

UNFAIR TRADE PRACTICES AND INTELLECTUAL PROPERTY RIGHTS — THE AUSTRALIAN EXPERIENCE

John J. Garnsey,
B.A., LL.M.(Hons)(Syd); Blackstone Chambers, Sydney;

Mr Garnsey is a Barrister specialising in commercial and intellectual property law.

UNFAIR TRADE PRACTICES AND INTELLECTUAL
PROPERTY RIGHTS - THE AUSTRALIAN EXPERIENCE

Introduction

1. Legislative recognition of the problems of consumers has been reflected in enactments of the Commonwealth and the State governments in Australia.¹ The most important legislation relating to protection of consumers, however, is to be found in Part V of the Commonwealth Trade Practices Act 1974. The operation of Part V of the Trade Practices Act is limited by the restrictions of Commonwealth power in the Constitution, and consequently the provisions of the consumer protection legislation of the States is complementary to the provisions of Part V of the Trade Practices Act. On the other hand, because the provisions of Part V of the Act, once they are able to operate, have effect throughout Australia, and because proceedings may be instituted for a contravention of the Act in the Federal Court of Australia, the application of the provisions of Part V has been widespread and is continuing. The provisions are of considerable importance to the law relating to intellectual property in Australia. It is not, however, the purpose of this paper to set out the law relating to consumer protection or trade practices in Australia. For that reference should be made to the standard texts.²

1. NSW: Consumer Protection Act, 1969; Old: Consumer Affairs Act, 1970-1974; SA: Prices Act, 1948-81, s18(a), 18(b); Tas: Consumer Affairs Act, 1970; Vic: Consumer Affairs Act, 1972; WA: Consumer Affairs Act, 1971-81; ACT: Consumer Affairs Ordinance, 1973; NT: Consumer Protection Council Ordinance, 1978.
2. Taperell, Vermeesch and Harland, Trade Practices and Consumer Protection (3rd Ed) 1983, Butterworths); Miller, Trade Practices Legislation Service, The Law Book Company Limited; Donald and Heydon, Trade Practices Law, Vols.1 and 2, The Law Book Company Limited, 1978.

The Trade Practices Act, 1974

2. The Trade Practices Act 1974 represents the first attempt by the Commonwealth Parliament to legislate extensively in the field of consumer protection.¹ The substance of the Act's consumer protection provisions is to be found in Part V,

Division 1 of which prohibits certain misleading and unfair practices. Part VI provides for the remedies which are available when these provisions are contravened. Division 2 of Part V provides for the implication of certain contractual terms in consumer transactions and provides that the operation of these terms may not be modified or excluded. Division 2A of Part V imposes and deals with the liability of a manufacturer of goods to consumers who acquire those goods otherwise than directly from the manufacturer. In this paper it is proposed to examine certain of the provisions of Parts V and VI which are commonly relied upon to protect rights which have traditionally been categorized as intellectual property rights or which have been associated with recognized intellectual property rights.

1. Taperell Vermeesch and Harland, Trade Practices and Consumer Protection, 3rd Ed, para.1308, summarizes the circumstances motivating the introduction of Part V of the Trade Practices Act, 1974 in the following terms:

The motivation of the Commonwealth Government in enacting these consumer protection provisions had many facets. The legislation was enacted by the former Labor Government, first elected in 1972, which took the view that there was a clear need for action at the national level and rejected the opinion that such matters should primarily be the responsibility of the States. An important factor influencing the enactment of the legislation was the difficulties of enforcement frequently arising in a federal system where commercial enterprises are trading across State boundaries. Moreover, that Government was clearly in sympathy with the criticisms which had often been expressed to the effect that much consumer legislation in the States had been enforced with too little vigour and that the enforcement provisions contained in that legislation were frequently inadequate in scope in that they provided for relatively low maximum penalties and contained no provisions for prohibiting the continuance of prohibited practices or for the granting of compensation to injured consumers. The consumer protection provisions of the Trade Practices Act provide for very substantial penalties in most cases, and in all cases allow injunctions to be granted to prevent a prohibited act being repeated and enable compensation to be awarded to injured persons. Some matters covered by the Trade Practices Act (such as the use of harassment or coercion in debt collection and the exclusion of liability on implied terms in sales of goods to consumers) are not dealt with in the legislation of some States. Although all of the above factors are important, it is true to say that the dominant thinking behind the consumer protection provisions of the Act is that the practices affected influence ultimately the national economy and are appropriate matters to be regulated on a national level.

See also Donald and Heydon, Trade Practices Law, Vol 2 (The Law Book Company Limited, 1978, pp 509 to 518 for a discussion of the basis of Part V.)

