Is there still a hole in this bucket?  
Confusion and misrepresentation in passing off

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There is a hole in this bucket and the whole of your argument has fallen through it: if an order for ‘Aertex’ may be using the word descriptively, then supply of material not made by the plaintiffs is not passing off, unless it is clear to the assistant that, in the case of that order, the customer wants the plaintiffs’ goods.

Cellular Clothing Co. Ltd v G. White & Co. Ltd  
(1953) 70 RPC 9, 11 (Harman J)

1. Introduction
When the Trade Marks Act 1994 was enacted (in part to implement the European Directive for the harmonisation of the law relating to trade marks across the Member States of the European Community),¹ there was some speculation as to how relevant passing off would remain as a cause of action. The 1994 Act both made it easier to obtain a trade mark registration than had been the case under the Trade Marks Act 1938 and conferred greater rights on those who obtained such registrations. Against this background, some felt that passing off, potentially a more complex cause of action that makes greater evidential demands of claimants and is correspondingly more expensive, might fade into disuse. Experience² and the Court of Appeal’s judgment in the Inter Lotto case³ have confirmed passing off to be alive and well. In fact, that peculiarly English cause of action may be fitter than ever.

When the Arsenal case reached the Court of Appeal in May 2003, Aldous LJ unexpectedly offered an obiter observation⁴ that he was unconvinced by Laddie J’s rejection at first instance of Arsenal’s claim for passing off.⁵ The observation was

1  Council Dir 89/104/EEC.
2  As a rough estimate, by January 2005 there had been at least 120 passing off cases reported since the Trade Marks Act 1994 came into force on 1 November 1994, an average rate of at least one a month for the first 10 years of the 1994 Act’s life and the issues raised in trade mark infringement and passing off actions have been proved to be of similar complexity in many cases.
3  Inter Lotto (UK) Ltd v Camelot Group plc [2003] EWCA Civ 1132 considered the effect of s 2(2) Trade Marks Act 1994. This provides that ‘No proceedings lie to prevent or recover damages for the infringement of an unregistered trade mark as such; but nothing in this Act affects the law relating to passing off’. The Court of Appeal in Inter Lotto held that ‘the clear effect of the section ...is to confirm that the law of passing off is preserved, notwithstanding any apparent conflict or overlap with the provisions of the Act’ and ‘leaves no room ...for the implication of terms, designed by purposive interpretation to resolve an apparent conflict’ between the law of registered trade marks and the law of passing off (Carnwath LJ paras 36–37).
4  Arsenal Football Club plc v Matthew Reed [2003] EWCA Civ 696, para 70.
5  Arsenal Football Club plc v Reed [2001] European Trade Marks Reports 77, para 49.
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unexpected for two reasons. First, this aspect of Laddie J’s original judgment had not been appealed by Arsenal at any stage. Second, Aldous LJ indicated that, in his opinion, Laddie J had failed to appreciate the true breadth and scope of ‘the cause of action traditionally called passing off [but] perhaps best referred to as unfair competition’.6

Citing the Sherry case,7 Aldous LJ noted that the ‘traditional’ form of passing off was ‘no longer definitive of the ambit of the cause of action’.8 The reference was surprising in that the principles in the Sherry case and the Champagne case9 are well established and familiar. The basis for Aldous LJ’s comment is not immediately apparent and merits further investigation.10 Precisely what aspect of passing off did Aldous LJ think an experienced High Court intellectual property judge might have overlooked?

Aldous LJ quoted a section of the Sherry case in which Cross J commented on and endorsed the Champagne case, making three points:

1. that the Champagne case concerned ‘a piece of common law or equity which had until then escaped notice—for in such a case there is not, in any ordinary sense, any representation that the goods of the defendant are the goods of the plaintiffs, and evidence that no-one has been confused or deceived in that way is quite beside the mark’;

2. that although a product labelled ‘Spanish Champagne’ cannot mislead a consumer into believing it was produced in France, an actionable deception arose where a consumer, not knowing that true Champagne was produced only in the Champagne region of France, bought a bottle labelled ‘Spanish Champagne’ believing it to be ‘real champagne’ or the ‘genuine article’; and

3. that allowing other producers of sparkling wine to use the word ‘Champagne’ (even if preceded by an adjective denoting the country of origin) would cause the distinction between true Champagne and other sparkling wines to ‘become blurred’, reducing the meaning of ‘Champagne’ to a synonym for ‘sparkling wine’ and causing that part of the plaintiff producers’ goodwill which consisted in the name ‘Champagne’ to be ‘diluted and gradually destroyed’.11

When an eminent intellectual property judge uses one of his final appearances in the Court of Appeal to express (without needing to do so) a potentially controversial view on the nature of a widely used cause of action, it suggests a review of the current state of the law may be revealing.

2. The development of passing off

As a non-statutory cause of action, passing off has developed through case law and has changed considerably in ambit.

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6 Arsenal Football Club plc v Matthew Reed [2003] EWCA Civ 696, para 70. At first instance, Laddie J had rejected Arsenal’s claim for passing off and (following a reference to the European Court of Justice in Arsenal Football Club plc v Matthew Reed [2002] EWHC 2695) its claim for trade mark infringement on the basis that Reed had used Arsenal’s marks on his products as a ‘badge of allegiance’ and not as an indication of the trade origin of the goods. Arsenal succeeded on appeal in its action for trade mark infringement in part because the Court of Appeal reversed Laddie J’s finding that ‘trade mark use’ (as Laddie J understood that term) was a prerequisite for infringement. However, the Court of Appeal also concluded there was sufficient evidence that Reed’s use of Arsenal’s marks was understood by at least a substantial number of his customers as an indication of trade origin and that this had caused confusion (see Arsenal Football Club plc v Matthew Reed [2003] EWCA Civ 696, paras 67–69) so that, even on Laddie J’s approach, there had been trade mark infringement. This same confusing use would seem likely to be sufficient to support the passing off case that Arsenal had not appealed. However, Aldous LJ’s remarks appear to be suggesting something more significant than this.


