CARRYING ON PASSING OFF

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In *Reddaway* v. *Banham*[1] Lord Halsbury in blunt terms expressed the view that at common law no man has the right to represent his goods as the goods of somebody else, and twenty years later Lord Parker, speaking for the House of Lords in *A. G. Spalding* v. *A. W. Gamage Ltd.*,[2] accepted this as the general principle upon which passing off actions are founded. But Lord Halsbury's maxim, whilst accurate enough as a partial description, could never be accepted as a definition. For it was, even when adopted by Lord Parker in 1915, manifestly incomplete. In the first place it did not take into account passing off of services rather than goods, a well developed branch of the jurisdiction. Further, and *Spalding's Case* itself offered an example, it did not encompass a defendant who had in his hands a particular class or quality of goods of the plaintiff and was representing them to be of a different quality or belonging to a different class of the plaintiff's goods. This moved Lord Parker in *Spalding's Case*[3] to restate the principle as "A cannot, without infringing the rights of B, represent goods which are not B's goods or B's goods of a particular class or quality to be B's goods or B's goods of that particular class or quality".

As will immediately appear, there remains outside the scope of passing off as so treated a large area of competition between traders which might be classed as using methods which were "unfair". There is in English common law no tort avowedly aimed at control of all such unfair competition and passing off operates within a more restricted area. In an article published in this *Review* in 1956[4] Professor Morison explored the principles upon which the action for passing off is based with particular attention to their scope for expansion. He concluded that the tort was hardly susceptible of development into an action against misappropriations of business values where there was no misrepresentation, and that whatever advances were possible it was likely to remain a tort of misrepresentation. Therefore, in Professor Morison's estimation, the tort was likely to stop far short of rendering actionable the whole field of business misrepresentations between competitors. Professor Morison's article has been referred to extensively, both by standard text

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[1] (1896) A.C. 199 at 204.

[2] (1915) 32 R.P.C. 273 at 283.

[3] (1915) 32 R.P.C. 273 at 284.

[4] 3 Syd. Law Rev. 50.

writers (e.g. Fleming *The Law of Torts*,[5] *Salmond on Torts*[6]) and by judges (e.g., *Henderson* v. *Radio Corporation Pty. Ltd.*,[7] *Totalizator Agency Board* v. *Turf News Pty. Ltd.*).[8] The purpose of this contribution is shortly to review the developments in the case law since the publication of Professor Morison's article eighteen years ago and thus hopefully to ascertain the present state of the tort. The developments fall within six categories; each will now be considered in turn.

The Goods or Services of the Plaintiff

The decided cases generally have involved a plaintiff whose business goodwill arose from either or both manufacture and other dealings by him in goods or the supply of services. The connection drawn between him and those goods or services generated his goodwill and it was this which he sought to protect against harm by the defendant. The subject has been most lucidly explained by Lord Wilberforce (as he now is) in *Norman Kark Publications Ltd.* v. *Odham's Press Ltd.*[9] But what if the business of the plaintiff involves no direct marketing activities but the lending of his name in sponsorship of the goods or services provided by others? It now appears that a person who is in a position to earn money by such sponsorship will have by reason of that capacity sufficient standing to restrain in a passing off suit the false representation by the defendant that his goods or services are so sponsored. This follows from *Henderson* v. *Radio Corporation Pty. Limited*,[10] where the New South Wales Full Court upheld an injunction against a maker and distributor of gramophone records which had placed on the market a record intended primarily for use by dancing teachers and with a cover including a photograph of a dancing couple. That couple was the plaintiffs, who were well known professional ballroom dancers. Manning, J. explained his conclusion as follows:[11]

> The plaintiffs in this case had acquired a reputation which doubtless placed them in a position to earn a fee for any recommendation which they might be disposed to give to aid the sale of recorded dance music of the type in question . . . the position of the plaintiffs is . . . compared with that of a well known actress or model. I see no distinction in any such cases provided (as has been established in this case) that the activity of the party concerned has resulted in their recommendation becoming a saleable commodity. The result of the defendant's action was to give the defendant the benefit of the plaintiffs' recommendation and the value of such recommendation and to deprive the plaintiffs of the fee or remuneration they would have earned if they had been asked for their authority to do what was done.

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[5] 4th ed. 620.
[6] 15th ed. 533.
[7] (1960) S.R. (N.S.W.) 576.
[8] (1967) V.R. 605 at 608-609.
[9] (1962) R.P.C. 163.
[10] (1960) S.R. (N.S.W.) 576.
[11] (1960) S.R. (N.S.W.) 576 at 603. The decision was followed (but in the belief that it was one of the High Court of Australia) by the Ontario High Court in *Krouse* v. *Chrysler Canada Ltd.* (1971) 25 DLR(3d)49, the successful plaintiff being a professional footballer photographs of whom had been used to advertise cars.

