the intention that the other shall act in reliance upon the statement, and the person does so rely upon the statement to his injury, the defendant is liable to the plaintiff in the tort of deceit. The imposition of liability in the

²⁷ *Policy v Freeman* (1789) 3 TR 51

tort of deceit is separate from the liability which is imposed for negligent mis-statement."

In passing off liability is based upon negligence, intention is not relevant, however, in deceit the liability is for fraudulent misrepresentation. To understand the difference between the two civil wrongs it is necessary that we must see the features which constitute the deceit, the detail is given here under:-

a.i. Facts being misrepresented:

The plaintiff has to prove that a false representation of fact is committed by the defendant. This burden on the plaintiff is further bifurcated into the following two elements.

a.i.i: Falseness:

As mentioned above there must be two things; both relate to question; first is falseness; secondly that is represented. The representation could be expressed or implied. A case may be mentioned here titled *R v Barnard* (1837)²⁸ where the defendant wearing a uniform of the members of the Oxford University, deceived the university shopkeeper and succeeded in obtaining credit. The court held that "defendant's misrepresentation of himself as a member of the University and putting other people to think as if actually he was a member of the university and obtaining credit through false representation is deceit."²⁹

²⁸*R v Barnard* (1837) 7 C & 784

²⁹Ibid

There can be a situation where a person is under a duty of disclose to plaintiff each and everything for example there could be true statements but facts constituting are ambiguous or misleading.

There can be another situation where a person is under a duty of disclose like arises in contracts of uberrimae fidei.³⁰ Such are made in good faith and party initiating the contract is bound to disclose all relevant facts.

Another situation is where there is fiduciary relationship between the parties, the simple existence of such a relationship is enough to put other party under duty to disclose the facts on the other party.

a.i.ii: Representation:

The representation of existing facts can be understood in following four situations;

- a) where the statement is unclear, ambiguous or exaggerated, e.g. a slogan used by a trader to sell products. In that case it is difficult to analyze that whether it is statement of fact or otherwise.
- b) where statement of fact and a statement of opinion can not be distinguished.
- c) where the originator of the statement has special knowledge of reasonable grounds to strengthen his statement but he does not do so; such act or omission can constitute misrepresentation of fact.

³⁰ Glossary page ____ of thesis

- d) expressing intention is not statement of existing facts but if one misrepresents his actual intention then he is committing misrepresentation of existing facts.

To understand it further we may discuss a case where a company stated in its prospectus that reason for issuing new debentures was to renovate the company's office building and further investment. In fact company required money for returning the debts.³¹ The court held that it is a misrepresentation of fact the purpose of issuing debentures was to collect money for paying the debt, it is deceit to fraudulently collect the money.

Another clarification is necessary that statement of law is not a statement of fact and it does not create liability in deceit. However, it is not altogether clear in many cases and the courts are likely to lean in favor of construing the misstatement as a misstatement of fact³²

a.ii. Difference Between Deceit And Passing Off:

The differences between the tort of deceit and passing off are given below in annotated form;

- a) In deceit misrepresentation is malafie, intentionally and necessarily committed but passing off, can be committed without any fraudulent intent.
- b) The trader is not required to register the established trade marks, however, established good will is enough to brought an action for passing off.

³¹ *Edgington v Fitzmaurice* (1885) 29 Ch D 459.

³² Ammarjitassicaites.com/articles/passing.htm

- c) Passing off only occurs in the course of business, whereas, deceit can be committed in transactions, trade contract etc.
- d) Deceit is misrepresentation of fact, where a person is made to believe in wrong, whereas, in passing off it is not confusing the defendant, however, passing off is such a representation that confuses the consumer.
- e) Passing off indirectly protects the consumer's right to choose. But in deceit consumers rights are directly protected.
- f) Action of passing off by a consumer is not valid, hence can not be entertained in court.
- g) Deceit action can be taken up in various relationships i.e. husband and wife, seller and buyers etc. whereas, passing off is limited among the traders.

a.iii. Dilution:

It is essential to mention here about the doctrine of dilution; it is an unauthorized commercial use of a mark or identical mark to a different or same good and services." It is classified into following:

- a) when mark is associated a product but different from the actual product, it is called blurring.
- b) when the quality of mark is declined by use of inappropriate and irrelevant connection, it is called as garnishment.

a.iv. Difference Between Passing Off And Infringement:

In passing off action registration of trademark is not relevant. It is for the security of the goodwill earned by a trader in certain period of time. The infringement occurs on a statutory right created by registration of trademark, that means defendant is necessarily a separate party but in passing off action the defense party can be an ally or a third party.

The differentiation can be understood by this judgment of the Indian Supreme Court that:

"An action for passing off is a Common law remedy, being in substance an action for deceit, that is, a passing off by a person of his own goods as those of another. But that is not the gist of an action of infringement. The action for infringement is a statutory remedy conferred on the registered proprietor of a registered trade mark for the vindication of the exclusive right to use the trade mark."³³

b. Passing Off and Economic Torts:

Economic torts are originally set of rules laid down by common law regarding liability for inflicting economic loss and that is committed in course of business and trade.

The actual purpose for recognizing Economic torts is protection from interference in trade and business by any party. In the twentieth century, various Economic torts are recognized in many statutes expanding from Labour Law, unfair Competition Law and Intellectual Property Law. The "absence of any unifying principle drawing together the

³³ Durga Dutt Sharma V. N.P. Laboratories, AIR 1965 SC 980.

different heads of economic tort liability has often been remarked upon.³⁴

In common law, Economic torts refer to a variety of civil wrongs and protects the profits earned through trade or business by a trader. But while initiating an action under this tort the plaintiff has to prove that he has suffered economic loss due to direct or indirect interference in his business.

b.i. Grounds Of Economic Torts:

Historically speaking the rules for economic torts are laid down gradually starting from the end of 19th century and the beginning of 20th century. To understand the set of rules regarding Economic torts following cases in the history can be looked at.