8 Arsenal Football Club plc v Matthew Reed [2003] EWCA Civ 696, at para 70.


10 There have been at least 20 reported passing off cases since the Court of Appeal judgment in the Arsenal case was delivered in May 2003. In none of these cases have Aldous LJ’s comments been explored in depth.

11 Arsenal Football Club plc v Matthew Reed [2003] EWCA Civ 696, para 70.
The ‘traditional’ form of passing off occurs where one trader in some way falsely represents that its goods are produced by a different trader and, in so doing, causes damage to the goodwill that the second trader enjoys in its business. It was in this form that the cause of action came to be known as ‘passing off’, since the trader committing the tort was passing off its goods as those of another (or was passing itself off as a different trader). Typically, the misrepresentation at the heart of the claimant’s complaint in such cases is implied rather than express.\textsuperscript{12} It is rare for any trader explicitly to claim that its goods are in fact manufactured by another. Instead, the claimant’s complaint tends to turn on the use by the defendant of some name, mark, logo, get-up, or other indicia by which the consumers of the claimant’s products identify those products as having emanated from the claimant. Other cases have established that passing off may protect even descriptive names and phrases if that descriptive phrase has taken on a secondary meaning in the minds of consumers whereby it serves to identify the source of such goods.\textsuperscript{13} The fact that the phrase also accurately describes the defendant’s product does not correct or excuse the concurrent ‘trade origin’ misrepresentation.

This is not to say that the claimant’s consumers must be able to identify the claimant by name. All that is required in any of these cases is that use of the relevant indicia causes consumers to associate the goods or services in question with a particular (known or unknown) undertaking.\textsuperscript{14} It is sufficient, for example in establishing a misrepresentation, to show that consumers may think that the defendant is in some way connected or associated with the claimants, even if the two are not in competition.\textsuperscript{15} This is an extension beyond the traditional form of misrepresentation which may be relevant in understanding Aldous LJ’s remarks in the \textit{Arsenal} case.

There are forms of passing off that do not turn on any misrepresentation as to trade origin, although some form of misrepresentation remains at the heart of the claimant’s complaint. It may be passing off to promote one class of the claimant’s goods as being of a higher quality class, even though the defendant clearly (and accurately) states that the goods are manufactured by the claimant.\textsuperscript{16} Similarly, it may be passing off to sell ‘as new’ examples of the claimant’s products that have in fact been reconditioned, repaired or altered in some way since leaving the claimant’s control.\textsuperscript{17} It is also possible to engage in so-called ‘reverse’ passing off, whereby examples of the claimant’s products are used to extol the virtues of and attract custom for the defendant’s goods.\textsuperscript{18}

\begin{itemize}
\item \textsuperscript{12} For example, the defendant’s use of lemon-shaped containers for its lemon juice was found in \textit{Reckitt & Colman Products Ltd v Borden Inc. and others} [1990] 1 All ER 873 (the \textit{Jif Lemon} case) to have amounted to an implied representation that its products were made by the claimant.
\item \textsuperscript{13} In \textit{Frank Reddaway & Co. Ltd v George Banham & Co. Ltd} [1896] AC 199, Banham’s accurate description of its product as ‘camel hair belting’ was found to be passing off because that phrase was also distinctive for consumers of products emanating from Reddaway.
\item \textsuperscript{14} In one Australian case, ‘a journalist who wrote a regular newspaper column under a fictitious name and character “Pierpont” prevented his former employer from producing the column, written by someone else, under the same name’. The fact that the public was unaware that the claimant was the author of the Pierpont columns was irrelevant, all that mattered was that the public identified the Pierpont name as connoting a particular source (ie the original author). See \textit{Sykes v John Fairfax} [1977] 1 New South Wales Law Reports 415 as discussed in J. Stuckey-Clarke, ‘Remedies for the Misappropriation of Creative Ideas’ [1989] EIPR 333, 335.
\item \textsuperscript{15} \textit{Erven Warnink Besloten Vennootschap and another v J. Townend & Sons (Hull) Ltd and another} [1979] AC 731 (Lord Diplock 742, referring to \textit{Spalding Bros. v A W Gamage} [1915] 32 RPC 273 and \textit{Harrods Ltd v R. Harrod Ltd} [1923] 41 RPC 74). According to Ladden J, the ‘only activities of the parties to British Medical Association v Marsh (1931) 48 RPC 565 “was that the defendant’s activities damaged the [claimant’s] goodwill’. See \textit{Irvine and another v Talksport Ltd} [2002] EWHC 367, para 25.
\item \textsuperscript{16} \textit{Spalding Bros. v A W Gamage} [1915] 32 RPC 273.
\item \textsuperscript{17} \textit{Gillette Safety Razor Co. and Gillette Safety Razor Ltd v Franks} (1924) 41 RPC 499 (in which the defendant sold ‘as new’ second-hand razor blades produced by the claimant) and \textit{Associated Newspapers (Holdings) v Insert Media Ltd} [1991] FSR 380 (in which the defendant had arranged for the insertion of advertising leaflets between the pages of newspapers produced by the claimant without the claimant’s knowledge or consent).
\item \textsuperscript{18} In \textit{Bristol Conservatories Ltd v Conservatories Custom Built Ltd} [1989] RPC 455, the defendant’s salesmen illustrated its products using photographs of items manufactured by the claimant, thereby impliedly misrepresenting the claimant’s goods as those of the defendant rather than vice versa.
\end{itemize}
Further, the misrepresentation made by the defendant may relate to potentially any characteristic of the goods—including the geographical provenance, composition, or quality and character of the goods. In the Champagne case, the defendant’s description of its product as ‘Spanish Champagne’ was held to be actionable as passing off by a producer of French Champagne. Although no consumer could be misled as to the origin of the defendant’s product, the claimant was entitled to relief on the grounds that its goodwill was likely to be damaged because consumers wishing to purchase Champagne (because of its reputation for quality and its role as a drink of celebration) might not appreciate that only wines produced in the Champagne region of France in fact embodied the qualities that caused those consumers to wish to purchase Champagne. While a producer of Spanish sparkling wine is entitled to encourage consumers to regard such wine as being of equivalent quality to Champagne and suitable for consumption on similar occasions, that producer may not, by calling its product ‘Spanish Champagne’, mislead consumers into thinking that the two wines are effectively identical and substitutable. A similar misrepresentation that the defendant’s goods are equivalent to and substitutable for the claimant’s goods (rather than that the defendant’s goods actually are the claimant’s goods) may be seen at the heart of the Advocaat case.19