This decision has been the subject already of a note in this *Review*,[12] but a few short comments should be made: (a) it demonstrates the capacity of the common law to adapt established concepts to new situations without violence to its rubric, (b) this is done by treating as the plaintiff's "goods" or "services" his capacity to exploit his recommendation as a saleable commodity, or, if one likes, as if it were "goods", (c) there is no suggestion that, absent such a saleable commodity in a capacity for sponsorship, any citizen can protest as passing off the commercial exploitation of his name without consent, for it is his pre-existing notoriety from which derives his saleable commodity, (d) the situation has been otherwise in various United States jurisdictions, at least since the Supreme Court of Georgia in *Pavesich* v. *New England Life Insurance Co.*[13] dismissed a demurrer to an action by the plaintiff (not claimed to be a celebrity) alleging wrongful use by the defendant company in advertisements of his picture as one of its customers;[14] but in Australia the tort is still firmly tied to protection not of privacy *per se* but of a business or commercial goodwill, however flexible the concept of goodwill may be.

The Trade Mark of the Plaintiff

Sometimes the defendant may pass off his goods as those of the plaintiff by direct assertion to that effect. The printer who falsely promoted a new book of verse as the work of Lord Byron was in this category (*Lord Byron* v. *Johnson*).[15] More frequently the misrepresentation will be indirect, by means of some mark or other indicium which is linked with the goods of the plaintiff in the minds of those whose custom the defendant seeks. This essentially is what is meant by a common law trade mark. Of course, the "mark" may be constituted by a congeries of indicia, rather than a single well-known invented word or striking device. Such has recently been illustrated by the decision of Hope, J. in *Con-Stan Industries Pty. Ltd.* v. *Satinique Corporation Pty. Ltd.*[16] The essence of the plaintiff's compliant was that the defendant had copied its "business operation" in sales of cosmetics and his Honour was satisfied that individually, and certainly in combination, the following were distinctive of its business: (a) the direct selling method for cosmetics by sales from door to door, (b) sales of cosmetics made from an apricot oil base, in bottles of a particular size and shape, (c) the use of white display cases for the goods, (d) the terms used in publicity and promotional material, "nutri-rich oil", "nutri-metics" and "vita-metics".

Business Competition between the Plaintiff and Defendant

In his article Professor Morison demonstrated the unwisdom in any rigid requirement which appeared from some English authorities that the plaintiff and defendant be in business competition (see 2 *Syd. Law Rev.* at 60-61). As a result of decisions in New South Wales and Victoria it now appears that there is no such rule. In *Henderson* v. *Radio Corporation Pty. Ltd.*[17] the

[12] (1961) 3 Syd. Law Rev. 525.

[13] (1905) 50 S.E. 68.

[14] The subject in the United States is now enmeshed in the so-called tort restraining invasions of privacy, as to which see Dean Prosser's article (1960) 48 Cal. L.R. 383 and the report of the Younger Committee on Privacy (1972) Cmd. 502.

[15] (1816) 2 Mer. 29; 35 E.R. 851.

[16] (1969) 91 W.N. (N.S.W.) 563.

[17] (1960) S.R. (N.S.W.) 576.

record company was in no real sense in competition with the professional ballroom dancers, although the same people might well be expected to know of and deal with both of them. The Full Court was emphatic that granted the criteria of deception and likelihood of damage there was no place for the introduction of a third requirement of "common field of activity". When the basic principles involved are considered, this position appears entirely justified. An injunction is awarded to protect the plaintiff against injury to his goodwill—in this sense the injunction goes in aid of the plaintiff's proprietary rights (*Colbeam Palmer Ltd.* v. *Stock Affiliates Pty. Ltd.*).[18] The prejudice to the plaintiff's goodwill from a passing off may take either or both of two forms; each is sufficient injury to his goodwill to warrant equitable intervention with injunctive relief. The usual complaint is that the defendant seeks to encourage to himself the customers of the plaintiff, with consequent loss of patronage by the plaintiff. This, of course, assumes the two are seeking the same customers for the same goods or services. However, the defendant may damage the goodwill of the plaintiff by inducing customers to leave him even though they cannot obtain from the defendant replacement goods or services. Thus, in *Turner* v. *General Motors (Australia) Pty. Ltd.*,[19] on appeal to the High Court from New South Wales, the successful complaint by General Motors essentially was that persons dealing with the defendant in his second-hand car business would believe falsely that they were dealing with the plaintiff and transfer their unhappy experience with the defendant to their relationships with the plaintiff as a maker of new cars. The result would be damage to the plaintiff's goodwill, although the defendant did not seek new car buyers, and was injuring without appropriating the plaintiff's goodwill. The same result has now been achieved in Victoria in the *Totalizator Agency Board Case*.[20] The Board ran the off-course betting system well known as the "TAB"; the defendant, a newspaper containing racing tips, under the letters "TAB". Smith, J. placed stress upon (a) the involvement of the defendant in litigation with the gaming police, (b) the slovenly presentation of and inaccurate printing in the defendant's publication and (c) the possible impression that the plaintiff was using the publication to expand its business at the expense of misled punters, in concluding that there was the requisite likelihood of damage to the plaintiff's goodwill, even though the defendant was not offering the same and rival services to the plaintiff's customers.

