



The slippery slope of reverse passing off

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Reverse passing off (RPO) occurs when an unrelated third party appropriates the products of the rights holder, removes/effaces its marks, refurbishes/repackages the same and either sells it under its own mark (express RPO) or under no mark (implied RPO). Such practice results in consumers associating the refurbished/repackaged products as original, causing damage to goodwill and losses to the rights holder.

The question that one may ask is, what is the harm in reselling someone else's goods? To put it succinctly, the originator of the product (misidentified as someone else's) is deprived of the advertising value of its brand, and the goodwill the brand would have otherwise gained is lost.

This act of obliteration of the source brand, restoring the same with the reseller's brand misleads unsuspecting consumers by creating a false impression and allowing the reseller to benefit from the manufacturer's effort without incurring legitimate costs. Such acts constitute unfair trade practice and false trade description, causing commercial injury to the rights holder.

Arguing cases of RPO by applying the standard doctrine of likelihood of confusion is an arduous task. The likelihood of confusion under trademark jurisprudence depends on the nature of the goods, with special tests carved out for categories such as pharmaceuticals, cosmetics, consumable goods, etc.

The nature of consumers also plays an important role. A technical consumer, e.g., a mechanic in the automobile industry or a technician in the IT sector, would eventually discover the original manufacturer of the product and the substandard quality of the refurbished product. To assess the likelihood of confusion in a rebuilt product, one may study the following factors:

1. The extent and nature of changes made to the product;
2. The clarity and distinctiveness of the labelling on the refurbished product; and
3. The degree to which any inferior qualities associated with the reconditioned products would likely be identified by the typical purchaser with the original manufacturer.

Delhi High Court, in *Western Digital Technologies v Geonix*, observed that where there is a false designation of the source of impugned refurbished products, and the condition of such goods have been materially altered and impaired, further dealing in such goods could be restrained by the rights



holder.

The concept of exhaustion in the context of reverse passing off can seem pareidolic, as the importance of legitimate sale and misrepresentation with reference to the “doctrine of exhaustion” is apropos. There is no gain saying that the “doctrine of exhaustion” cannot give legitimacy to tampering and mutation of products. The law in India merely places limits on the effects of a registered trademark, but does not have any applicability on the inherent common law rights existing in trademark jurisprudence. As one meanders down the slippery roads of RPO, one will come across the following determining points, which cannot be ignored while arguing the exhaustion principle:

- Material alteration;
- Lawful acquirement of products;
- Violation of other existing laws;
- Confusion and misleading claims;
- Unfair competition;
- The nature of products; and
- Commercial connection.

The Bombay High Court, in *Sheila Mahendra v Mahesh Naranji*, ruled that the concept of tortuous passing off would include the instance of misrepresentation and appropriation of all the qualities exclusively belonging to the manufacturer’s product.

The similarity of products/customers/trade channels, coupled with the intention of the reseller, play a vital role in assessing the question of RPO, albeit no trademark was used on the product. If the phenomenon is damage to goodwill and reputation, without actual use of the trademark, Occam’s Razor suggests that it constitutes RPO.

Challenges to RPO include lack of specific provisions under the Trade Marks Act, and lack of judicial precedents, which compels rights holders to rely on general principles of unfair competition and misrepresentation. Rights holders are required to prove impairment tampering and sale of their products by the misrepresenting party as its own, which require expert testimony adding to complexity and cost. Small and medium enterprises often lack the financial and legal resources to pursue lengthy litigation, making it easier for infringers to engage in RPO with minimal repercussions. To combat the menace of RPO, rights holders ought to:

- Register trademarks and copyright;
- Organise information drives to educate consumers;
- Set up consumer feedback mechanisms identifying suspicious activities;
- Implement anti-counterfeiting measures such as holograms, QR codes and RFID tags on physical products;
- Have robust market surveillance; and



- Have a strong legal enforcement programme, e.g. cease and desist/lawsuits.

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