The Drinks cases of the 1960s and 1970s20 also established that the goodwill damaged by the defendant’s actions need not belong to the claimant alone. Provided the claimant belongs to the class of traders with goodwill which is damaged, the claimant will be entitled to halt the defendant’s activities. Shared goodwill can be protected by an action in passing off against both third parties—as in the Drinks cases—and against other co-owners of that goodwill.21

3. Passing off as we know it

The classic modern statement of the requirements of a valid cause of action for passing off was made by Lord Diplock in the Advocaat case. According to Lord Diplock, the claimant, to be successful, is required to show:

(1) a misrepresentation (2) made by [the defendant] 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 [the claimant] (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the [claimant] or (in a quia timet action) will probably do so.22

The tort so described is typically analysed into three elements, either reputation, confusion, and damage23 or goodwill, misrepresentation, and damage.24 Aside from some semantic argument concerning terminology,25 these ‘tri-partite’ analyses are largely interchangeable. At the centre of the cause of action, in any of its many guises and variations, is some form of misrepresentation that is damaging to the goodwill (or reputation) of the claimant (although not necessarily the claimant alone).

19 Erven Warnink Besloten Venootschap and another v J Townend & Sons [1979] AC 731. In this case, the defendant’s ‘imitation’ product was made with dried egg powder and Cyprus sherry whereas the claimant’s ‘genuine’ product was made with egg yolks and brandewijn. It was passing off for the defendant to call its product ‘Old English Advocaat’ as this term connoted a spirit of a certain quality made in a certain way (albeit one with which consumers might not be familiar) and misrepresented that the defendant’s product was interchangeable with the claimant’s.


21 In Sir Robert McAlpine Ltd v Alfred McAlpine plc [2004] EWHC 630, Robert was able to prevent Alfred from rebranding itself as MCALPINE on the grounds that this threatened to reduce, blur or diminish Robert’s rights in the MCALPINE name and amounted to a ‘misrepresentation and a partial ouster’ of Robert from the goodwill it shared with Alfred in the MCALPINE name.


25 Wadlow in particular disputes the wisdom of focusing attention on the concept of ‘reputation’, partly because the term admits of too great a variety of meanings and partly because its use is primarily appropriate only in that relatively traditional subset of passing off cases that turn on misuse by the defendant of indicia that are distinctive of claimant’s products or business. See C Wadlow, The Law of Passing-Off: Unfair Competition by Misrepresentation, (3rd edn, Sweet & Maxwell, London, 2004), 12–13.
4. Unfair competition

In English law there is no cause of action for unfair competition as such. There are a number of actions, including passing off, that restrain activities which might be regarded as examples of unfair competition, but none individually (nor collectively) confer the breadth of relief available in other jurisdictions to prevent acts of unfair competition. Nevertheless, passing off is widely regarded as a form of unfair competition law, but as only one form amongst many. Passing off is ‘a judge-made law which tries to ensure, in its own limited way, a degree of honesty and fairness in the way trade is conducted.’ Other causes of action protect against certain instances of unfair competition, such as unlawful interference with business, injurious falsehood, inducing breach of contract and certain varieties of infringement action in relation to copyright, designs, patents and trade marks.

Unfair competition laws can be analysed as directed against unfair commercial practices or the misappropriation of some valuable intangible belonging to another trader. At least some unfair competition laws protect against the slavish imitation by one trader of another’s intangible asset (whether a trade mark, get-up, or other intangible), irrespective of whether that imitation causes the confusion which is traditionally regarded as essential to a claim in passing off. The principle underlying such laws is sometimes known as the ‘“reaping without sowing” philosophy’, the proposition that it is unfair competition on the part of one trader to take advantage of aspects of the business, products, services, advertising, or image that have been developed by another trader using its skill, effort and resources, irrespective of whether any identifiable property right subsists in the aspect that is misappropriated and irrespective of whether any consumer is confused as a result of that misappropriation. The purpose of such laws is to prevent one trader free-riding on the efforts, creativity, or fame of another.

While passing off cases can often involve a misappropriation, not all acts of misappropriation involve misrepresentation.

In English law, there is no ‘general notion of misappropriation of a valuable intangible outside the cases of infringement of a recognised and defined property right in an intangible, like a copyright or patent’, unless the misappropriation conveys a misrepresentation actionable as passing off. While passing off cases can often involve a misappropriation, not all acts of misappropriation involve a misrepresentation. For example, the defendant in the Pub Squash case launched a product to compete with the claimant’s ‘SOLO’ drink, the packaging and advertising for which imitated to a considerable degree the get-up and advertising for ‘SOLO’. While noting that the use of such matter could in principle form the basis of an action for passing off, the Privy Council dismissed the claimant’s claim on the grounds that the defendant’s misappropriation of the ideas behind the claimant’s promotional strategy had not conveyed any misrepresentation to consumers.