The Distinctiveness of the Plaintiff's Mark

It is a condition precedent to the success of a plaintiff relying upon a common law trade mark for him to establish that it is distinctive of his goods or services (*Oertli* v. *Bowman*).[21] Otherwise, how could he complain that it was his goods or services for which the defendant was passing off his goods or services by use of a mark which had on its face no mention of him? This does not mean that the plaintiff must be known by name; the *Yorkshire Relish*

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[18] (1968) 122 C.L.R. 25 at 33-34 per Windeyer, J.

[19] (1929) 42 C.L.R. 352.

[20] (1967) V.R. 605. In England these views have the apparent acceptance of Russell, L.J., who, in the course of argument in *Roche Products Limited* v. *Berk Pharmaceuticals Limited* (1973) R.P.C. 473 at 479, observed; "A great deal of nonsense was talked about fields of activity in the past. They are only relevant in deciding whether or not confusion will occur." Thus one may expect in the Court of Appeal a favourable reception to the recent Australian decisions.

[21] (1959) R.P.C. 1; *cf. Electronics Corp of America* v. *Honeywell* (1970) 428 F(2d) 191.

Case[22] long ago established that it was sufficient if the relevant public identified the mark as indicating a single trade origin and that was in fact the case. Recent decisions have amplified this principle in several respects.

(A) Firstly, it is essential that the necessary reputation be found among the relevant section of the public. This will be those to whom the defendant is or will be directing its goods or services. Thus, if the relevant product is vodka, an Australian court will expect evidence as to the existence of a reputation with new Australians who began to drink vodka in Europe; evidence from young people who first commenced to drink vodka in Australia will be insufficient because it ignores an important section of the Australian vodka market. This particularly will be so if the subject mark has long been used in Europe but on a product made by a different party to the local plaintiff, so that there is in a sense a competing identification of the mark when seen in Australia. When the High Court of Australia had to consider whether "Smirnoff" and "Pierre Smirnoff" were distinctive of a newly established New South Wales vodka distiller, these factors led it to hold that the plaintiff failed, for want of a reputation in these marks: *W. & A. Gilbey Ltd.* v. *Continental Liqueurs Pty. Ltd.*[23]

(B) In *Bayer Pharma Pty. Ltd.* v. *Henry H. York & Co. Pty. Ltd.*[24] Myers, J. of the Supreme Court of New South Wales, decided the longest passing off case then heard in Australia, if not the British Commonwealth. The defendant had advertised a cough linctus to the general public under the so-called Bayer Cross trade mark, being the word "BAYER" written horizontally and vertically, intersecting at the "Y" and enclosed within a circle. The defendant had imported these goods from a company incorporated in Western Germany after World War II but which claimed direct descent from the Bayer business founded there in 1863. The plaintiff had been incorporated in New South Wales in 1936 but with the war, control had shifted from the German interests and for twenty years before litigation started in 1961 it had been under the control of American interests having no connection with the German business. Before 1939 Bayer pharmaceutical goods sold in New South Wales under the subject trade mark had come from or been made here under the control of the German interests. They were now re-entering the Australian market and the plaintiff's desire to stop this led to the passing off suit before Myers, J. Each side produced a large amount of packaging and advertising material; they also introduced between them nearly three hundred witnesses (medical practitioners, new Australians, members of the general public) from all geographical areas in the State. But one thing in this vast weight of evidence became clear. While to virtually all witnesses the Bayer Cross trade mark indicated a sole source of the goods to which it was applied, so that it had a "trade mark signification", there was a sizeable proportion of witnesses to which the trade mark identified that source as the old and well-known German pharmaceutical company; these witnesses did not identify the mark with the local company, the plaintiff, nor with its American parent. Counsel for the plaintiff prayed in aid the *Yorkshire Relish Case*.[25] He argued that it was sufficient to show that (1) to the witnesses the mark indicated origin of the