In the first case the defendant wanted to retain monopoly in tea trade, at that time it was new and growing business with big profit margin. To achieve monopoly, the defendant along with other strategies also cut down the tea prices, reason behind to throw out the plaintiff from that business. The plaintiffs agitated the matter in court alleging that the defendant had conspired to throw them out of the market.

The House of Lords held that the plaintiffs had no cause of action against the defendants. The House of Lords further declared in the judgment that such a cause of action is not valid because defendant have not committed unlawful act,

³⁴ Wikipidea.com

as to create competition is not unfair, unlawful or conspiracy, but creating vigor in the market.³⁵

The second case is about a dispute between two trade unions, i.e. the ironworkers' union and the woodworkers' union, the first union registered its objection that there were certain jobs always done by them and woodworker' union must not interfere in them, the union further instructed the employers to dismiss such union workers or they would go on strike. The employer after digging out the issue actually dismissed woodworkers, such workers resultantly approached the court and sued the officials of ironworkers union.

The House of Lords held that "the plaintiffs had no cause of action against the defendant because the defendant had not done an unlawful act."³⁶

To elaborate it further, it is appropriate to discuss another case. The facts of the case indicate that the plaintiff was the owner of a business and used to employ non-union labors. The trade union officials tried to restrain the plaintiff not to do so, as a result of their persuasion the plaintiff allowed his labors to join the union if they desire to, but did not make it conditional to the extension in employment. Being annoyed, the defendant approached their other members to stop handling the product of the plaintiff. Resultantly, the plaintiff suffered loss and agitated the issue in the court of law, with the allegation that defendant conspired to injure him. The defendant's plea was that he did not ask to breach the contracts but to stop managing the product of plaintiff.

³⁵ Mogal Steamship Co Ltd v McGregor, Gow & Co [1892] AC 25.

³⁶ Allen v Flood [1898] AC 1

The House of Lords held that the defendants had conspired unjustifiably to inflict loss on the plaintiff.³⁷

In a true sense the domain of Economic torts expands from breach of contract to illegal interference with trade, these are in a mess is due to the lack of coherent framework for their development.³⁸

b.ii: Misappropriation:

As mentioned above a number of torts are included in economic torts, is suitable to mention about 'misappropriation' as well. Misappropriation, is an illegal and intentional use of assets of some other person which are not registered and legally protected. It can range from fraudulent use of funds and property or alleging as of his own, but in fact owned by some other.

b.iii: Difference between Passing Off and Economic Torts:

The difference between passing off and economic torts are given here under:

- a) There are a variety of Economic torts, they are expanding from economic duress, conspiracy, and interfering with trade by unlawful means etc. however, passing off is classified and curtailed to a sphere.
- b) In most of the economic torts the plaintiff is required to prove malice but in passing off proving malicious intent is irrelevant.

³⁷Quinn v Leatham[1901] AC 495

³⁸ An Analysis of the Economic Torts by Hazel Carty page 626

C. Passing Off and Malicious Falsehood:

The tort of malicious falsehood is also called as injurious falsehood. It occurs when one makes a false statement with malice to another person but not to the plaintiff and that result in damage to the plaintiff.

Initially malicious falsehood is also referred as 'slander of title', it is where a person making a false statement about the plaintiff's title to land with the result that would otherwise have been the case.³⁹

But the area of that tort expanded and it was started to apply in cases of 'slander of goods' which is total similarity with the previous one i.e. except that the defendant made an attack on the plaintiff's goods.⁴⁰

By the end of 19th century, it was established that malicious falsehood as a tort had general application. We may distinguish it with deceit, as both torts can be mixed and misunderstood, the deceit is making false statement about the plaintiff which cause loss to the plaintiff, however, malicious falsehood occurs where a third party makes a false statement about the plaintiff and that statements result in damage and business loss to the plaintiff.

c.i. Falsehood:

It is similar to the tort of deceit that in tort of malicious falsehood there must be false statement of fact. In

³⁹ (Bliss v Stafford (1573) Owen 37 and Banister v Banister (1583) 4 Co Rep 17a)
⁴⁰ Kerr v Shedden (1831) 4 C & P 528)

analyzing such a case, statement of fact and a statement of opinion must be carefully distinguished.

To understand it further we may have a look at this case; both parties to that case were involved in diamond cutting and manufacturing jewelry out of it. The defendants while advertising and marketing their goods published a brochure, in which they compared the quality of their goods with that of the plaintiff. The defendants clearly stated in the brochure that their products are superior to the plaintiff's product and that the plaintiff is not meeting the good standards of the market. The plaintiff sued the defendant under the slander of goods, the defendants defense was that the statement in the brochure was just a puff.

The judges while deciding the case apply the test of 'how a reasonable man would perceive and foresee after reading that brochure?' and that this accusation is based on some research and would avoid purchasing the goods of the plaintiff.