In contrast, examples of practices found to constitute unfair competition under German law have included advertising a French mineral water with the slogan ‘Un champagne des eaux minérales’, using a picture of a Rolls Royce to advertise whisky, selling watches made to a design imitative of Rolex products under a different name and at a lower price, and advertising commercial cleaning products with a picture of a public building. At its broadest, unfair competition law can, like passing off, also protect against activities which affect a number of traders rather than a particular one.

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27 *Irvine and another v Talksport Ltd* [2002] EWHC 367 (Laddie J, para 13).


31 *Cadbury Schweppes Pty Ltd and others v Pub Squash Co Pty Ltd* [1981] 1 All ER 213.

Is passing off best referred to as unfair competition?

It is generally recognised that passing off exists in various extended forms and that, while it is a protection against certain forms of unfair competition, it does not enable a claimant to prevent the full scope of activities that might be regarded as unfair competition. What change or development, then, did Aldous LJ think had been missed? The term ‘passing off’ is certainly misleading since it is truly descriptive only of the original form of the tort. Aldous LJ however was surely interested in more than mere terminology.

Aldous LJ chose to quote from the *Sherry* case. He did so in preference to any statement that might have been drawn from the subsequent and substantially more authoritative judgment of Lord Diplock in the *Advocaat* case; and he did so despite the fact that Lord Diplock not only expressed the view that passing off was concerned to regulate a form of unfair trading, but also that the cause of action was of sufficient breadth that calling it ‘passing off’ threatened in the modern era to be misleading. This suggests that he felt Lord Diplock’s reassessment had not gone far enough.

It seems that Aldous J might have had one of three arguments in mind:

(i) that passing off is properly regarded a species of misappropriation tort rather than as a misrepresentation tort;

(ii) that while passing off requires a misrepresentation, the nature of the misrepresentation required has to date been too narrowly interpreted; or

(iii) that passing off, while anchored on a misrepresentation, might be founded on types of damage relevant to forms of unfair competition based on misappropriation but of a kind not previously recognised as sufficient for passing off.

5. Misrepresentation

The need for a misrepresentation

It is presumed that Aldous LJ did not mean to dispute the established view that passing off ‘is not a general tort of misappropriation or of “unfair copying”’. It seems unlikely that Aldous LJ was suggesting that misappropriation rather than misrepresentation might be enough, not least because to attempt to sever passing off from its grounding in some form of misrepresentation would be to contradict the unanimous opinion of the House of Lords, as expressed in both the *Advocaat* case and the *Jif Lemon* case.

Was Aldous LJ then suggesting that passing off is capable of protecting against a misrepresentation of a sort not previously appreciated? As discussed, however, it has been well established for some time that the action in ‘passing off’ could be founded on a wide variety of different misrepresentations, going beyond the suggestion that the goods of one trader are in fact those of another, and that the cause of action is ‘protean’. Presumably Aldous LJ had something else in mind.

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34 *Erven Warnink Besloten Vennootschap and another v J Townend & Sons (Hull) Ltd and another* [1979] AC 731 (Lord Diplock, 740).
36 It may be significant that the successful claimants in the *Advocaat* case were represented by William Aldous QC (as he then was). Although Aldous is described as having suggested that the purpose of passing off is, at least in part, to prevent one trader in the market from ‘appropriating’ goodwill belonging to another in order to provide ‘a remedy for unfair trading’, he is also noted to have stated unequivocally that ‘a false representation is the basis of a passing off action’. *Erven Warnink Besloten Vennootschap and another v J Townend & Sons (Hull) Ltd and another* [1979] AC 731, 735–737.
37 *Erven Warnink Besloten Vennootschap and another v J Townend & Sons (Hull) Ltd and another* [1979] AC 731. Although Lord Fraser spoke of a product being ‘falsely described’ rather than ‘misrepresented’, it seems clear that he did not intend to undermine the central role played by the concept of misrepresentation in the cause of action.
38 *Reckitt & Colman Products Ltd v Borden Inc. and others* [1990] 1 All ER 873 (in which Lord Jauncey spoke of consumers being ‘misled’ rather than the defendant making a misrepresentation). In *Mars UK Ltd v Burgess* [2004] EWHC 1912, Lloyd J (at paragraphs 22–23) described as ‘not seriously arguable’ the claimant’s suggestion that—in light of Aldous LJ’s remarks in the *Arsenal* case—‘passing off does not require proof of misrepresentation in all cases’.
It appears from the original judgment of Laddie J in the *Arsenal* case\(^{40}\) that the passing off claim failed largely because the judge found that Arsenal had been unable to show any relevant confusion caused by Reed’s activities. The Court of Appeal’s finding that Reed’s activities did cause confusion therefore could have been enough to justify Aldous LJ’s view that Laddie J’s conclusion was erroneous. However, it seems from the remarks of Aldous LJ that he may have formed a view that the analysis by Laddie J of the nature of the confusion or misrepresentation required to make out a case of passing off was itself flawed.

**The nature of the misrepresentation**

To found a passing off action, it would seem that the marks (or other indicia) relied on must function, broadly speaking, as trade marks — that is, serve as indications of the nature, quality, or trade origin of the goods or services. It is not enough that the marks are easily recognisable or striking, nor is it necessarily enough that the defendant has slavishly imitated the claimant’s mark. It is not sufficient that those indicia have always been used by the claimant trader and only by the claimant trader. Rather, ‘[i]t is the significance which the relevant public attaches to the supposed mark which is all-important. Matter which is not relied on by the public to [identify the nature or quality of the relevant goods or to identify those goods as being the goods of one trader (or one class of traders) to the exclusion of others] is not in law distinctive’ and the imitation of such matter cannot ground a successful action for passing off.\(^{41}\) Put another way, the question is whether the public is ‘moved to buy by source’\(^{42}\) or, as in the *Drinks* cases, by type. If not, there can be no passing off.