[22] (1897) A.C. 710.
[23] (1960) 103 C.L.R. 406 at 417-421.
[24] (1964) F.S.R. 143.
[25] (1897) A.C. 710.

goods (2) the plaintiff was in fact the supplier of the goods in the New South Wales market (3) any incorrect identification of the supplier as another party did not matter because stages (1) and (2) were all that were necessary. Myers, J. rejected this argument. He held that the plaintiff failed because (*inter alia*) it had not establishsed the necessary reputation in the trade mark. The *Yorkshire Relish Case*[26] assumed no positive identification of the producer of the goods by the public; if it had such a belief, but it involved not the plaintiff but another (the defendant's supplier in the present case), then *ex hypothesi* the plaintiff could not allege the defendant was inducing people to deal with his goods under the belief that they were the goods of the plaintiff. The belief of the public would be (correctly) that the defendant's goods were the goods of the German business. The first requirement in the view of Myers, J. (citing *Oertli* v. *Bowman*)[27] was that the plaintiff be able to establish the mark sued upon as distinctive of his goods, and this can never be done where there is a competing reputation. There are several comments to be made upon this important judgment. *First*, Myers, J.'s treatment of the *Yorkshire Relish*[28] principle appears demonstrably correct. *Second*, it emphasizes the importance of Harman, L.J.'s aphorism that passing off is a remedy for the known rather than the unknown.[29] The fact that the public belief may be inaccurate (e.g., the belief in the *Bayer Case*[30] that the goods on the local market in 1961 were still from the celebrated German concern) is not always productive of injustice. In the *Bayer Case*[31] Myers, J. held that after 1939 it was for the plaintiff to build up a fresh image in the eyes of customers and clearly break away from the German past. This it had not done. Rather it appeared to get what it could from the pre-war reputation for its later products. How was the result reached by Myers, J. unjust to such a party? *Third*, a plaintiff who has created a quite false belief that a mark indicates his goods alone or has built up his independent reputation in breach of restrictions in a licence agreement and then seeks to injunct his competitor or licensor may always be met with a defence of unclean hands.[32]

(C) The plaintiff cannot succeed if the mark upon which he relies indicates not a connection between him and the goods, but some characteristic of the goods. This is a most important reservation. For it is the cause of the limitation in passing off to one type of misrepresentation (i.e., origin of the goods as those of the plaintiff) rather than treating the action as embracing other misrepresentative attributes of the goods of the plaintiff. This distinction lies at the heart of the judgments in the sustained litigation in England over the get-up of the Librium and Valium tablets. In the case involving the Librium tranquiliser, *F. Hoffmann La Roche A. G.* v. *D.D.S.A.*,[33] the Court of Appeal held that the black and green capsules dispensed under the British National Health Scheme indicated to patients a single source which in fact was the

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[26] (1897) A.C. 710.
[27] (1959) R.P.C. 1, and (1957) R.P.C. 388 at 397.
[28] (1897) A.C. 710.
[29] In *Serville* v. *Constance* (1954) 1 W.L.R. 487 at 491.
[30] (1964) F.S.R. 143.
[31] (1964) F.S.R. 143.
[32] *Manus* v. *Fulwood* (1949), Ch. 208, *cf. Oertli* v. *Bowman* (1959) R.P.C. 1.
[33] (1972) R.P.C. 1.

plaintiff (i.e., the *Yorkshire Relish Case*[34] was applied).[35] There are suggestions in the argument and judgments that it might have been enough for the patients to identify the get-up with the drug having the happy effects upon which they relied, rather than with a single trade source. But such tendencies were firmly renounced by Russell, L.J. in the later Valium case, *Roche Products Ltd.* v. *Pharmaceuticals.*[36] The tablets there were an indistinctive yellow which conveyed no message to the consumer; but Russell, L.J. emphasized that passing off deals with one type of misrepresentation only, that as to the origin of the goods. His Lordship expressed the principle as follows:[37]

> Now, in this as in all other passing off cases the basic question is whether, directly or indirectly, the manner in which the goods of the defendant are presented to the relevant consumers is such as to convey to the minds of the latter the impression that they are the goods of the plaintiff. In an "appearance" or get-up case it is not enough simply to say that the former are very like the latter. It must be established that consumers have, by reason of the appearance of the goods of the plaintiff, come to regard them as having some one trade source or provenance, whether manufacturing or marketing, though it matters not that they have no idea at all of the identify of that trade source or provenance.