In the above case it was held that 'a trader was entitled to puff his own goods' and that 'the defendants were not, however, entitled to say that our goods are better than those of the plaintiff's because the plaintiff's goods are rubbish unless of course he can establish that the plaintiffs' goods are indeed rubbish.'⁴¹

c.ii. Malice:

Another burden of proof on the plaintiff is to prove malice on the part of defendant. That the defendant's action

⁴¹ De Beers Products v Electric Co of New York [1975] 1 WLR 972.

or motive was willful containing malice and with the intention to cause damage to the plaintiff. Proving malicious falsehood will be similar to proving tort of libel and slander, the House of Lords has considered this point to the extent that 'where the defendant makes the statement knowing that it is false or reckless whether it be true or false then he has acted out of malice.'⁴²

We can explore this element through a case, where the defendants alleged that the plaintiff has infringed their trade mark of their product, whereas in the past the defendant a number of times stated that they have no right of using that trade mark. The Court in that case held that 'the fact that the defendants had made these allegations that the plaintiff had infringed their trade mark when they knew that this was untrue'. That fact was enough to conclude that defendant acted with malice.⁴³

c.iii. Damage:

There is burden on the plaintiff to prove that he has suffered pecuniary loss as a result of the defendant's statement. The plaintiff must prove that he suffered special damage, this is usually easily established by showing that the plaintiff suffered a general loss of business as a result of the defendant's false statement.⁴⁴

The purpose of proving actual damage is malicious falsehood action is to give the plaintiff a suitable compensation not the nominal damages. It is almost a set rule that injury is recoverable mostly in pecuniary ways for

⁴² Spring v Guardian Assurance plc [1993] 2 All ER 273, 288.

⁴³ In Greers Ltd v Pearman & Corder Ltd (1992) 39 RPC 406

⁴⁴ legal-dictionary.thefreedictionary.com/res+ipsa+loquitur

this the plaintiff can also bring for the distress suffered through that injury that will not only strengthen his case for damages but also build up a claim for damages suffered in the business.

c.iv. Difference between Passing Off and Malicious Falsehood:

The differences between the two torts which separate them with each other are given below:

- a) Presence of the element of malice is not necessary in passing off but in proving a case of malicious falsehood one has to prove that element of malice is there.
- b) Another difference is that there is no false statement made by defendant about the product of defendant in case of malicious falsehood, whereas, in passing off the defendant's act is rather confusing the consumers.
- c) There not necessarily a pecuniary damage suffered by the plaintiff in passing off action but damage to goodwill is enough, whereas in malicious falsehood the plaintiff has to prove actual damage to get compensation award by the court.
- d) Misrepresentation of plaintiff's goods is another point in passing off but simple misrepresentation is not necessarily an important ingredient in case of malicious falsehood.

Above study gives us a vision to look into various types of others torts which are committed; and lead to deceit to the consumer and his rights are affected by way of infringement in the free competition. It may be mentioned here that intention is not relevant in passing off action, as passing off, its contents and right available to the affected consumer are discussed in earlier chapter; now we earlier have a look at what defenses a person can adopt in an action against him.

The defendant can take a defense that the plaintiff does not own the business or does not enjoy the established goodwill e.g. plaintiff is new trader or he himself is a consumer. Another is that infringement is done but is protected under the law, e.g. the product is registered or the other party is creating competition in the market. He can have a right to use of the mark as a result of concurrent registration, or he is bonafide concurrent user, with proper prior permission from the plaintiff and suitable legal authority or he can challenge the goodwill or validity of registration of the product. The defendant may plead that the plaintiff cannot claim relief because he himself has cheated in acquiring the goodwill of someone else.

It was held in case that 'the mark of the plaintiff was infringed but the relief was suspended in view of the long concurrent use to enable the defendants to apply for registration.'⁴⁵

⁴⁵ Electrolux v. Electrix , (1953) 70 RPS 127.

CHAPTER – 3

EFFECTS ON FAIR COMPETITION, COVER UNDER PAKISTANI STATUTES AND INTERNATIONAL CONVENTIONS:

a. Effects:

- a.i. Damage the Goodwill and Trade of the Plaintiff.
- a.ii. Confusion to the consumer.
- a.iii. Effect the Environment of Free and Fair Competition.

b. Statutes and Conventions:

- b.i. Statutes recognizing passing off as a wrong.
- b.ii. Protection and legal action available to the plaintiff in Pakistan.

c. International Conventions, GATT, TRIPs.

This chapter comprises of two portion one deals with the effects of passing off on the market consumer and the trader and the other deals with the local statutes and international conventions recognizing and protecting such traders.

a. Effects

a.i. Damage the Goodwill and Trade of the Plaintiff.

To understand Goodwill, we may define it as reputation or good trusted name earned in a business. The benefits coming out of that goodwill may be pecuniary but in general, it is the trust which the consumer has on certain product in the market. The benefits and advantages attached with goodwill are established by the trader through meeting the best standards quality maintenance and continuing to do so for a long period of time. So for a new trader it is very much effortful to earn the goodwill in short period of time he can observe the high standard in manufacturing products but similarly it is very difficult to at once click the old users of a product to use a new one.

It may also be mentioned here the goodwill can not be achieved before launching a product or through marketing a product before floating it to a market. That means, goodwill after period of time become a source of earning for the trader and infringement to that good can result in actual or potential damage to the plaintiff.

The element of actual and potential damage to trade and business is not considered as constituting factor for initiating case of passing off. However, previously like in Jif

Lemon case, the House of Lords emphasized that actual damage was a prerequisite for constructing a case of passing off in court. But gradually by the passage of time the idea reading actual damage has been restricted to two factors, these are destruction and diversion.

Destruction to goodwill is a situation, where the defendant circulates inferior goods and the purchasers no longer trust to use that product bearing that trade mark or even avoids the goods with such trade identity; it in fact dilutes the strength of the goodwill of the plaintiff. The other damage is called Diversion, occurs where the goodwill is strong but the defendants tries draw customers to the his premises or wares. Diversion is much more common and is far more relevant in regards to trade dress.⁴⁶

a.ii. Confusion to the Consumer:

Confusion to the consumer is result of the misrepresentation made by the defendant. The scope of passing off has traditionally been limited to confusion at the point of sale.⁴⁷ It has been said that "confusion is the essence of the tort of passing off".⁴⁸

The defendant's misrepresentation on the product or services of a plaintiff and results in damage to the goodwill is actionable, often referred as extended passing off. We may refer to the case of *Erven Warnink v J Townsend & Sons (Hull) Ltd* [1979], earlier mentioned in chapter-1, where the defendant manufactured another drink and titled that as a product of the plaintiff, it is a form of confusion to the

⁴⁶ papers.ssm.com/sol3/Delivery.cfm

⁴⁷ Ben Allgrove and Peter O'Byrne. The authors, Associates in the Intellectual Property Department of the London office of Baker & McKenzie LLP,

⁴⁸ evancarmichael.com/.../Passing-Off-and-the-Protection-of-Trade-Dress-in-Franchising

customer. It may be clarified here that deception caused by misrepresentation, or intentional deception is not relevant component of passing off action. Misrepresentation can be unintentional, negligent or innocent; the mere element of deception or confusion to the customer is enough to fix a liability on the defendant. The test for judging misrepresentation is how the ordinary man or average customer will buy a good, what will be his standard of care in purchasing a product?