Crucially, Laddie J at first instance in *Arsenal* based his conclusion on passing off on a finding that the use of ARSENAL signs on Mr Reed’s products carried no message of trade origin but rather acted as ‘badges of allegiance’ which could cause no relevant confusion.\(^{43}\) Since that finding was reversed on appeal, that would seem to be sufficient reason to suggest that there should have been a finding of passing off. However, as noted above, an action in passing off does not lie only against traders who have misrepresented the trade origin of their goods. Misrepresentations about the geographic origin, ingredients and other characteristics of a product may, in appropriate circumstances, found a claim in passing off. It may be passing off for the defendant to copy a badge, symbol or, for example, even where that badge, symbol or logo does not perform any trade mark function.

**Imitation as misrepresentation**

A further point, however, also arises. A misrepresentation can be ‘neutralised’ or ‘corrected’ so that confusion is avoided. The ability of corrective measures to permit a defendant to escape liability for passing off has been recognised as one of the key distinctions between this cause of action and an action for the infringement of a registered trade mark:

> It does not necessarily follow that a trader who uses an infringing [registered] mark upon goods is also guilty of passing off. The reason is that in the matter of infringement, … once a mark is used as indicating origin, no amount of added matter intended to show the true origin of the goods can affect the question. In the case of passing off, on the other hand, the defendant may escape liability if he can show that the added matter is sufficient to distinguish his goods from those of the plaintiff.\(^{44}\)

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\(^{40}\) *Arsenal Football Club plc v Reed* [2001] European Trade Marks Reports 77.


\(^{43}\) *Arsenal Football Club plc v Reed* [2001] European Trade Marks Reports 77 at paras 42–43.

\(^{44}\) *Saville Perfumery Ltd v June Perfect Ltd* (1941) 58 RPC 147 (Sir Wilfred Greene 162). This is not, of course, the only reason why liability for registered trade mark infringement and for passing off do not necessarily run in parallel. For example, the owner of a registered trade mark may enforce that mark against infringers before the mark has been used, whereas no cause of action for passing off will lie until the owner has made sufficient use of the mark to generate goodwill that stands to be damaged by the infringer’s use. It does remain to be seen, however, to what extent the principle that added matter does not count in trade mark infringement survives the decision by the European Court of Justice in *LTJ Diffusion SA v Sadas Vertbaudet SA* [2003] European Trade Marks Reports 83.
However, the burden on a defendant to establish that corrective measures have prevented any misrepresentation is likely to be high. It has been suggested that where a defendant uses another’s name, it must be unambiguous that there is no connection between the two and that ‘[d]isclaimers to avoid confusion which would otherwise occur unless they are massive and omnipresent, hardly ever work’. The decision of the Court of Appeal in the Arsenal case is consistent with this. The defendant, Reed, had erected at his stall a large sign stating that the goods he sold were not official ARSENAL products unless they carried an official ARSENAL merchandise tag. Aldous LJ stated, albeit in the context of his analysis of Arsenal’s claim for trade mark infringement, that:

I accept that [Reed] does differentiate his goods from official goods [by means of a disclaimer sign on the stall and swing tickets on the official merchandise], but his goods marked with the trade marks were identical to those emanating from Arsenal and therefore his use of the word Arsenal would, absent an explanation[,] carry the same inference as similar use of the trade mark by Arsenal. Certainly the evidence suggests that that would be the inference that consumers would draw, particularly those that received the goods as a present.

This implies that there is little scope for a defendant to evade liability by demonstrating that it corrected the prima facie misrepresentation caused by its use of the claimant’s mark. The suggestion is that once that name, mark, or logo has been used, the misrepresentation is complete and the defendant irretrievably exposed to liability.

Aldous LJ’s remarks do leave some scope for corrective measures to be successful. It is, after all, only ‘absent an explanation’ that a defendant’s use of the claimant’s indicia will carry an effective misrepresentation capable of amounting to passing off. However, if disclaimers and swing tickets are insufficient as ‘explanations’ for the presence of the claimant’s marks, it would seem that only an ‘explanation’ as permanent and prominent as the mark itself could neutralise the prima facie misrepresentation arising from the defendant’s use of the claimant’s marks.

Part of the rationale for limiting the effect of disclaimers might be that consumers may not notice (or may not pay attention to) less ‘embedded’ corrective measures. This was one reason that the defendant’s detachable labels failed to correct the misrepresentation made by its use of lemon-shaped containers in Reckitt & Colman Products Ltd v Borden Inc. and others. In this Jif Lemon case, the defendant’s use of labels to distinguish its products from those of the claimant failed to correct the misrepresentation made by its imitation of the claimant’s distinctive lemon-shaped packaging because the evidence suggested that the labels were largely ignored by consumers when selecting their purchase and would become detached during use, inhibiting any recollection by JIF consumers that the favourite product did not display the same labels as the defendants’ products. Equally (and of clear significance to Aldous LJ), individuals acquiring the defendant’s products as gifts or second-hand may assume it to be connected with the claimant. They will not have seen the vendor’s disclaimers and may not have the benefit of information contained in any label or ticket (especially if that ticket also displays the price of the item).

A similar view seems to be implicit in the remarks of Peter Gibson LJ in the Elderflower case that ‘once it is accepted that [the name] champagne is ...distinctive [of wines produced in a particular area], I do not see how it is possible to market a [non-alcoholic] product as Elderflower Champagne, which was made in Surrey, without making a representation that is a falsehood’. Perhaps, however, the better analysis is that such misrepresentations remain, despite an absence of confusion. In other words, the mark had a reputation or goodwill such that its unauthorised use necessarily carried a misrepresentation (such as that a drink was a special, luxury drink like champagne or that Arsenal had made or endorsed the branded goods bearing its marks) that could not be overcome by a corrective disclaimer. The misrepresentation casts a wider net than does any corrective explanation for the presence of the claimant’s mark on the defendant’s product.