It should be added that nothing in either case turned on the registered word marks, Librium and Valium. These had not been copied by the defendants. And, in any event, the consumer as distinct from doctor or pharmacist who well knew the trade mark names, seemed to recognize the drugs, if at all, by their get-up. Finally, it is to be observed that although the crucial issue in both cases was seen as the beliefs and reactions of the patients, just as if they were the purchasers or prospective purchasers of the goods of the defendant in a traditional passing off case, they were in no real sense purchasers from the National Health Scheme or dispensing pharmacist, and they exercised no power of selection in the usual sense when the drug was prescribed. The medical practitioner might prescribe the plaintiff's product and the patient receive the defendant's product. This might frustrate the intentions of the medical practitioner, but the patient was scarcely in like case to the purchaser who has been sold goods of a different manufacturer to that for whose product he paid his money and exercised his power of selection.

Foreign Reputation

What if a plaintiff at time of suit conducts no business in the jurisdiction. but has a well-established business elsewhere? Can he restrain a "pirate" who seeks to steal a march on him in the jurisdiction? The answer appears to depend upon whether, despite his absence of business there, the plaintiff has a reputation in the jurisdiction arising from the impressions of travellers and advertising material circulating there. That being so, as it often will with multinational corporations, the true test seems to be that laid down by O'Bryan, A.J.

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[34] (1897) A.C. 710.

[35] The case is notable also for the observation of Harman, L.J. (1972) R.P.C. 1 at 18; "It would seem that the average citizen of the welfare state is never, or rarely, in a condition of what the late President Harding used to call 'normalcy'; either he needs stimulation in the form of what is called a 'pep' pill or he needs sedation and for that he has to have a tranquiliser. So up and down he goes, but never remains stable."

[36] (1973) R.P.C. 473 at 484.

[37] (1973) R.P.C. 473 at 482.

in *Ramsay* v. *Nicol*.[38] His Honour asked: "Has the plaintiff acquired a reputation in the jurisdiction; is this subsisting at the relevant time; will the use of the same or a similar name by the defendant cause passing off; and is there a real likelihood of such deception causing damage to the plaintiff?" If these criteria are satisfied, it does not matter that the plaintiff is not within the jurisdiction, has no business there, or has left it. The decisions of Wolff, C.J., in *Westinghouse Electric Corporation* v. *Thermopart Pty. Ltd.*.[39] and of Buckley, J. (as he then was) in *Sheraton Corporation of America* v. *Sheraton Motels Ltd.*[40] are consistent with this statement of principle. However in *The Crazy Horse Case*[41] Pennycuick, J. reached a quite different conclusion. The plaintiffs had no business operations in England beyond advertisements for their famous Paris night-club, "the Crazy Horse Saloon", and with the continued attraction of Paris as a centre of delightful and diverting depravity for all classes of English society, from that of the late the Hon. Nancy Mitford downwards, there were many returning travellers with tales of exciting occasions at the plaintiff's establishment. The defendant was opening a night-club in London and announced that "the Crazy Horse Saloon comes to London". The plaintiff sought an injunction but failed. To Pennycuick, J. it was idle to speak of the plaintiff having a goodwill in England; it was known there but the reputation was nothing without a business there. That it lacked. Arguments based upon prospect of future operations in England and protection of "prospective" goodwill held no appeal to his Lordship.

There are really several questions in these cases, as indicated by O'Bryan, J. in *Ramsay* v. *Nicol*.[42] One is whether the passing off requires representation or also sales. Since *Spalding* v. *Gamage*[43] it is clear that the tort is complete with the representation in the jurisdiction. Therefore the fact that there could be no sale in the jurisdiction is not fatal. Further, at law, even before *Spalding* v. *Gamage*,[44] nominal damages could be recovered without proof that any person actually had been deceived. That had been clear at least since *Blofield* v. *Payne*.[45] Therefore, if the plaintiff's mark has sufficient notoriety in the jurisdiction to identify goods or services found outside it, and the defendant makes his misrepresentation in the jurisdiction, what bars the plaintiff's path to relief? There seems none at law. The difficulty arises in equity. As has been noted, the injunction protects the plaintiff's goodwill arising for his business—his property—against apprehended damage. There is thus the further question: must the business which generates the goodwill be situated in the jurisdiction, so that the apprehended damage will be suffered there? There is no logical necessity that the answer to this question must be the same as to those questions previously put as to the situs of reputation and misrepresentation. But Pennycuick, J. overlooked this in the *Crazy Horse Case*.[46] O'Bryan, J. took the distinction in *Ramsay* v. *Nicol*,[47] it is submitted, validly. For equity has never been excluded from action upon the conscience of a defendant, whose

