

12 A Comparative Study of Passing off among of the UK, Japan and China ^(*)

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Passing off is a tort that the goods of the defendant are falsely represented as the goods of the plaintiff, usually, by using the plaintiff's indications as means of misrepresentation. Passing off prevention origins from the UK common law. However, in the statute countries such as Japan and China, there are the Unfair Competition Prevention Act in Japan and the Anti-Unfair Competition Act in China. In the two statutes, there are the provisions of passing off which are similar to the law of passing off in the UK. In this research, a comparative study about passing off is made among the UK, Japan and China. Principles of passing off in the three countries have something in common and also have differences. Passing off is regarded as one act of unfair competition in the three countries. By comparing the four aspects of the types of indications, the elements of passing off, legal liability, the relationship between passing off and trade mark law in the three countries, the conclusions have been drawn that the law of passing off in the UK and passing off provisions of the Unfair Competition Prevention Act in Japan are quite similar and satisfy changes of commercial situations. However, the passing off provisions of the Anti-Unfair Competition Act in China seem under development. Suggestions have been made to narrow the gap between the UK, Japan and China.

I Introduction

1 Definition and nature of passing off

The law of passing off origins from common law of the United Kingdom (the UK). Passing off action can be regarded as the oldest action for the protection of goodwill. The basic principle of the law of passing off was better expressed by Lord Halsbury in *Reddaway v Banham*¹, "For my self, I believe the principle of law may be very plainly stated, and that is that nobody has any right to represent his goods as the goods of somebody else. How far the use of particular words, signs, or pictures does or does not come up to the proposition which I have enunciated in each particular case, must always be a question of evidence, and the more simple the phraseology, the more like it is to a mere description of the article sold, the greater becomes the difficulty of proof, but if the proof establishes the fact the legal consequence appears to follow." In short, passing off is a tort that the goods of the defendant are falsely represented as the goods of the plaintiff, usually, by using the plaintiff's indications as means of misrepresentation.

Changes of this concept can be seen from the history of passing off. The action of passing off was first recognized in the Elizabethan case of *JG*

*v. Samford*². The most recent authoritative statement of the law of passing off can be found in *Warnink v Townsend*³, in which Lord Diplock summed up five elements of a valid passing off action: (i) a misrepresentation; (ii) made by a trader in the course of trade; (iii) to prospective customers of his or ultimate consumers of goods or services supplied by him; (iv) which is calculated to injure the business or goodwill of another trader and (v) which causes actual damage to a business or goodwill of the trader by whom the action is brought or will probably do so. In *Reckitt & Colman v. Borden*⁴, Lord Oliver made the elements into three: goodwill, misrepresentation and damage.

Passing off in the UK is deceit tort and the infringer takes advantage of other trader's goodwill by misrepresentation that his goods can be regarded by the consumers as the other trader's. The UK does not have statute of unfair competition prevention law. Passing-off is regarded as unfair competition act under the common law system. Japan and China are statute countries. There are the Unfair Competition Prevention Act in Japan and the Anti-Unfair Competition Law in China. In the two laws the provisions⁵ of passing off are similar to the law of passing off in the UK. Principles of passing off in the three countries have something in common and also have differences.

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2 Passing off and unfair competition

(1) The meaning of unfair competition

According to Article 10bis of Paris Convention, which defines unfair competition as any behavior against commercial principle of honesty in the industrial or commercial practice, every member country committed to prevent the acts of unfair competition.

(2) Passing off and unfair competition in the UK, Japan and China

Unfair competition prevention has economic value to society. Passing off prevention is one example. Passing off prevention is the protection for the traders whose goods and services are trusted by consumers in order to make these traders develop their goodwill without disturbance. Passing off prevention is also the protection for the public benefit, so that the public cannot be damaged by misleading origin.

In the UK, the concept of unfair competition is developing in the name of passing off and its scope is equal to the area of passing off. However, the sphere of passing off is not definite, and it has absorbed new ways to adapt new environment.

The term of Passing off is originally used in the UK, but there are similar regulations in the Unfair Competition Prevention Act of Japan. In Japan, passing off is regarded as “the oldest and most important act of unfair competition.”⁶ It requires goods or services of one trader to be mistaken for goods or services of another.