The element of confusion to the consumer is essential to prove in many other trade related wrongs; but also very much relevant in tort of passing off. Besides the test of ordinary customer's care in purchasing a good there are other elements which a court may apply in fixing liability in passing off. These are distinctiveness of the products appearance, ingredients, trade dress or even the price. The market areas and trade environment are also relevant to be considered. Another very relevant factor is the period of time the plaintiff is using and enjoying the goodwill of his products. Longer period to that of the defendant in the market without any competitor or deterioration in the products value, will definitely give benefit to the plaintiff.

Other factors to be considered while fixing the liability of confusion on the defendant are nature of business, product and the resemblance in the appearance.

The factor of similarity can be assessed through particular appearance or feature of the product making certain impression in the consumer. The consumer's observation can stick on distinctive feature of the trade dress of the product or the distinct market where it is available. These factors do

influence the general public in establishing a perception about a product. The court while ascertaining the extent of confusion to consumer in a market can also consider the expert opinion or statistical analysis of specialists in marketing and behavioral sciences.

a.iii. Affects consumer rights and right to choose:

The Right to Choose is covered under the consumer rights, it assures that a consumer has access to a variety of products and services at satisfactory quality and competitive prices.⁴⁹

Passing off creates another affect on the indirect beneficiary of a business or trade i.e. the consumer. As mentioned above that by way of passing off a consumer is confused as to whether he is buying the brand which he usually buys or otherwise; a new product is not placed in the market rather the already existing brand is utilized by a producer (tortfeasor) in such a way that it creates confusion to the consumer. This is jeopardizing the right to choose which is recognized for a consumer.

Even though a consumer cannot bring a case before a court in passing off but only a trader; however, another consequence of this tort can be brought before the consumers courts under consumer's rights protection law. The purpose of consumers rights law is to safeguard trade competition and to ensure the truthful information in floated in the markets. Broadly speaking, passing off action by a trader also serves to protect the Consumer's right to choose and promotion of fair competition in the markets; besides,

⁴⁹ President Kennedy speech on 15 March 1962.

making awareness through consumer activism or litigation etc.

a.iv. Affect the environment of free and fair competition:

Another effect which passing off creates on the market is unfair competition, it effects free and fair market environment. Broadly, speaking passing off is considered as one of the 'unfair trade practices' creating unfair competition among the traders, even though the ingredient of deceit, fraud or dishonest trade practices is irrelevant in this tort.

To understand it better we may have a look at unfair competition and unfair trade practices. The former means use of business tactics that are intended to confuse consumers as to the source of the product. e.g. imitative name, trademark or package). Whereas, unfair trade practices refers to all forms of unfair competition deceptive or false advertising e.g. criticizing one's product, publication of false, defamatory or misleading representations.⁵⁰

The unfair competition is recognized in common law in various statutes, most of the practices are recognized as torts ranging from substitution of products to liable / slander of goods and from deceptive representation of product to copying trade secrets.

There are many reasons of legislation on Unfair Competition Law, like protecting the intellectual and economic creation by a trader related to one product that become a relevant symbol for the buyer. Another is to protect the established goodwill attached with a specific product of the

⁵⁰ defendmydomain.com/pdfs/Pub-Article-Commercial-Defamation

traders, who earned it through a passage of time. The Competition Law also put a check on such traders who misuses the product of their business rivals. The Law also protects the rights of consumer to chose and have a good standard products in the market with good reputation. Another reason is that it bars such traders who want to use short cuts to enter into the market and encourages good standards for the products.

b. Statutes and Conventions:

b.i. Statutes recognizing passing off as a wrong:

In Pakistan there are statutes which covering unfair trade practices, the statutes are the Trade Marks Act, 1940 (the Act 1940), Trade Marks Rules, 1963, the patent and design act, Merchandise Marks Act, 1889, Competition ordinance 2009, Pakistan Names and Emblems (Prevention of Unauthorized Use) Act, 1957, besides, the above statutes, certain provisions of the Pakistan Penal Code, and Copyright Ordinance 1962 and Copyright Amendment Act 1992 and various pieces of legislation on consumer protection are also covering unfair trade practices. In Pakistan passing off action is generally filed under the trade marks act read with relevant provisions of Specific Relief Act 1877.

Even though Pakistan is common law country but generally the legal protection is given to a registered trade mark holder, it is not that our courts do not entertain the cases of passing off. But such cases are always requiring strong evidences on the issues of deceptive misrepresentation, confusion to the consumer and established good will of the trader.

When we give a look to our statutes, we see that section 23 of the Act 1940, requires that marks should be registered, that will be a strong proof of the holding trader as being its owner and holder of the goodwill vesting with it. The Act further gives absolute rights to the registered owner to use the marks on the goods for which it was registered.

As it is earlier discussed⁵¹ that the concurrent user can be a good defense in passing off; so, as it is protected under the act the trader can register his mark / product which can be similar to another registered mark as being an honest concurrent user.