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[38] (1939) V.L.R. 330 at 342-343.
[39] (1968) W.A.R. 39.
[40] (1964) R.P.C. 202.
[41] (1967) R.P.C. 581.
[42] (1939) V.L.R. 330.
[43] (1915) 32 R.P.C. 273.
[44] (1915) 32 R.P.C. 273.
[45] (1833) 4 B and Ad. 410, 110 E.R. 509.
[46] (1967) R.P.C. 581.
[47] (1939) V.L.R. 330.

physical presence it may secure, by the consideration that the property the subject of his misconduct lies elsewhere. It is sufficient to refer to Lord Hardwicke, L.C.'s magisterial pronouncements on this subject in *Penn* v. *Lord Baltimore*,[48] and their recent repetition by Megarry, J. in *Richard West and Partners (Inverness) Ltd.* v. *Dick*.[49]

Exclusivity of Reputation

There are many statements in the cases that the plaintiff in a passing off suit must show that his trade mark indicates exclusively his goods or services.[50] This is entirely to be expected. For otherwise how could a plaintiff who had but a concurrent reputation in the trade mark allege in a suit instituted by him any passing off of his goods rather than of any one or more of his "co-owners"? In addition, if to the public the mark indicates not a particular source but some other characteristic (e.g., place of manufacture) then misuse of it by the defendant upon his goods will be a misrepresentation quite outside the scope of passing off. From these principles the English cases went no further than to hold that of two persons carrying on separate businesses both derived from a common predecessor using the one name, each had a separate right to injunct a third party using the relevant trade name: *Dent* v. *Turpin*[51] *Southorn* v. *Reynolds*.[52] Both cases were decisions of Lord Hatherley in his earlier guise of Page-Wood, V.-C., and both involved a business conducted under the same style but at separate places which had been founded by a father who left the branches separately between his sons. In both cases Page-Wood, V.-C. ordered an account of profits and in the second his Honour managed an order for inquiry into damages as well. But no precise indication was given as to how the account might be taken or the damages assessed.[53]

In the last fifteen years there has been a series of single judge decisions in England which radically alter the easy comfort of these first principles. They have launched the tort of passing off on a new course with no end yet in sight. They are thus of first importance. Two radical and distinct steps are involved. The first (which does not necessarily lead to the second) is to deny the necessity of an exclusive reputation to support a passing off action. The second is to permit actions in respect of misrepresentations other than as to the trade origins of goods. All concerned beverages described and well known in England by a name being that of the geographical area in which they were produced by a number of independent parties, and in each the defendant sold a beverage, produced elsewhere, under the well known name, in some instances with this shown after a distinguishing prefix. The cases are *J. Bollinger* v. *Costa Brava Wine Co. Ltd.*[54] ("Spanish Champagne"), *Vine Products Limited* v. *Mackenzie & Company*[55] ("British, Cyprus, South African, Sherry"), *John*

[48] (1750) 1 Ves. Sen. 444, 27 E.R. 1132.
[49] (1969) 1 All E.R. 289, affd. 943.
[50] Eg. *The Two D Case* (1893) 10 R.P.C. 141 at 155 (Lord Herschell); *The Whitstable Oyster Case* (1900) 17 R.P.C. 461 at 474 (Lord Westbury), *Taverner* v. *Specters* (1959) R.P.C. 355 at 362 (Lord Evershed, M. R.); *Oertli* v. *Bowman* (1957) R.P.C. 388 at 397 (Lord Jenkins); *Parker Knoll Ltd.* v. *Knoll International Ltd.* (1962) R.P.C. 265 at 278, 289 (Lords Morris and Devlin).
[51] (1861) 2 J. and H. 139; 70 E.R. 1003.
[52] (1865) 12 L.T. (N.S.) 75.
[53] There were analagous decisions as to division of goodwill between former partners, e.g. *Burchell* v. *Wilde* (1900) 1 Ch. 551.
[54] (1960) Ch. 262; (1961) R.P.C. 116.
[55] (1969) R.P.C. 1.

Walker & Sons Ltd. v. *Henry Ost & Co. Ltd.* ("Scotch Whisky" in Ecuador)[56] and *John Walker & Sons* v. *Douglas McGibbon & Company Limited*[57] ("Scotch Whisky" in Honduras). In all these cases (1) to the public in Britain the term concerned indicated either or both of a beverage produced in a particular geographical area from which it had taken its name and a beverage having some other quality such as expense or effervescence, (2) the public did not identify the name with any particular producer, (3) the plaintiffs sued on behalf of themselves and other producers of the genuine product (save in the Whisky cases where the plaintiffs were all the blenders and producers of virtually all the final product), (4) the defendants had taken the term for products not having the relevant property or attribute of those of the plaintiffs, (5) the plaintiffs sought only injunctions and declarations, not damages or accounts of profits. In the Champagne and Sherry cases the defendants sought to distinguish their goods by other geographical prefixes; in the first Danckwerts, J. held this did not remove deception, while in the second Cross, J. held it did. This issue depended strongly upon the evidence. The conclusion to be drawn from the cases was well expressed by Cross, J. in the *British Sherry Case*:[58]