46 Arsenal Football Club plc v Matthew Reed [2003] EWCA Civ 696, para 69.
47 [1990] 1 All ER 873.
48 Of course, some consumers may pay sufficient attention to corrective measures to avoid being misled, but ‘[t]he fact that some are not misled does not prevent there being a misrepresentation and a person who corrects himself or is corrected by others has still been misrepresented too’. Sir Robert McAlpine Ltd v Alfred McAlpine plc [2004] EWHC 630 Mann J para 39.
49 Taittinger SA and others v Allbev Ltd and another [1993] FSR 641, 666.
On this interpretation, Aldous LJ is proposing that we take seriously the principle that ‘[i]f the [defendant’s] goods tell a lie about themselves then liability is absolute’.\(^{50}\) This principle is typically confined to cases concerning instruments of deception—namely, goods that are inherently likely to deceive ultimate consumers irrespective of whether the immediate purchaser is confused. On this view, the principal focus in assessing the defendant’s liability is the defendant’s exploitation of the claimant’s names, marks, logos, or other indicia, rather than the effect this has on the perceptions of customers and consumers. That emphasis suggests something more akin to a misappropriation tort than traditional passing off. Nonetheless, there will be no passing off unless the mark carries some form of misrepresentative message to consumers of the defendant’s products.

### Misrepresentation without confusion

Alternatively, however, the misrepresentation itself might be analysed rather differently. As discussed above, the cases illustrate a number of different kinds of misrepresentation that have provided a basis for a passing off case. However, the examples are not exhaustive.\(^{51}\) Commonly the misrepresentation is that the goods of the defendant are those of the claimant, but the tort extends well beyond that to encompass misrepresentations as to a range of features or qualities of the goods. For example, the public might suspect ‘unofficial’ merchandise to have been licensed by the trade mark owner as a cheaper ‘diffusion’ range of memorabilia, on condition that the manufacturers and vendors of such products identified them as ‘unauthorised’ or ‘unofficial’. The public cannot be expected to understand the niceties of intellectual property law and may simply presume that some form of licensing relationship exists wherever the relevant trade marks are used,\(^{52}\) irrespective of whether a disclaimer notice is displayed.

A key requirement for passing off (as set out in the *Advocat* case) is that the misrepresentation must be calculated to deceive (in the sense that deception is likely, rather than in the sense that it is intended). In this context, misrepresentation is sometimes referred to as confusion, but this can be misleading. Confusion alone is not sufficient for passing off, since confusion may be caused by irrelevant factors (such as descriptive words to which the claimant cannot assert any rights). Passing off requires there to be a misrepresentation.

This brings into sharp focus an important difference between trade mark infringement and passing off. Crucially, the form of confusion required for trade mark infringement under section 10(2) Trade Marks Act 1994\(^ {53}\) is confusion as to the trade origin of the infringing goods.\(^ {54}\) In contrast, for passing off it may be sufficient that the misrepresentation is that the defendant’s goods ‘are, or have some connection with, the goods or business of’ the trade mark owner.\(^ {55}\) Interestingly, this has similarities to the analysis of trade mark infringement under section 10(1) Trade Marks Act 1994,\(^ {56}\) for which confusion is not required but the defendant’s use of the registered mark must nevertheless establish a ‘material link’ between the defendant’s goods and the proprietor of the trade mark.\(^ {57}\) However, the potential misrepresentations for which a claim in passing off may be brought can be still further removed from anything likely to cause confusion as

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\(^{51}\) ‘It would ...be impossible to enumerate or classify all the possible ways in which a man may make the false representation ...cases of misrepresentation by the use of a mark, name, or get-up do not exhaust all possible cases of misrepresentation.’ *Spalding v Gamage* (1915) 32 RPC 273 (Lord Parker 284).

\(^{52}\) See *Mirage Studios v Counter-Feat Clothing* [1991] FSR 145.

\(^{53}\) s 10(2) ‘A person infringes a registered trade mark if he uses in the course of trade a sign where because

(a) the sign is identical with the trade mark and is used in relation to goods or services similar to those for which the trade mark is registered, or

(b) the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, or

(c) there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark.’

\(^{54}\) Sabel BV v Puma AG and Rudolf Dassler Sport [1998] 1 CMLR 445.

\(^{55}\) *Premier Luggage and Bags Limited v Premier Company (UK) Limited* [2003] FSR 5 (Chadwick LJ, para 37).

\(^{56}\) s 10(1): ‘A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered.’

\(^{57}\) *R v Johnstone* [2003] UKHL 28, (Lord Walker of Gestingthorpe, para 83).
to the trade origin of the defendant’s goods. A misrepresentation as to the quality or characteristics of the defendant’s goods can, after all, suffice.

The other difference, of course, is that for passing off (in contrast to trade mark infringement), damage (or a likelihood of it) must also be shown—so that, while a greater range of misrepresentations are actionable in passing off, those misrepresentations must always be at least likely to cause damage. It is suggested that in the Arsenal case, both the misrepresentation and the damage were present. The use of ARSENAL brand signs established a ‘material link’ between the defendant’s goods and Arsenal (although the defendant’s customers need not actually have believed the goods to have originated with Arsenal)—that was the misrepresentation. As to damage, the defendant’s use of the signs was likely to dilute and tarnish Arsenal’s trade marks, damaging the distinctive character of those marks and rendering them less effective as means to identify goods that did originate from Arsenal. It has previously been suggested that cases of this nature—in which the damage caused by a misrepresentation appears to be done to the mark rather than to the claimant’s goodwill—should not be actionable in passing off. However, it might be argued that the dilution of a mark does damage goodwill, as it lessens the claimant’s ability to mark itself out from the crowd and attract custom (and repeat custom) to itself. In the same way that allowing ‘Elderflower Champagne’ to be sold might destroy the ability of ‘Champagne’ to connote quality and luxury (with consequent damage to the business of the Champagne producers), so a dilution of the ARSENAL brand might destroy Arsenal’s ability to assure its fans of the quality of the branded merchandise on sale. This analysis is consistent with the points made by Cross J in the Sherry case that Aldous LJ quoted in the Arsenal case.