Under our law, the marks are considered registered from the date of filing of an application for this purpose before the Registrar. Initially it is registered for seven years, the trader for renewal has to file application one month before the expiry of the registration the renewal is usually given for fifteen years.

The trader gets legal protection against infringements like unlawful or unpermitted use of his mark by other traders. In Pakistan, a trader with established good will can also file suit under passing off but for sure the former has stronger case to fight. The reason behind, is that the registration, gives the ownership of the mark to the trader, the establish goodwill is irrelevant here.

Likewise, Patent Ordinance defines inventions that include:

⁵¹ 2nd chapter page 41 of thesis

"any new and useful product, including chemical products, art, process, method or manner of manufacture, machine, apparatus or other article; substance or article or product produced by manufacture and includes any new and useful improvement of any of them and an alleged invention".⁵²

As a result of this process the resultant products, are further defined as "any substance, article, apparatus, machine or a chemical product".⁵³

The patent law requires that the subject of patent's application should be the state of the art invention and qualify for industrial application.⁵⁴

An invention should be new, and for getting it registered as patent the invention should qualify that it is new, every things related to it is disclosed to the public. That publication must include complete specification and inventive step. The last is that invention has the capability of industrial use. Such an invention or a product passed through such a process is eligible to be registered as patent. The Law has laid down proviso for grant of patent for "animals or plants other than micro-organisms and essentially biological process for the production of animals or plants" but not applied to "micro-biological processes or products of such processes".

Under the Pakistani law the application for a patent shall be filed before the Controller and shall be on a prescribed form with a declaration that the applicant is in

⁵² Patent and Design ordinance sec. 2

⁵³ Ibid.

⁵⁴ Patent and Design Ordinance section. 8.

possession of the subject invention. In case of joint application, an applicant must claim that he is the first inventor.

One application shall be used for registration of one production / invention only, other documents enclosed with the application shall be:

- (a) Complete specifications, particularly describing the invention and its method.
- (b) That the invention is disclose, made to public; and
- (c) The scope of the invention to be protected.

The Controller will further take eighteen months to twenty-one months, where extension of time is sought by the applicant to either accept or refuse the registration of that application. The accepted application then will be presented through its publication in the Gazette for objections from the public with the time limit of four months.

In case of foreign applicant, such an applicant shall also provide the application for patent filed abroad for the same invention as applied for in Pakistan. The foreign applicant shall furnish the following documents with his application:

- (a) a copy of any communication received by the applicant concerning the result of any search or examination carried out in respect of the foreign application;
- (b) a copy of the patent granted on the basis of the foreign application; and

- (c) a copy of any final decision rejecting the foreign application.⁵⁵

All above mentioned statutes have been amended in consonance of the TRIPs, and they do recognize the infringement of passing off. The latest international law adopted by almost 153 countries, continuously encouraging the courts of various states to entrain the cases of unregistered traders with established goodwill.

As a latest development we may discuss a case, where the Court held that 'misrepresentation by silence can constitute an actionable misrepresentation. A trader may make a misrepresentation by failing to correct a self-induced mistaken belief of a customer, where the trader takes advantage of that mistaken belief. Failure of a trader to disabuse customers of the impression that they are dealing with the brand owner may be sufficient to constitute passing off.' British Sky Broadcasting Group Plc & others v Satellite Direct UK Limited & others, 8 December 2006 [2006] EWHC 3165, (Ch) Briggs J.⁵⁶

b.ii. Protection and legal action available to the plaintiff in Pakistan:

Various civil and criminal remedies are available to the aggrieved traders, where trade mark rights and goodwill are infringed. The Pakistan Penal Code and the Merchandise Marks Act 1889 deal with criminal actions available to the plaintiff, whereas, on the civil side plaintiff can take up his case under the Act 1940 , Patent Ordinance,

⁵⁵ Patent and design Act 2000 sec. 20

⁵⁶ Oxford Journals / Journals on Intellectual property law and practice.

Copyright Ordinance, Competition Ordinance and common law precedents.

The Act 1940 statute provides certain conditions, under which any act or omission can be declared as infringement, these are:-

- a) Where the subject mark is used by unregistered user.
- b) when defendant uses the contents of the registered mark and create similarity in the out look of the mark that result in confusion to the consumer and there is likelihood of damage to good will and trade.
- c) the defendant uses the subject mark in the course of trade and for the same product for which the plaintiff got register it.
- d) when the defendant uses his mark in such a way that it creates links or reference to the product of the plaintiff.

Where a plaintiff proves an infringement the courts in Pakistan usually grant injunction that is to restrain the defendant from further usage of the subject trade dress or marks. Such suit can be filed in a District Court and not in any other inferior Court.

Similarly patented invention can be exploited in following ways as determined by law:-

- (a) when patent has been granted in respect of a product;
 - (i) making, importing, offering for sale, selling and using the product; or

- (ii) stocking such product for the purposes of offering for sale, selling or using;
- (b) when the patent has been granted in respect of a process;
 - (i) using the process; or
 - (ii) doing any of the acts referred to in clause (a) in respect of a product obtained directly by means of the process.⁵⁷

The law further provides remedies; available to such a patent holder who's right has been violated i.e. to institute a suit against the trespasser who commits any of the above referred action. The Court is also empowered to grant orders to immediately and assertively stop the defendant from his action. The plaintiff whose mark is infringed under the law can pray for an order for the delivery up of such infringing goods and products as the Court deem fit.

- (1) Infringement in trade make act is defined as under:
 - (a) the goods or their packaging was infringed bearing a registered trade mark;
 - (b) the goods are proposed to be imported into Pakistan and the application of the mark in Pakistan to them or their packaging would be an infringement of the registered trade mark; or
 - (c) the mark has been used in such a way that infringes the registered trade mark.