> What differentiates an ordinary case of "passing off" from the special type of "passing off" illustrated by (these cases) is that in the latter type of case the plaintiff is not saying that the defendant is leading people to think that his goods are the goods of the plaintiff; he is merely saying that the defendant is selling his goods under a false trade description and that he is being—or is likely to be—injured thereby. That, of course, necessarily involves the deception of anyone who does not already know that the description is false—but it is quite a different sort of deception from that usually relied on in passing off actions. . . .

It follows from this that not all false trade descriptions are tortious; the description must be true of the plaintiff's goods, untrue of the defendant's goods and so deleterious to the plaintiff. This has recently (and it appears correctly) been emphasized in the Supreme Court of Hong Kong in *Shaw Brothers (Hong Kong) Limited* v. *Golden Harvest (H.K.) Ltd.*[59] But many issues await judicial resolution. Some are the following:

(1) There appears no logical limitation confining the principle to geographical names; in the case last cited Huggins, J. instanced a generic term indicative of the constituents of the goods of the plaintiff.

(2) Nor is there any necessary exclusion of the right where only the plaintiff's goods have this property, although the decided cases deal with attributes common to goods of a number of producers.

(3) If the attribute concerned is shared by a number (as in the wine cases) must (as was done in those cases) proceedings be brought by all of them or at least by representative action on behalf of all of them? Is the right joint or several? If it is joint, what is the position of a potential plaintiff who does not wish to take proceedings and wishes to restrain others from so doing?[60]

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[56] (1970) 2 All E.R. 106.
[57] (1972) S.L.T. 128.
[58] (1969) R.P.C. 1 at 29.
[59] (1972) R.P.C. 559 at 562-563.
[60] As to representative actions see generally the article by Lord Lloyd of Hampstead in (1949) 12 M.L.R. 409.

(4) If the right is a several one how are damages to be assessed or any account of profit computed?
(5) What is the injury of which the plaintiffs complain other than competition that is "unfair"? What is the damage apprehended to his proprietary interest in goodwill which founds the injunction?
(6) Are the declaration and injunction the only remedies? If so, then one has the infernal vision of a tort, a legal wrong, which attracts no damages, only equitable relief.
(7) Do the plaintiffs have the right to prevent a third party entering their field and acquiring for his goods the genuine attributes now exclusive to their goods? On traditional principles a plaintiff cannot complain if his mark has become a generic description of the goods concerned and the defendant applies this to his goods, regardless of whether he does so accurately or not. Thus when "linoleum" became generic[61] the party whose goods previously that mark distinguished could not sue any users of it for passing off even if the product did not have the composition and qualities of that of the plaintiff. Now it seems he can, if the defendant falsely applies "linoleum" as a description of his goods.
(8) When is the new cause of action complete? Here some guidance is offered by the two Whisky cases. They hold it an actionable wrong to supply within the jurisdiction liquor bottles and labels for the purpose of enabling others to pass off in other countries (in those cases Ecuador and Honduras) as and for Scotch spirits which were not Scotch. This is in line with a series of cases dealing with the orthodox passing off of which the leading member is *Johnston* v. *Orr Ewing*.[62] There were, of course, by reason of the subsequent sales abroad torts committed there and actionable in England under the rule in *Phillips v. Eyre*.[63]
(9) Has the requirement for exclusivity of reputation been weakened only in cases such as those above described, or is it no longer necessary even in orthodox passing-off cases where the plaintiff relies on a mark as indentification of the origin of his goods? The two great steps in the recent cases are not in logic dependent the first upon the second, but one suspects the courts will so treat them and preserve the established position in orthodox passing off.

Conclusion

The expansion of passing off in the last eighteen years will be to some but a demonstration of the strict logic and high technique which to Sir Owen Dixon, echoing Maitland,[64] represented the deepest common law tradition; at least no one can deny that in that period there have been great changes. The process involved is best expressed (although not explained) by Lord Radcliffe:

> No one really doubts that the common law is a body of law which develops in process of time in response to the developments of the society, in which it rules. Its movement may not be perceptible at any distinct point of time, nor can we always say how it gets from one point to another: but I do not think that, for all that, we need abandon the conviction of

[61] *Linoleum Manufacturing Company* v. *Nairn* (1878) 7 Ch. D. 834.
[62] (1882) 7 App. Cas. 219.
[63] (1870) L.R. 6 Q.B. 1.
[64] See "Concerning Judicial Method" (1955) 29 A.L.J. 468 at 469.

