

# **Karnataka High Court (India) Frames Comprehensive Guidelines to Ascertain ‘Passing Off’ in Intellectual Property Disputes Involving the Application of Indian Law**

Vacating the interim injunction that was granted earlier this year to prevent CG Corp. Global - a Nepal-based company, registered in India from manufacturing and selling its instant noodles under the name of Wai Wai X-Press Noodles Majedar Masala in a passing-off action by ITC Ltd, the Karnataka High Court formulated detailed guidelines to ascertain the circumstances in which there will be a passing-off of a trademark and an infringement of copyright under Indian law.[1] The Karnataka High Court was exercising its appellate jurisdiction under Section 13(1A) of the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act 2015 (CCA) that authorizes the creation of commercial courts in India. These courts are equally competent to adjudicate domestic and international disputes on matters that fall within the purview of the Act. The scope of the legislation is vast and includes, *inter alia*, disputes concerning intellectual property rights such as trademarks, copyright, patents, designs or geographical indications - which will be considered of a commercial nature if the value of the subject matter is more than INR 3,00,000. The Act confers jurisdiction over the Commercial Division of the High Courts - as a court of the first instance - whenever the dispute arises within the local limits of Delhi, Bombay, Calcutta, Madras or Himachal Pradesh. In all other States of India, the commercial courts created at the district level will be competent to adjudicate such matters. The legislation has been promulgated to promote trade and commerce in India by fast-tracking the settlement of such disputes. In matters of intellectual property such as these, the Act confers the Commercial Court or the Commercial Division of the High Court in some states with the exclusive jurisdiction to adjudicate such matters, which were initially within the domain of the District Courts.

The Commercial Appellate Division of the Karnataka High Court was faced with the predicament of whether the defendant, CG Corp, had damaged ITC's goodwill and reputation by incorporating a similar colour scheme of red and orange in packaging its Wai Wai X-Press Noodles Majedar Masala. As a result, ITC claimed that the defendant's product was deceptively similar to its Sunfeast Yipee! Magic Masala Noodles and, thus, CG Corp's act constituted passing-off and an infringement of ITC's copyright under Indian law.

Rejecting ITC's contentions, the court formulated a two-pronged formula to ascertain the circumstances in which a defendant could be considered to have passed off a product as that of the claimant - to have violated the latter's registered trademark. In doing so, the court placed emphasis on the position under English law as emphasized in *Payton v Snelling*,<sup>[2]</sup> *Lampard; Reckitt & Colman v Borden*;<sup>[3]</sup> and *Pasquali Cigarette Co Ltd v Diaconicolas & Capsopolus*.<sup>[4]</sup>

The first and foremost factor, as the court stressed, would be to identify the features in the plaintiff's product that are distinctive to him or her. As the court elaborated, distinctiveness in this context refers to distinctiveness in law as opposed to distinctiveness in fact. Distinctiveness in fact, as the court clarified, are the features of the mark that are distinctive according to the claimant's perspective. Instead, the claimant must clearly demonstrate whether the hypothetical person or the class of persons constructed and identified by the court are likely to be deceived by the similarities in the product. The identification of the hypothetical persons would essentially depend on a variety of factors and, in particular, the nature of the goods sold, the circumstances of the sale and the class of persons to whom the product is targeted. Drawing an analogy with surgical and pharmaceutical products, the court elaborated that in a product such as this, the hypothetical person would be an ordinary purchaser and one of average intelligence - who being neither too careful nor too careless and knowing more or less the peculiar characteristics of the product, accepts what he or she is given after examining the general appearance of the article. It is unlikely, as the court further substantiated, for the ordinary consumer to mentally capture every minute detail of the packaging of the product - including the colour scheme.

Having regard to the circumstances of the case, the court asserted that the dominating feature in the claimant's product remains the verbal as opposed to the visual marks because the 'striking and most distinguishing feature of the

defendant's wrapper was its-brand name Sunfeast Yippee! Therefore, CG's act cannot constitute passing-off under Indian law unless ITC can demonstrate that the deception was likely to occur even if the expression Sunfeast Yippee! was missing from the CG's product which, instead, had its own brand name (Wai Wai X-Press Noodles Majedar Masala). The court's observation was substantiated on a variety of factors - including the claimant's marketing strategy and central arguments in past litigation. Consequently, the court took note of a previous dispute that was initiated by the claimant against Nestle on a similar ground, where the plaintiff argued that the latter had led the customers to believe that the Maggi's Magic Masala Noodles (sold by Nestle) and the plaintiff's Sunfeast Yippee! Magic Masala Noodles were one and the same. In that case, the claimant, ITC, had argued that the expression 'Magic Masala' as distinctive to its mark.