There is one provision of passing off in the Anti-Unfair Competition Law⁷ in China and there is a judicial explanation by the Supreme Court of China to regulate passing off in detail. Passing off in China is also an important unfair competition act and in practice there appear many cases about passing off. However, there are some problems in theory, such as elements of passing off are not clear enough; legal liability does not follow the international trend; the relationship between passing off and trademark law is vague. So, the concept of passing off in China needs to be perfect in order to protect against acts of unfair competition.

II Indications in the law of passing off

1 Distinctiveness

(1) The meaning of distinctiveness in the law of passing off

Distinctiveness is a legal term in the law of passing off. If it is conferred that the plaintiff's goods could exclude other trader's goods, the trademark, name or get-up on the goods can be regarded as distinctiveness. The most important thing is that the relevant public can relate the trademark and goods together. If the relevant public cannot connect the trademark with the goods together, it is not distinctiveness as a legal term, no matter how original, impressive and special the mark is because the mark does not have trademark function. In verse, even if the mark itself is not novel, it can consist of distinctiveness in legal meaning. The important thing is the function of the mark rather than the originality of the mark.

(2) Elements of distinctiveness

A trademark gets distinctiveness through use, but no legal principle to regulate to what extent of use is enough to launch action of passing off. The key point is some portion of relevant public makes sure the trademark is distinctive. Generally, the plaintiff gets advantage because he uses the trademark for a long time and in big size. However the two elements are not fundamental. It is common that when the defendant's business field has slight difference from the plaintiff's and the plaintiff does not use this trademark enough, the plaintiff is likely to fail.

2 Types of indications in the UK

(1) Descriptive and generic names

Descriptive and generic names, words and phrases can only be protected when the plaintiff proves they have gotten secondary meaning.

(2) Place names and personal names

Place names can become distinctive regardless whether the names are famous or obscure. The main issue is only the fact that whether the name can recognize the origin of goods and services. Personal names often become distinctive and can be trade names on business or trademarks on goods.

(3) Initials

Cases show that initials or arbitrary combinations of letters may be distinctive and the use of confusingly similar letters will be prohibited.

(4) Titles

The titles of newspapers, magazines and other periodical publications can be regarded as trademarks. When the same or similar title is used, the liability of passing-off may arise.

(5) Get-up

Get-up means a capricious addition to the article itself – the color or shape or the wrapper or anything of that kind⁸. The plaintiff must show that the confusion arises from those features of the get-up which are distinctive.

(6) Visual marks

Labels and pictures as a whole may be distinctive. Symbols, devices and logos can also be distinctive.

(7) Miscellanea

There are other indications which had cases of constituting passing off, such as numerals, telephone numbers and manner of trading, whole manner of trading and so on. In all, the sphere of indications in the UK is quite wide and indefinite.

3 Types of indications in Japan

According to the Unfair Competition Prevention Act, the indications in Japan should include “a name, trade name, trademark, mark, or container or package of goods used in relation to a person's business, or any other indication of a person's goods or business”.⁹ This provision includes two parts, one part is to exemplify kinds of indications such as name, trade name, trademark, mark, or container or package of goods. The other part has indefinite meaning that any other indication of a person's goods or business. Such act would be passing off.

However, there are some exceptions. For example, there will not be distinctive when the colors can only be distinguishing feature. In a case of color¹⁰, the plaintiff had provided household electronics and furniture for university students for many years. Their products are all dark blue. When the defendant used the same dark blue for their household electronics products, the plaintiff sued for passing off. The Osaka High Court held this use did not constitute passing off, because

one color cannot be monopolized by one company.

4 Types of indications in China

(1) Exclusive name, dress, ornamentation

According to Art.5(2)and (3) of the Anti-Unfair Competition Law of China, there are some indications used in passing off actions. They are exclusive name, dress, ornamentation of well-known goods, trade name, a person's name.

Exclusive name refers to the name used exclusively on well-known goods. But the name which is registered is excluded. Dress in the Anti-Unfair Competition Law can constitute commercial indications, but the function of dress is not protected. “Ornamentation” refers to the words, drawings, colors or combination above all on the goods or services in order to distinguish and beautify goods”. Here, the distinguishing meaning and function of ornamentation are also put together. In fact, according to the Anti-Unfair Competition Law, ornamentation should have only one meaning of distinguishing goods.

(2) Trade name of Chinese company and foreign company

Under the Interpretation of the Supreme People's Court, “trade names are defined as the company names which are registered at administrative authority and trade names of foreign companies which have business in China.”¹¹ So, both Chinese trade names and foreign trade names are protected in China.