Further part of the statute describes the "Infringing material" in relation to a registered trade mark will

⁵⁷ www.ipo.gov.pk/patent/Default

be infringing if it bears a mark identical or deceptively similar to that mark.⁵⁸

The law refers to infringement of goods, materials and articles; the general essence is that these are identical or similar resulting in the confusion of the consumer. And that it should not be direct exploitation or misuse of the plaintiff's marks.

C. International Conventions, GATT, TRIPS:

Trade-related aspects of intellectual property rights (TRIPS) were presented and negotiated after the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994. Mainly, United States, European Union, Japan were behind the presentation of the TRIPS with a idea of unilateral economic system under the Generalized System of Preferences and under Section 301 of the Trade Act. Pakistan is also a member of World Trade Organization WTO and signatory of TRIPs.

After the Uruguay Round, the GATT became the basis for the establishment of the WTO. The TRIPS is the strong reason for globalization of intellectual property rights IPR, the reason behind that its ratification by the member country is compulsory to get further access to the international markets. The TRIPS standard for intellectual property rights is compulsory on the members countries to amend their laws in accordance with these standareds and follow the given enforcement mechanism as well. The WTO

⁵⁸ www.ipo.gov.pk/trademarks/Default

also gives dispute settlement mechanism for dealing with matters among states.

Various IPRs are protected under the TRIPS, it has laid down standards in following categories of IP: -

- a. Copyrights and related rights
- b. Trademarks
- c. Industrial Designs and Patents
- d. Protection of undisclosed trade secrets
- e. All related rights to the above spheres

The standards set and ratified by the member country are compulsory to be adopted within five years and these are minimum standard that members can extend their level.

In TRIPs copyrights are extended to the works of performers, productions of broadcasting organizations and computer programming etc. All such rights are protected for fifty years, however, broadcasting productions are protected for twenty years. The signatory Countries can extend this protection period but cannot decrease the limit. In respect of various fields of copy rights the TRIPS is based on the Berne Convention, which was agreed upon earlier the TRIPS and more elaborately explain the copy rights.

All trade marks and service marks are protected under the TRIPS, the agreements contain another obligatory provision on the signatory countries that to prevent the use of any sort of presentation of a product that reflects the reference that the product originates in a geographical area not the actual true place of its origin. Such infringements are generally protected under the passing off.

Industrial designs, created independently are protected under the TRIPS, the infringement of such a patent, in signatory country is protected through administrative process and judicial process. In case of violation of industrial design remedy of passing off is also available to the plaintiff. shall be protected.

In a patents case there are three things necessary for the patent registration i) that the product is new, ii) involves a process of invention, and iii) such invention is capable of industrial use. These inventions can be in fields of science and technology, but for the reasons to avoid commercial exploitation, protection of human dignity, morality and to avoid damage to environment some restrictions are placed.

TRIPs let the signatory countries open to frame their statutes on sui generis but in the light of provisions of the agreement. The guidelines at such level cannot be provided as they have to be variant according to particular place, product or invention.

The Washington Treaty, which is also the reflected in the TRIPS Agreement gives protection to the intellectual property i.e. designs, patents etc. The logic behind this is to protect efforts of its creator and fruits of such creation must be borne by him only.

The TRIPs agreement also gives protection to undisclosed secrets or information. The affected party can seek remedy from the Court. Generally Court follows

common law in providing relief in leakage of trade secrecy cases.

While reviewing the above rights recognized by the TRIPs, we analyze that TRIPs acknowledges passing off as a trespass to a trader's business. Registration of patents, trademarks and copyrights is always a pre-requisite for creating ownership on a product or invention but for initiating action of passing off, TRIPS also ignores it to be essential. It also be mentioned here that our present laws are framed in the light of the provisions of TRIPs and reflect its essence and also cover the protection from passing off not only in the national boundaries but in the foreign countries as well.

4. REMEDIES AND RECOMMENDATIONS:

a. Injunctions.

- a.i. Injunctions.
- a.ii. Damages.

b. Recommendations.

- b.i. Legal Recognition and awareness among masses as a separate wrong.
- b.ii. Need for increase of present judicial establishment.

In this chapter we will focus on the major remedies available to the plaintiff e.g. injunction and payment of compensation and recommendation for countering this tort is our markets.

a. Remedies:

a.i. Injunctions.

Injunctions are of two types i.e. permanent and temporary, like any other civil suit plaintiff during the trial can pray for grant of interim injunction. Likewise, the Court can grant it immediately after filing of such a suit. Permanent injunction is relief for plaintiff to permanently restraining the defendant from interfering in the plaintiff's business and from committing passing off.

The judges in Court of appeal have laid down there conditions for getting injunction in a passing off suit:⁵⁹

"First, where there is passing-off established or it is threatened. Second, where the defendant is a joint tort feasor with another in passing-off either actual or threatened. Third, where the defendant has equipped himself with or intends to equip another with an instrument of fraud. This third type is probably mere *quia timet* action".

To understand it further we may look at two cases.⁶⁰ The facts of the first case were, that both the plaintiff and defendant were engaged in courier business. The plaintiff had old business with the title of 'Fay Yeng', whereas, the defendant after a decade of establishment of the

⁵⁹ *Norwich Pharmacal Co v Customs and Excise Commissioners* [1974] AC 133

⁶⁰ *Fast-Link Express Limited v. Falcon Express Limited* (HCA 2040/2005; 30th Dec. 2005)

plaintiff's business started the same business with same name but considering that his title of business had different meaning then that of the plaintiff's. The Plaintiff filed a suit against the defendant for passing off with plea that customer or potential customers will be confused. The customer will be dealt by defendant, whereas, they would be of that thought, that plaintiff is the service provider.