3. Certain of the provisions of Part V have been regularly relied upon to protect and develop recognized intellectual property rights, namely Sections 52 and 53, which provide as follows:

52(1) A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

(2) Nothing in the succeeding provisions of this Division shall be taken as limiting by implication the generality of sub-section (1).

53. A corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services -
- (a) falsely represent that goods are of a particular standard, quality, grade, composition, style or model or have had a particular history or particular previous use;
 - (aa) falsely represent that services are of a particular standard, quality or grade;
 - (b) falsely represent that goods are new;
 - (c) represent that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have;
 - (d) represent that the corporation has a sponsorship, approval or affiliation it does not have;
 - (e) make a false or misleading statement with respect to the price of goods or services;
 - (f) make a false or misleading statement concerning the need for any goods or services; or
 - (g) make a false or misleading statement concerning the existence, exclusion or effect of any condition, warranty, guarantee, right or remedy.

4. Sections 55 and 55A should also be noted:

55. A person shall not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of any goods.
- 55A. A corporation shall not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the characteristics, the suitability for their purpose or the quantity of any services.

The form of these sections is to be explained by reason of the limitations on the constitutional power of the Commonwealth¹. Sections 52 and 53 are based upon the corporations power in paragraph 51(xx) of the Constitution;². Sections 55 and 55A are based upon the external affairs power in paragraph 51(xxix) of the Constitution.³ However Section 6 of the Trade Practices Act extends the operation of these Sections by reference to other powers of the Commonwealth Parliament found in the Constitution⁴ and in particular the trade and commerce power in paragraph 51(i) of the Constitution and the posts and telegraphs power (paragraph 51(v) of the Constitution).⁵

1. See Taperell Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed., Chapter 2 passim.
2. See Strickland v Rockler Concrete Pipes Ltd (1971) 124 CLR 468; cf R. v Trade Practices Tribunal and Commissioner of Trade Practices; ex parte St George County Council (1974) 130 CLR 533.
3. See R.V. Burgess; ex parte Henry (1936) 55 CLR 608; Airline of New South Wales Pty Ltd v State of New South Wales (No.2) (1965) 113 CLR 54; State of New South Wales v Commonwealth (1975) CLR ; (The Seas and Submerged Lands Act Case); Robinson v Western Australia Museum (1977) CLR .
4. Re Judges of the Australian Industrial Court; ex parte C.L.M. Holdings Pty Limited (1977) CLR .
5. See R. v Brislan; ex parte Williams (1935) 54 CLR 262; Jones v Commonwealth (No.2) (1965) 112 CLR 206; Wells v John R. Lewis Pty Ltd (1975) 1 TPC 226 at 233.

5. Section 6 of the Act so far as it is relevant provides as follows:

- 6.(1) *Without prejudice to its effect apart from this section, this Act also has effect as provided by this section.*
- (2) *This Act, other than Part X, has, by force of this sub-section, the effect it would have if-*
 - (a) *any reference in this Act other than in sub-section 45D(1A) or in section 55 to trade or commerce were, by express provision, confined to trade or commerce-*
 - (i) *between Australia and places outside Australia;*
 - (ii) *among the States;*
 - (iii) *within a Territory, between a State and a Territory or between two Territories; or*
 - (iv) *by way of the supply of goods or services to the Commonwealth or an authority or instrumentality of the Commonwealth.*
 - (3) *In addition to the effect that this Act, other than Part X, has as provided by sub-section (2), Division 1 of Part V has, by force of this sub-section, the effect it would have if-*
 - (a) *that Division (other than section 55) were, by express provision, confined in its operation to engaging in conduct to the extent to which the conduct involves the use of postal, telegraphic or telephonic services or takes place in a radio or television broadcast;*
 - (b) *in section 60 the words "cause or permit a servant or agent of the corporation to" were omitted; and*
 - (c) *subject to paragraph (b), a reference in that Division to a corporation included a reference to a person not being a corporation.*

Accordingly Section 6 extends the operation of sections 52 and 53 considerably. The effect of Section 6 was discussed extensively by Mason J. in the C.L.M. Holdings

Case (1977) 136 CLR 235; 13 ALR 273. As an example his Honour considered the extension of paragraph 53(a) of the Trade Practices Act, 1974 as it then appeared, and his Honour's analysis was approved and applied by the High Court in Seamens Union of Australia v Utah Development Co (1979) 144 CLR 120; 22 ALR 291; 53 ALJR 83. Paragraph 53(a) as it then appeared in the Act read as follows:

A corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services falsely represent that goods or services are of a particular standard, quality or grade or that goods are of a particular style or model; ...