(3) A person's name

When a person's name has meaning of distinguishing the source of goods, it is protected by Act. 5(3)¹² of the Anti-Unfair Competition Law.

5 Evaluation

In the law of passing off, using the same or similar indications as means of passing off is most common. The indication should have distinctiveness first. According to the principles of the law of passing off, the distinctiveness should relate to goods and the distinctiveness can be gotten only through use. The originality of indication itself is not prerequisite conditions for getting distinctiveness, so even descriptive words can be distinctive when they originate the goods or services. No matter what indication protected by the law of passing off, the requirement of distinctiveness should be satisfied. The sphere of

indications is different among the three countries. The sphere of indications in the UK is very wide. The sphere of indications in Japan is also wide. Some indications are exemplified and indefinite definition of sphere of the types of indications is determined in the Unfair Competition Prevention Act of Japan. Comparatively the sphere of indications in China is narrower than that of the UK and Japan and some indications are not protected in the Anti-Unfair Competition Law. In practice, the court has to give wider explanation in order to protect some indications. So, China should take the examples of Japan and the UK, wider sphere of indications should be regulated in the law and regulations of passing off in China.

III Elements of passing off

1 Elements of passing off in the UK

The elements of passing off in the UK are goodwill, misrepresentation and damage which are usually called classical trinity. The advantage of classical trinity is that the focus of passing off is in the essential relationship between the three elements. In a case of passing off, the three elements are interacted. Goodwill is necessary for judgment of misrepresentation. Misrepresentation causes or is likely to cause damage to goodwill. Damage of goodwill is the heart of the cause of action. Goodwill itself is generated by trading activity, which is usually the source of reputation. But the existence of reputation does not automatically establish goodwill.

2 Elements of passing off in Japan

(1) The requirement of well known

The courts regard local recognition as geographical range of recognition. But when the markets of both the plaintiff and the defendant are different or are not adjacent, the defendant may continuously use the possibly confusing indication. The recognition of whether an indication is well known or not should be among consumers or other purchasers according to the law, but the courts explain the term in a broad way. Courts in Japan cannot afford exact judgment to determine recognition, but only exemplify relevant circumstances, such as turnover figures, the potential number of customers, the customs in the particular trade, the price of the goods even amount of advertisements in newspapers, on television, etc. Courts in Japan also can accept

survey evidence as one of evidences.

(2) The requirement of confusion

The plaintiff has to show two aspects to prove confusion. Firstly he has to show that his indication is well known and the defendant's indication is the same as or similar to his indication. Secondly, he has to show that confusion is occurred on the goods or business of his own with the defendant's goods or business. That is to mean the defendant's behavior misappropriates the plaintiff's goodwill.

(3) Distinctiveness

If an indication would be protected in the passing off action, the indication should have distinctiveness. So, distinctiveness is one element of passing off in Japan. In the passing off action, according to the Unfair Competition Prevention Act, distinctiveness can only be gotten through use.

(4) Interdependence of elements

Generally, if products are so well known that the public can relate the products with the origin, even the products with common shape or descriptive indication can be protected. Secondly, making the indication or shape or package of products distinctive is not enough for protection, it need further marketing effort to make the public know its business. Distinctiveness and recognition influence the concept of confusion.

3 Elements of passing off in China

According to Art 5(2) and (3) of the Anti-Unfair Competition Law of China, the elements of passing off are as following:

(1) The well-known

According to Chinese regulations, the well-known goods refers to the goods are known in some area of China and familiar by the relevant public. The name, dress and ornamentation of goods are only well known in China and may be protected by Chinese law. It is well known only in the relevant public and does not require it is known by all public or in all markets.

In China a company name must be registered at administrative authority, but it is usually consist of the name of administrative area, trade name, the feature of business field and so on. Among these factors, trade name has the meaning of the most distinctive one. So, the dispute of company names are usually the confliction of

trade names. Therefore, Art.6 (1) of the Interpretation of Unfair Competition states “the trade name which are well-known in some way and is known by the relevant public is regarded as the company name regulated by Art.5 (3) of the Anti-Unfair Competition Law.”

The abbreviation of trade name which is well-known in the market and is known by the relevant public can be regarded as trade name.

(2) Distinctiveness

According to the Anti-Unfair Competition Law, distinctiveness refers to the distinctiveness of trademark which should be used. It includes two meanings: one is the mark which itself has distinctiveness is used to get identification; the other is the mark which gets secondary meaning in the course of use.