6. ‘Dilution’ of a name, trade mark, logo, or other indicia as actionable damage

Aldous LJ’s quote from Cross J’s judgment also highlights the fact that the Drinks cases recognised that a claim in passing off might be used to obtain redress for a special type of damage—namely the dilution or erosion of goodwill—at least where some more traditional form of damage was also suffered.

Actual or anticipated damage to the claimant’s goodwill is ‘an essential element of the tort in that it is only misrepresentations calculated to cause damage which are actionable’ with the result that ‘likelihood of damage provides one acid test to distinguish those misrepresentations which amount to passing off from those of which the plaintiff cannot complain’. Was Aldous LJ suggesting that the range of types of damage that are on their own capable of grounding a successful passing off action be extended to include the dilution or erosion of goodwill?

In the Sherry case extract selected by Aldous LJ to illustrate his points regarding passing off, Cross J explains his understanding of the damage to which the successful claimants were exposed in the Champagne case as being the threat that:

the distinction between genuine Champagne and ‘champagne type’ wines produced elsewhere would become blurred; that the word ‘Champagne’ would come gradually to mean no more than ‘sparkling wine’; and that the part of the plaintiff’s goodwill which consisted in the name would be diluted and gradually destroyed.

The term ‘dilution’ (and the related term ‘tarnishment’) must be used with care. In the US, dilution is a term of art employed in both Federal and state law. Dilution is defined under Federal law as ‘the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception’. The recognition of such dilution as a

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58 Relying on the erosion of distinctiveness to found a claim in passing off ‘leads easily to the fallacy that the property which is being protected is the name or mark or get-up itself, rather than the goodwill in the claimant’s business’. C Wadlow, The Law of Passing-Off: Unfair Competition by Misrepresentation, (3rd edn, Sweet & Maxwell, London, 2004), 269.

59 In the sense that damage is a reasonably foreseeable result of the misrepresentation.


62 Some 36 states have enacted an anti-dilution statute based on either the 1964 Model State Trademark Bill or the 1992 Revised Model State Trademark Bill. The Federal Trademark Dilution Act of 1995 introduced anti-dilution measures into the Federal Trademark Act (the Lanham Act, 15 USC).

63 Lanham Act 45 (15 USC 1127).
form of damage for which redress ought to be available to the trade mark owner is intended to do justice to the ‘advertising power’ of the trade mark and its commercial value as a marketing tool rather than its trade mark function as an indication of the nature, quality, or trade origin of goods or services. Dilution so understood should be distinguished from the erosion or swamping of the distinctive character of the claimant’s name or mark that might result from the public’s either confusing the defendant with the claimant or being led to believe that there is some association between the two.

While the ‘erosion’ of a mark’s distinctive character follows from confusion or confused association, the ‘dilution’ of a mark may occur independently of any such misperception. However, both dilution and erosion result in the claimant’s mark losing its capacity to distinguish the claimant or its products to the exclusion of others. Moreover, the two concepts have in common the fact that it has generally been understood that neither form of damage would in itself provide sufficient grounds for an action for passing off. Dilution, being ‘a form of damage which cannot be attributed to misrepresentation’ has been said to be insufficient ‘in its own right’ as the basis for a claim in passing off and could be introduced only ‘as a sort of legitimated head of parasitic damages’ once a claim based on some other form of damage (such as loss of sales) had been established. Similarly, erosion of the distinctive character of a mark ‘has tended not to be regarded as a head of damage in its own right, but rather as a state of affairs arising when passing off goes unchecked’.

Perhaps it was this view that Aldous LJ was challenging. If so, Aldous LJ was suggesting that a misrepresentation which did not cause confusion but which nevertheless damaged a mark by diluting or eroding it was sufficient to found an action in passing off. Ultimately, of course, the likely result of such damage is damage to the distinctiveness of the mark and hence its ability to function as an indication of origin, with consequent damage to goodwill. For example, where a luxury product is the subject of extensive cheap imitation the cachet of the original brand may be lost and capacity of that brand to attract custom may be substantially diminished. Ignoring any semantic argument about the difference between dilution and erosion, recognising this form of damage as sufficient for the purposes of founding a claim in passing off seems consistent both with the Drinks cases and with modern trade mark law, since dilution or erosion of distinctive character would damage the essential function of the trade mark as an indication of origin.

Dilution as a head of damage was considered in the Elderflower case, in which champagne producers objected to the defendants’ non-alcoholic product being sold as ‘Elderflower Champagne’. Giving the leading judgment, Peter Gibson LJ stated that:

> in my judgment the real injury to the champagne houses’ goodwill ... [is that] there would take place a blurring or erosion of the uniqueness that now attends the word ‘champagne’, so that the exclusive reputation of the champagne houses would be debased. ...[The] effect would be to demolish the distinctiveness of the word champagne, and that would inevitably damage the goodwill of the champagne houses. ... I have no doubt that erosion of the distinctiveness of a name or mark is a form of damage to the goodwill of the business with which the name is connected.

Mann LJ agreed with Peter Gibson LJ and added that ‘[the] consequences of debasement, dilution or erosion are not demonstrable in figures of lost sales but that they will be incrementally damaging to goodwill is in my opinion inescapable.’ Sir Thomas Bingham MR (who expressed ‘complete agreement’ with Peter Gibson LJ) noted that:

> [the claimant’s] reputation and goodwill in the description Champagne derive not only from the quality of their wine and its glamorous associations, but also from the very singularity and exclusiveness of the description, the absence of qualifying epithets and imitative descriptions. Any product which is not Champagne but is allowed to describe itself as such must inevitably, in my view, erode the singularity and exclusiveness of the description Champagne and so cause the [claimant] damage of an insidious but serious kind.