While considering the evidence and evaluating the facts of the case, the Court was of the view that the plaintiff had established goodwill in the said trade as he is working in the market from a longer period. The court also gave weightage to the evidence of misrepresentation and likelihood of confusion to the consumer. The court in general was satisfied that the plaintiff gave solid evidences against the defendant and accordingly, the Court granted injunction in favor of the plaintiff.

We may also study another case British Telecommunications v One In A Million Ltd [1998], the defendants engaged in practice of registering well established trade marks and names without the consent of the owners and they further used to sell those marks to the real owners of the goodwill, e.g. they offered 'bt.org.' on payment to British Telecommunications company.

The plaintiff prayed for grant of injunction restraining defendant from such activity. The plaintiff presented two causes of action;

- i) that defendant had an intention to infringe the plaintiff's rights in future through deception to customers, and

- ii) that activity took place in the course of business and there was an apparent threat of passing off.⁶¹

The Court of appeal upheld the grant of injunction by the lower court; on the reasoning of various cases, where the tort was although to be completed, yet the court granted injunction. The examples vary from restraining the defendant from selling material for an infringing product or to the supply of goods and labels facilitating such infringement abroad. And from a case where a foreign trader is protected from passing off who is still in the process of establishing his goodwill and in a case where the defendant titled his business using names of two well established companies.

a.ii. Damages.

Where the tort of passing off has been committed the plaintiff can pray the Court for decree of compensation to be paid by the defendant.

- a. The amount of compensation can be the profit obtained by the infringer during the period of infringement; or
- b. The amount of compensation can be the loss suffered by the trademark holder during the period of infringement, including reasonable cost incurred to stop the infringement; or
- c. If the above profit or loss cannot be properly calculated, the court will decide

⁶¹ British Telecommunications Plc and others v One In A Million Ltd and others [1998] EWCA Civ 1272 (23 July 1998)

maximum limit given in the statute as the compensation.⁶²

The plaintiff while building his case for compensation has to collect evidence, usually private investigators are frequently engaged to collect data of profit gained by the defendant and also for compiling the evidence that how much loss plaintiff has suffered.

The Trader Marks Ordinance 2001, enlists following reliefs, to be given by the court in cases of infringement:⁶³

- (a) The court can order the defendant to immediately stop the infringement,
- (b) In case of imported goods causing infringement, the court can stop its entry in the market even after the custom clearance;
- (c) The Court has discretion to order the defendant to pay compensation to the plaintiff for the injury caused by him.
- (d) The Court can also order for grant of others expenses to be paid to the plaintiff by the defendant incurred in such litigation.
- (e) The Court is empowered to order for recovery of profits, damages and pre-established damages, even in cases where the defendant un-knowingly engaged in infringement. This particularly refers to passing off action as well.

⁶² Reverse passing off in trade marks infringement hg.org/article.asp?id=5475
⁶³ Sec. 61 of the Trade Marks Ordinance 2001

- (f) The Court can also order for disposal of the infringing goods outside the course of business.

Where a person has infringed a registered trade mark, the Court can order for the destruction or removal of the infringing goods, material or articles.

Compensation must be awarded in a careful manner keeping in view all the relevant aspects of loss suffered by the plaintiff. If such loss is not properly awarded to the plaintiff than actually that harm is being suffered by the whole economy. Low compensation award will never deter the other infringers from committing such a tort.

b. Recommendations:

b.i. Legal recognition and awareness among masses as a separate wrong.

While adopting the common law and the principles of equity, Pakistani law also acknowledged the action against the tortfeasor of passing off. The action can be initiated under the specific relief act and under the Trade Marks and Patents Act. The general reason for lesser number of such cases in the court is that, in Pakistan actions are rarely taken in tort. Even though the country system is based on common law, people are reluctant to approach court for resolving such cases.

Another major reason is that most small but well established business still do not have registered their goods or services, and if someone passes off their goods the injured party is reluctant to approach the court, with the assumption

that probably they will not be compensated because of being un-registered. However, in passing off plaintiff with un-registered mark or patent is protected and covered.

There is great need that manufactures in our market are made aware of their rights. There are examples in our markets like 'RAHAT" with a same font style and color is being used both by a chain of bakery and by a chain of shopping malls and both are not registered. Likewise another trade mark of "Bareeze" clothing rage is passed off with ordinary embroidered printed cloths.

Besides, these two examples there are numbers items which are being passed off in our markets. However, very rare cases are brought before the court, major reason behind it is that the people do not have awareness about tort actions, secondly, traders are not aware that their unregistered goodwill is protected under the law. Another reason is that judicial procedure is lengthy and cumbersome that traders with small business in such a case do not approach the court. Another way of settling down such matters is mediation outside the court or it may result in business feuds.

Keeping in view the above and the fact that statutes have been updated in accordance with the international convention and IPR are made classified and more sensitized. But there is a great need that people made be aware of their new created rights and they must be assured of such procedure through which they can achieve their rights.

There is an apparent need to make awareness; not only among the producers, as passing off creates rights for them; but among the consumer as they are not a direct focus group being affected by this tort rather they are the ultimate users of such products.

b.ii. Need for increase of present judicial establishment:

In the earlier recommendation to cope with passing off in markets, it is recommended that national statutes must recognize this wrong and awareness must be made in public about torts and specifically among the business community and among the holders of small trade / enterprises regarding the various economic torts and unfair trade practices.

There is also a great need to establish a system on the administrative / executive side to counter torts. The rules that govern the law of torts are laid down by the Courts through their decisions with reference to the common law.

In case of infringement to a patent or copyright or the administrative bodies generally impose fines or restriction on the infringer for his acts. The administrative bodies, even though have been constituted under the statutes but they are not empowered to award pecuniary compensation for the affected trader which is to be paid by the infringer; rather the Courts generally award such compensation or damages.