(3) Confusion

The judgments of confusion in China have two aspects. From subjective aspect, consumers feel confused about the indication of the infringer and that of the infringed on the same goods or service when the consumers only pay general attention on the goods or service. From objective aspect, the indication of the infringer and the indication of the infringed are the same or similar. The methods of overall comparison and separate comparison are good ways of judging the similarity of indications.

(4) State of mind -intention

In Art.5 (2) and (3) of the Anti-Unfair Competition Law, the expression of “without authorization” means to do something which is not in one’s charge. Obviously, the two provisions mean the infringer intends to use other person’s name, dress or ornamentation of goods or trade name, so the state of mind of the infringer is intention.

4 Evaluation

The elements of passing off between the UK and Japan is similar, though the names of elements seem different. The requirements of well-known and distinctiveness can be satisfied only if the trader gets goodwill. The requirement of confusion is a kind of misrepresentation. So, passing off provisions in Japan are also the protection of goodwill which is damaged by misrepresentation. In China, the elements of the well-known, distinctiveness and confusion are similar to that of in Japan.

There is no intention as one element of

passing off required in the UK and Japan. So, the elements of passing off in China should abandon the intention as its element and regard well known, distinctiveness and confusion as elements of passing off.

IV Legal liability

1 Legal liability in the UK

In a passing off action in the UK, the remedies for the plaintiff would be an injunction, an account of profits or an inquiry as to damages. When the act of the defendant makes consumers confused about the origin of goods and services, and regard the defendant’s goods or services as the plaintiff’s, and the plaintiff’s mark is very distinctive of his goods, injunction will be granted. If the plaintiff is successful in a passing off action, it is usual to ask for the damage. It is a question for the court to order an enquiry when the possibility of damage of the plaintiff is very small. In passing off action of the UK, there are no cases to decide criminal liability and administrative liability. So, only civil liability is applied in the passing off action.

2 Legal liability in Japan

There are five types of legal liabilities regulated in the Unfair Competition Prevention Act. They are injunctive relief, damages, destruction of infringing goods; restoration of business reputation; criminal enforcement.

3 Legal liability in China

The Anti-Unfair Competition Law in China regulates civil liability for remedy of passing off damage. Under Art.21 of the Anti-Unfair Competition Law, the administrative liabilities for passing off are as following: ordering the defendant ceasing the offense, confiscating the illegal income, and imposing according to circumstances, a fine of more than twice and less than three times the amount of illegal income; revoking his business license, When the circumstances are serious. So there are at least four kinds of administrative liabilities for passing off. In the Anti-Unfair Competition Act. According to Art. 21 of the Anti-Unfair Competition Law, the criminal liability are not clearly defined, and it stipulates “where an operator sells goods which are counterfeit or of inferior quality, constituting a crime, his criminal liability shall be investigated

according to law.”

4 Evaluation

Legal liability in the UK is made case by case. There is only civil liability taken by the defendant in the UK and no administrative and criminal liability are granted by the court. In the civil liability, injunction is the most important remedy for the plaintiff and is usually used in the court. Though damage is also important for the plaintiff to recover his loss, it is difficult to quantify and the court is left at its discretion to grant to the plaintiff. Japanese law takes the civil liability as the main means of remedy and criminal punishment as supplementary measures, while Chinese law takes administrative liability as main measures and civil remedy as supplementary measures of remedy. Therefore, China should change into civil remedy as main measure and administrative and criminal liability as supplementary measures.

V Passing off and trademark law

1 Passing off and trademark law in the UK

The law of passing off is always flexible, easy to adapt changes of commercial environment. Firstly, the indications were adopted in the case of passing off, and then were absorbed by trademark law. The Trade Marks Act 1994 absorbed many indications which were only protected by the passing off cases before. So, the law of passing off can be regarded as precedent example for indication protection of trademark law. The plaintiff can bring passing off action as same as bring trademark infringement action when the trademark is registered by the plaintiff.

2 Passing off and trademark law in Japan

In Japan passing off is one of very important unfair competition act. So, the Unfair Competition Prevention Act and Trademark law can be compared to two wheels of a car for maintaining fair competitive order.¹³ According to Japanese theory, trademark infringement is one part of unfair competition act. In other words, trademark law is one part of the Unfair Competition Prevention Act in the broad sense. So, many rules of passing off of the Unfair Competition Prevention Act are similar to rules of the trademark infringement. The sphere of indications protected by the Unfair Competition

Prevention Act is wider than the sphere of trademark protected by trademark law.