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66 ibid 176–177.
67 ibid 173.
69 ibid (Mann LJ at 674).
70 ibid (Sir Thomas Bingham MR 678) (emphasis added).
While the Court of Appeal did find in the Elderflower case that there was some threat of loss of sales to the claimant as a result of confusion arising from the defendant’s use of the name ‘Champagne’, the three concurring judgments focused on dilution or erosion when describing the damage that gave the claimant a successful cause of action. It would seem perhaps that this form of damage can in fact stand alone in supporting a valid claim in passing off.

If so, a claimant might succeed in a claim even if unable to show any damage of a more ‘usual’ variety, such as loss of sales to the defendant. Provided the defendant has made some form of misrepresentation (such as by imitating the claimant’s marks), this may be held to threaten damage of an actionable kind (ie, dilution or erosion) even though the claimant’s sales cannot be shown either to have suffered or to be likely to suffer. This situation might well arise where the defendant’s misrepresentation is neutralised by means of effective, but not embedded, corrective measures (such as disclaimers or labels).71

7. Conclusion
One interpretation of Aldous LJ’s remarks was that he was focusing on the fact that confusion and misrepresentation are not synonymous and that passing off may occur where:

(A) there is a misrepresentation but no confusion (whether because confusion is dispelled by a disclaimer or potentially otherwise); and/or

(B) dilution of the mark is the only damage caused by the misrepresentation (and this is a sufficient basis on which to found the action).

If so, then it is certainly true to say that the term ‘passing off’ is a misnomer and unfair competition would be a better description of the tort. The combined effect of (A) and (B) above is to make the wrong being complained of a form of misappropriation, albeit one founded on a misrepresentation. Nevertheless, it is likely that, as a matter of fact, only trade marks with a very particular and significant amount of goodwill might be able to establish such a claim, since only owners of such marks could show the necessary misrepresentation and dilution to make out a case in passing off without relying on evidence of confusion or being able to point to more traditional forms of damage.

In a case of ‘dilution only’ passing off, the actionable misrepresentation differs from the confusion required for trade mark infringement under section 10(2) Trade Marks Act 1994. The range of actionable misrepresentations in such a passing off claim extends beyond indications of origin to encompass misrepresentations about a range of characteristics of the goods concerned, such as their composition and quality. Additionally, trade mark infringement requires the claimant to show that the use complained of is such as to create a material link between the defendant’s goods or services and the trade mark owner.2 It is this material link that distinguishes infringing use of a trade mark from use which is purely descriptive.73 Interestingly, this requirement applies to all forms of infringement, irrespective of whether confusion is required. In the Electrocoin case, Geoffrey Hobbs QC held that in order to show such a ‘link’, it is not sufficient to establish that the defendant’s sign called to mind the claimant’s trade mark; rather, it is necessary that the link between sign and mark established in the minds of customers and consumers must have an effect on their economic behaviour.74

71 It is notable that in the Elderflower case, the defendant’s product not only used the name ‘Champagne’ but also replicated some of the distinctive ‘get-up’ of Champagne, such as the bottle with a dimpled bottom together with a mushroom-shaped cork held down with wire. The product was also described as a non-alcoholic drink and the back label described the properties of the drink in such a way as to mitigate the misrepresentation implied by the use of the name ‘Champagne’. However, Peter Gibson LJ expressed the view (665) that ‘no great importance is to be attached to the back label’ because it was ‘not likely to attract the close attention of many purchasers’. It was thus in a context in which certain corrective measures were taken by the defendant that Sir Thomas Bingham MR thought it ‘inevitable’ that the use of the name ‘Champagne’ would result in the dilution or erosion of the distinctiveness of that name.


73 This emphasis on a ‘material link’ liable to jeopardise the ability of the mark to guarantee the trade origin of goods to which it is affixed has meant that infringing use ‘has annexed a significant part of the no man’s land in which elements of distinctiveness or descriptiveness overlap’. See Electrocoin Automatics Limited v Coinworld Limited and others [2004] EWHC 1498 (Geoffrey Hobbs QC para 83).

Perhaps a similar concept also lies at the heart of passing off. If the defendant makes a misrepresentation (whether as to trade origin or otherwise) which is such as to create a material link between the defendant's goods and the claimant and if damage is likely to occur as a result (where damage to the distinctive nature of the mark can suffice), this may suffice to establish passing off. In the Drinks cases, the various misrepresentations had an effect on consumers' economic behaviour, affecting purchase decisions relating to sparkling wine, whisky, egg spirits, and so on. The damage or likely damage was in part loss of sales, but more significantly the risk that the relevant mark would cease to be distinctive of the 'genuine article' in each case. At least where a mark or name is sufficiently famous, the dilution or erosion of that mark's distinctiveness may itself constitute an actionable threat to the claimant's goodwill, irrespective of whether any sales may be lost to the defendant. It remains to be seen whether Aldous LJ's remarks will be explored and developed as the protean tort of passing off continues to evolve.75

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75 It has not gone unnoticed that Aldous LJ's remarks may open the way for a variant of passing off (or unfair competition) action premised on a misrepresentation causing dilution without confusion. In L'Oreal SA and others v Ballure NV and others [2005] EWHC 360, the defendant sought to have part of L'Oreal's particulars of claim struck out. The relevant passage alleged 'passing off and/or unfair competition' consisting in activities which '[r]egardless of ... actual confusion ... dilute the value of [L'Oreal's] goodwill by destroying the exclusivity and cachet which attaches to the name, get up, fragrance and brand image' of certain L'Oreal perfumes. L'Oreal conceded that 'no English authority supports such a contention and that there are many statements in cases of high authority which on their face preclude it', but pointed to the remarks of Aldous LJ in Arsenal as 'containing the seeds of a possible advance in the common law' that would permit such a claim to be advanced successfully. Whilst describing the claim as being 'hopeless' under the current law, Hart J declined to strike out the claim.