Further, the court noted that the claimant had adopted a similar strategy in its advertising campaigns -whether the striking feature remained its brand name - Sunfeast Yippee! as opposed to the colour combination. Referring to the decisions of the English courts in *Payton v Snelling, Lampard and Pasquali Cigarette Co. Ltd. v Diaconicolas & Capsopolus*, the court stated that regardless of how 'novel, original or striking' the colour scheme may be, it was not a feature that was relied upon by the ordinary purchaser to identify the source of the product. As the court further asserted, the chief question invariably remains: what is the function that the get-up of the product actually serves and not how well that get-up has been designed to serve that purpose.

The second factor would be to discern whether the products being manufactured and sold by the defendant are 'deceptively similar' to the one's being manufactured by the claimant. However, whether the goods were in fact deceptively similar would be assessed only after it has been ascertained whether the goods bearing the mark were distinctive in law according to the criterion indicated above. In order to assess whether the defendant's product was deceptively similar to the plaintiff's, not merely the features that bear a resemblance with the plaintiff's product would be considered - but also the measures that were undertaken by the defendant to eliminate the possibility of confusion would be considered.

Therefore, in situations (such as these) where there has been no direct misrepresentation, whether there has been passing-off as a result of deceptive similarity would, in turn, depend on two factors -

1. a) that the name, mark or distinctive feature had acquired a reputation among a class of persons and
2. b) that the mark or feature, being the same or sufficiently similar, had led those persons to believe that the goods are from the same or a connected source.

The comparison of the marks or features discern whether they are the same or sufficiently similar, must be done by looking at all the surrounding circumstances - and whether it is likely to cause confusion in the minds of the hypothetical customer that has been identified based on the principles to ascertain whether the mark/feature is distinctive in law. Consequently, the manner in which the goods or services were supplied would bear a strong influence in ascertaining whether the consumer is likely to be deceived. Here, the role of the mark or the feature and the various ways in which the product is being sold so as to influence the decisions of the consumers in purchasing the product will play a predominant role. In the present case, the court evaluated the significance and the role that the red and orange colour scheme had to play in the various ways in which the product has been sold - but also the way in which the ordinary hypothetical consumer is likely to behave in its 'noodle-purchasing decisions'. Consequently, the court concluded that the fact that the defendant's product similarly incorporated the red and orange colour scheme was of little relevance in confusing the hypothetical consumer - regardless of the way in which the product is being purchased. In digital shopping, the search words 'Red-Orange Noodles' did not even result in the display of the products of either of the parties - in turn demonstrating how unlikely it was for the consumers to be deceived merely by the similarities in the colour scheme. Likewise, in brick and mortar stores, it was unlikely for the consumer to ask for red and orange packet noodles instead of providing the shopkeeper with the brand name. Even if, in the very improbable situation, the consumer did ask for red and orange packet noodles, it was unlikely for the shopkeeper to directly reach out for the claimant's product.

Having regard to the aforementioned factors, the court further noted that ITC's copyright had not been violated, either chiefly because CG Corp has not copied the essential features of the former's product. Merely showing some similarity in the non-essential features would not suffice and would not constitute a copyright violation under Section 51 of the Copyright Act, 1957.[5]

Despite being of persuasive value to courts outside Karnataka, by being a

judgment of the High Court, the judgment is likely to have far-reaching consequences by providing the much-needed clarity under Indian law and, in particular, the provisions of the Trade Marks Act, 1999, which presently does not substantiate the circumstances that constitute 'passing off' under Indian law. Instead, the Act merely indicates the right to relief to the aggrieved party in the form of an injunction when its trademark has been passed off by the defendant. The judgment could also shape the decision of the mediation panel in a suit of a similar nature that was recently initiated by Nestle against the same defendant (CG Corp. Global) on the ground that the latter's Wai Wai Noodles were deceptively similar to the Swiss-based corporation's Maggi Noodles. As per the provisions of the CCA, the mediation proceedings would have to be concluded within ten days - failing which the matter would be transferred to the Delhi High Court under Section 7 of the CCA for further hearing.

[1] See, *ITC Ltd v CG Goods (India) Private Limited*, Commercial Appeal No. 105/2021 (dated 28 September 2021).

[2] 1901 AC 308.

[3] [1990] 1 All E.R. 873.

[4] 1905 TS 472.

[5] Act No. 14 of 1957.