The authority with administrative powers to check infringements in the trader related infringements are commonly empowered to seize the goods or equipment used in the commission of such infringement. But there are two

difficulties in exercise; one is that effectiveness of such action, as they are not disclosed to the public. Another is that the administrative authority award meager penalties on the infringing trader so it is not a good deterrence for other traders who are likely to infringe in passing off.

Here in Pakistan such administrative bodies are operatives namely Registrar, Controller to deal with matters of registration to infringements regarding patent, copyright and trade marks. In the last recent years Intellectual Property organization (IPO) of Pakistan is also established. The manifesto of the IPO is totally based on the standards set by the TRIPs.

For countering passing off, economic torts or unfair trade practices there is great need that administrative and judicial forums are available to the people. Presently, under the copyright, trademark and patent laws administrative actions, through which a small IP owner can pursue that channel for getting remedy. These statutes also provide judicial remedies to the aggrieved traders; an essence can be derived from these laws that legal protection is available to registered owner and not to the ordinary unregistered IP owner. It is necessary that greater protection should be given to such traders.

Our Courts are already overburden with the Civil and Criminal litigations, similar Courts are also empowered to deal with the IP related matters, but the number of these courts is not increases to deal with the ever increasing number of litigation or in ratio of the population. The setup of present judiciary is same, only the powers of the courts are enhanced by various the statutes and legislation. The result

is that petty issues like tort related matters just linger on in the Courts for lengthy period of time. People generally avoid approaching the Courts as the process takes a lot of time to get justice.

In Pakistan tort or Civil wrong is an area which is being neglected since long and the major reason behind this inappropriate number of courts in comparison to the population. The legal protection in tort cases especially in the economic torts sphere can be achieved through establishment of courts according to the population. If a judge is dealing two hundred to three hundred cases daily, one can not expect timely delivery of justice to the litigants.

In this view an increase in the courts and appointment of qualified judges can result in speeding disposal of cases, such disposal will result in many healthy effects in the social and economic lives of the people, firstly, people will develop trust in the judicial system, and they will get the justice without unnecessary delay. There will be greater awareness among masses about their rights; the Courts for dealing with civil wrongs will be another forum where awareness can be made to the masses. The advantage for establishing courts will be lifting of burden from the courts and shared by the extended judicial system. Here will be lesser chances of omission or commission of error of Law and facts by a judge.

Speaking of a higher level, it is proposed that a civil wrong division in the provincial judicial systems may also be established as special legislation is not required to that extent. As mentioned earlier that through increase in the number of courts, people will get speedy relief. They can

appeal to a higher courts, if they are not satisfied with the decision of the Lower Courts. That judicial chain will end up in the Supreme Court, as being the final and absolute forum for decision of the appeals.

When any case of passing off is put up before a court and the plaintiff is demanding for compensation to be paid by the defendant, the court need evidence to evaluate and for fixing the amount of compensation. In continuation of the proposal of more courts, each and every trader made bound to maintain and update their balance sheets, not only for the audit purposes but for determination and calculation of compensation as well. Such documentation will also be helpful in income generation for the government through tax collection as well.

While calculating compensation, the court must consider that the infringement in the business could have affected the potential growth. The pre-infringement profit is good indicator for determination of such compensation and it also help in determining the exaggerated demand of money by the plaintiff. It will be over estimation that all loss to business has occurred due to tort, so we see that in evaluating the losses, gains and market responses to the infringement i.e. passing off Court will need expert economic, and business opinion to calculate accurate and appropriate compensation. The Court can also have look on the gains of the defendant earned as result of such infringement, but for determining compensation for the plaintiff, it is not necessarily good relevant evidence.

To sum up this recommendation, it is emphasized that increase in present number of the courts in ratio to the

population will benefit in terms of; i) speedy justice to the people, ii) check and balance as more and more affected persons will approach the court, iii) awareness among masses about their right and duties through judgments and orders of the courts iv) will encourage the producer / enterprisers to discipline their business; and v) such organized and disciplined businesses will be source of income generation through taxation to the government. Besides, administrative agencies, judicial system should cover the civil wrongs for achieving active business environment.

Conclusion:

The wrap up of my study on the topic of effects of passing off in Pakistan, is that the tort of passing off is very much committed in our markets like in any others developing country.

Passing off is confused with fraud, cheating and imitating, however, it is simpler than other resembling torts as comprising of misrepresentation, by a trader in the course of business, confusing the consumer and such a confusion threatens to cause damage or results in damage to goodwill or gains from the business.

It is different from various other torts because there can be no element of malice or even simple intention on the part of infringer. The plaintiff can also come up with the prayer to restrain the defendant with simple plea that there is prospect of damage to the plaintiff's business, however, actual damage has not incurred.

Passing off is recognized by common law and courts by the end of 19th century started entertaining such cases. Pakistan being a common law country and being a signatory of TRIPS agreement in the recent past also acknowledges this tort. Statutes have been revised under which registered owner of intellectual property is given more protection but essence of these law also give indication towards protection of unregistered owners, as the case in passing off.

Passing off is not particularly a subject of intellectual property law, or more so a business tort. Besides damage or creating threat to the goodwill and profit of the

trader, passing off also effects the consumers, who get confused about the brand of goods they use and it results in affecting free and fair competition in the market. The plaintiff in passing off case is available with two major types of remedies through judicial process, i) injunctions and ii) grant of compensation / damages.

It is appreciated where that courts award heavy damages on the traders committing economic torts which results in loss to the plaintiff. The reason behind is that if such award is not announced that then the resultant toil be suffered by the plaintiff, will ultimately be put on the market.

Presently, cases of this tort in our court are being entertained through trademark, copyright or patent statutes clipped with specific relief law. But the study reveals that in Pakistan there is great need to first codify the torts including the business torts and to establish separate courts as our judicial system is already over burdened.

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