3 Passing off and trademark law in China

Though from the provision of Art.5 of the Anti-Unfair Competition Law relationship between passing off and trademark law can be seen, but the relationship is not clear enough. Art. 5 (1)of the Anti-Unfair Competition Law shows passing off registered trademark is one kind of passing off .In other words, registered trademark can be regulated by trademark law at the same time by the Anti-Unfair Competition Law. Passing off registered trademark can be equal to trademark infringement of Trademark Law. So, the standard for passing off registered trademark should be the same to trademark infringement. But, in reality, they are quite different. As to trademark infringement, confusion is not regulated as one element of infringement standard in Trademark Law. In verse, compare to passing off registered trademark, confusion should be element of passing off. Because the meaning of passing off means regarding one's goods as someone else, it implies that there is confusion.

4 Evaluation

Passing off has close relationship with trademark laws in the UK and Japan. The indications are almost protected by the law of passing off first, and then are absorbed into trademark law. But, the situation is different in China, the relationship between them is not clear.

VI Conclusion and suggestions

1 Conclusion and suggestions to China

The law of passing off of the UK and the passing off provisions of the Unfair Competition Prevention Act of Japan are quite similar and satisfy a change of commercial situations. However, the passing off provisions of the Anti-Unfair Competition Law in China seem under development and has some drawbacks. Compare to the UK and Japan, the following four aspects of passing off should be clearly regulated in Chinese law: The sphere of indications should be widened; The subjective state of mind –intention as one element of passing off should be abandoned; Turn the administrative legal liability as main measure into civil legal liability as main

measure and administrative and criminal legal liability as supplementary measure; Regard Trademark Act as one part of the Anti-Unfair Competition Law in broad sense and regulates passing off provisions as promotion of trademark law. In all, China should learn useful principles about passing off from the UK and Japan.

2 Suggestions to Trademark Act of Japan

As described above all, passing off provisions of Japan have developed well. Though passing off provisions of the Unfair Competition Prevention Act do not belong to the field of industrial property right in Japan, they still have useful enlightenment to the field of industrial property right, especially to the Trademark Act.

Firstly, confusion is one element of passing off. Because trademark infringement can be regarded as one of unfair competition acts, many rules of passing off judgment under unfair competition law are similar to trademark infringement. However, confusion is only used in court to decide trademark infringement but not regulated in the Trademark Act as judgment of trademark infringement. So, confusion should be regulated in Trademark Act as one judgment of trade mark infringement.

Secondly, the sphere of indication protected by the Unfair Competition Prevention Act is wider than the sphere of trademark protected by Trademark Act. Before 1997, three dimensional marks can only be protected according to the Unfair Competition Prevention Act. Some other indications may appear in the future, and they may be protected first by passing off provisions according to the Unfair Competition Prevention Act, because the law is apt to change of commercial situations. After that they may be adopted by Trademark Act. Passing off provisions of the Unfair Competition Prevention Act can promote the development of Trademark Act.

⁹ Unfair Competition Prevention Act of Japan Art. 2(1)(i).

¹⁰ "It's" series case, Osaka high Court.

¹¹ Art. 6 (1) of Explanation of Unfair Competition《不正当竞争解释》6条1款

¹² Art. 5.(3) An operator may not adopt the following unfair means to carry to transactions in the market and cause damage to competitors: using, without authorization, the business name or personal name of the other person on his own goods, leading people to mistake them for the goods of the other person;

¹³ Minoru Moribayashi, Prior Use on Trademark Law and Unfair competition Law, Annual of Industrial Property Law, Vol. 26 May 2003, p93.

¹ (1896) 13 R.P.C. 218 at 224 (HL).

² First cited as a precedent in *Southern v. How* (1617) Cro Jac 468, 79 E.R. 400.

³ (1979) A.C. 731.

⁴ (1990)1 W.L.R.491; (1990)1 All E.R.873.

⁵ Act. 2(1) i of Unfair Competition Prevention Law of Japan and Act 5 of Anti-Unfair competition law of China.

⁶ Christopher Heath, the System of Unfair Competition Prevention in Japan, Kluwer Law International publishing house, p81.

⁷ Art. 5 of the Anti-Unfair Competition Law of China.

⁸ *J B Williams & Co v. Bronnley & Co Ltd*, (1909)26 R.P.C. 765(CA).