Galileo that somehow, by some means, there is a movement that takes place.[65]

Some changes in the case law, such as those exemplified by *Henderson Radio Corporation Pty. Ltd.*,[66] are harmonious developments of basic principle; others, such as the *Bayer Cross Case*,[67] are valuable insights into those fundamentals. But these cases all lie within the traditional framework of false identification of the origin of the subject goods with the defendant. The *Spanish Champagne Case*[68] and its successors take new steps into the field of other misrepresentations injurious in some largely unspecified manner to the goodwill of the plaintiff. However, these decisions still stop far short of any general tort of unfair business competition. In the years ahead bold spirits may not be lacking.

Certainly these spirits are already abroad in New Zealand, as testified by *Emms v. Brad Lovett Limited*.[69] That case concerned competition between two operators of mobile vans from which ice cream was sold to those viewing the unspoilt splendours of the Okahu Bay Reserve area. The By-laws of the City of Auckland required the defendant to keep his van at least three hundred yards from that of the plaintiff but he persistently plied his trade within a closer range. The plaintiff's action was dismissed in the magistrate's court but an appeal was upheld by Perry, J., who remitted the matter to the magistrate "to assess damages or other relief". His Honour held that the plaintiff had no action for breach of statutory duty flowing from the relevant by-law. But counsel for the defendant, in a remarkable gesture, conceded that there was "a tort of unlawful interference with the business of the plaintiff" and Perry, J. held the concession to have been rightly made and went on to emphasise that "motive or intent" on the part of the defendant was immaterial. Several difficulties arise from this judgment. *First,* while there is some evidence in the modern authorities that the torts of intimidation, conspiracy and inducement of breach of contract are but species of the one tort genus and to be subsumed under the head of "causing loss by unlawful means", essential still would be both loss and intention to cause it.[70] On the other hand, Perry, J. denied the necessity of malign intent and did not make clear whether loss was a precondition to equitable relief.[71] *Second,* if the term "unlawful" embraces representations made to third parties (e.g., the plaintiff's or defendant's customers) and which are not actionable by them or the plaintiff as defamatory or in deceit, injurious falsehood or passing off, as the case may be, but which are "unlawful" because they induce a voidable contract, then a great step will have been taken. This would be a basis for the Champagne Sherry and Whisky cases, all of which posited misrepresentations of this kind to the consumers of the defendant's goods. And there would be also a remedy in many cases of other misrepresentations to consumers, adverse to the plaintiff but not of the same description as the misrepresentations in the liquor cases. *Third,* It must follow from Perry, J.'s

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[65] *Lister* v. *Romford Ice and Cold Storage Co. Ltd.* (1957) A.C. 555 at 591-592.
[66] (1960) S.R. (N.S.W.) 576.
[67] (1964) F.S.R. 143.
[68] (1960) Ch. 262.
[69] (1973) 1 N.Z.L.R. 282.
[70] The subject is discussed at length by Professor Heydon in his paper *The Future of the Economic Torts* at 4-15, presented to the AULSA Conference, Melbourne, August 1974.
[71] Passing off has, of course, been long restrained in equity where the defendant commenced his activities in innocence of the plaintiff's rights, but if Perry J. is correct, it will have to share this somewhat special characteristic.

judgment that "unlawful" includes conduct in breach of a statute which otherwise confers no private cause of action, thus permitting actions where false or misleading advertisements or false trade descriptions appended to goods are "unfair" competition with the plaintiff as well as mischievous to those dealing with the defendant. Therefore the future may be bleak for the competitor who in breach of a statute falsely asserts that his goods, although not made by the plaintiff, are as good as those made by the plaintiff.[72] "The Court would then be bound to inquire, in an action brought, whether this ointment or this pill better cured the disease which it was alleged to cure — whether a particular article of food was in this respect or that better than another. Indeed, the Courts of Law would be turned into a machinery for advertising rival productions by obtaining a judicial determination which of the two was the better". This possibility shocked Lord Herschell, L.C. in *White* v. *Mellin*[73] eighty years ago; if *Emms* v. *Brad Lovett Limited*[74] is correct, unpleasant reality is now at hand.[75]

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[72] See *eg* Consumer Protection Act 1969-70 (NSW), Part III.
[73] (1895) A.C. 154 at 165.
[74] (1973) 1 N.Z.L.R. 282.
[75] It is also to be noted that by a combination of clauses 6, 52, 53, 55, 80 and 82, the Trade Practices Bill 1973 contemplates that one competitor aggrieved by the misleading or deceptive conduct of another competitor (which may not give rise to any right of action in passing off) may obtain an injunction and alos damages.