

Briefing Note: Passing Off

An Introduction to the Briefing Note

A recent decision in the patents county court illustrates how passing off can be committed by small localised businesses. The parties in this case were two tree-surgery businesses, based about ten miles apart. The judge found that the claimant's business had a small, highly localised goodwill. Although the two businesses had co-existed for over six years, the judge also held that the requisite misrepresentation existed when the defendant traded in the claimant's geographical area. The judge held that this was the kind of case in which damage followed if goodwill and misrepresentation were established. The judge imposed an injunction on the defendant, which prevented it trading in a number of nearby postcodes. This briefing note should not be relied upon as legal advice and you should contact us for advice on your specific circumstances.

Briefing Note

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What is passing off?

Passing off enables your business to take legal action against someone who creates the impression that their goods or services are provided by you. To be successful in a passing off action, your business must show that each of the following elements are present:

Goodwill

You must show that there is goodwill attached to the relevant goods or services. The goodwill of your business is the value of its reputation over and above the value of its assets. Goodwill distinguishes an established business from a new business.

Misrepresentation

There must be a misrepresentation by the defendant in the course of business that leads (or is likely to lead) the public to believe that the goods or services offered by them are goods or services provided by your business.

Damage

You must be able to demonstrate that the misrepresentation made by the defendant is likely to cause, or has caused damage to your business. For example:

- Loss of profit.
- Damage to reputation.
- Loss of an opportunity to expand.

What remedies are available?

Interim remedies

If your business acts quickly, you may be able to obtain an interim injunction to restrain further dealings by the defendant pending a full trial. This will prevent further damage to the goodwill of your business during the intervening period.

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Damages

If you are successful at trial, your business will normally be entitled to an award of damages or an account of profits. Damages are often difficult to assess, but are likely to involve quantification of:

- Loss of sales.
- Damage to goodwill and reputation.

Your business may also have the option of seeking an account of the defendant's profits, rather than an award of damages. However, this approach is rarely pursued as it is usually difficult to prove the proportion of the profits that were attributable to the passing off.

Delivery up or destruction

If your business is granted an injunction (or if the defendant voluntarily undertakes to cease dealing in the offending goods) the court may make an order requiring the goods to be either:

- Delivered to you or your solicitors.
- Destroyed by the defendant with the destruction verified on oath.

This approach ensures that the defendant is no longer in possession of the items.

If you have any queries about the content of this Briefing Note, please contact Jeremy Laws by email: jpl@gabyhardwicke.co.uk or by phone: 01323 435900.

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