Read in the light of the extension effected by s.6, it would provide that:

A corporation shall not, in trade or commerce, and a person not being a corporation shall not, in trade or commerce -

- (i) between Australia and places outside Australia;*
- (ii) among the States;*
- (iii) within a Territory, between a State and a Territory or between two Territories; or*
- (iv) by way of the supply of goods or services to Australia or an authority or instrumentality of Australia,*

in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services-

- (a) falsely represent that goods or services are of a particular standard, quality or grade, or that goods are of a particular style or model.*

Finally, in this respect, it should be noted that Part VI of the Trade Practices Act deals with enforcement and remedies. The provisions of Section 75B, 80, 82, 85(3) and 87 should be noted. These are considered in paragraphs [] below. It should also be noted that the contravention of Section 53, 55 or 55A exposes the person in breach to conviction for an offence with the penalties provided in Section 79 but subject to the defences in Section 85.

The Consumer Protection Provisions and Intellectual Property Rights

6. The application of Sections 52, 53, 55 and 55A of the Trade Practices Act to protect recognized intellectual property rights raises a number of questions of importance. The first is whether persons other than consumers or the Trade Practices Commission¹ are entitled to rely upon or enforce those sections; the second is whether the proper construction of those sections requires an infringement of the rights of consumers as a class (and not merely private rights) before

those sections can be enforced, whether by consumers or anyone else ²; and the third is whether the effect of those sections is to be limited by or read down so as not to apply to cases expressly provided for in other legislation such as the Copyright Act 1968, the Trade Marks Act 1955, the Patents Act 1952, or the Designs Act 1906, which protect or create or grant monopolies in intellectual property rights. ³

1. Considered in the next paragraph.
2. Considered at paragraph 11 below.
3. Considered at paragraph 18 below.

Who Can Enforce the Consumer Protection Provisions

7. It is now clear that persons other than consumers can enforce the consumer protection provisions of the Act. That has been accepted by the High Court, in Hornsby Building Information Centre Pty Limited v Sydney Information Building Centre (1977) 140 CLR 216 (at 220, 225, and 234) and subsequently in Parkdale Custom Built Furniture Pty Limited v Puxu Pty Limited (1982) 149 CLR 191 (at 197-8; 202, 212 and 218) and by the Full Court of the Federal Court McWilliam's Wines Pty Limited v McDonald's System of Australia Pty Limited (1980) 33 ALR 394; 49 FLR 455 (the "Big Mac" Case)). Although the purpose of these sections is to protect members of the public "in their capacity as consumers of goods and services", competitors or rival traders may seek an injunction to restrain breaches of the sections (see Parkdale Custom Built Furniture v Puxu Pty Limited (supra) at 202; R. v Federal Court of Australia; ex parte Pilkington ACI (Operations) Pty Ltd (1978) 142 CLR 113). There is no implied limitation in the consumer protection provisions of the Trade Practices Act requiring a person who seeks to rely upon those provisions to qualify as a "consumer" within the meaning of the Act. Accordingly it is unnecessary to consider the meaning of "consumer" where that word appears in the Act. It should be noted however that the traditional definition in the "vocabulary of political economy" of a consumer as "the opposite of a producer", and the common description of the consumer as "one who uses up substances so as to result in their destruction, whether by eating them, burning them, wearing them away or the like," which modern usage has extended to include those who make use of services (see Hornsby Information Centre Case (supra) per Stephen J. at 224) has been considerably extended by the present definition of "consumer" in Section 4B of the Act (see Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed. at paras [1317]-[1333]). Whether or not a rival trader can obtain damages under Section 82 of the Trade Practices Act for a contravention of Sections 52, 53, 55 or 55A is a more complicated question (see Taperell & Ors, op.cit., at paras [369] and [1645] and Leo v Brambles Holdings Ltd (1982) 5 TPR 153; Yorke v Ross).

MISLEADING AND DECEPTIVE CONDUCT - SECTION 52

The Proper Construction of Section 52

Conduct which is deceptive or misleading to consumers as consumers is within Section 52 and conduct which is deceptive or misleading to persons other than as consumers may be within Section 52

8. For conduct to fall within Section 52 of the Trade Practices Act it is sufficient that it misleads or deceives or be likely to mislead or deceive members of the public "in their capacity as consumers". In Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd (1982) 149 CLR 191, Mason J. at pages 202-203 explained this requirement in the following terms:

Section 52(1) is expressed in terms of broad generalities which are explicitly preserved by s.52(2). The general words of s.52(1) should be widely interpreted without being read down by reference to the heading of Pt V "Consumer Protection" or to the more specific succeeding sections (see Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd (1978) 140 CLR 216 at 225.) Although s.52(1) is intended to protect members of the public in their capacity as consumers of goods and services, competitors may seek an injunction to restrain breaches (s.80(1)(c); Reg. v Federal Court of Australia; Ex parte Pilkington ACJ (Operations) Pty Ltd (1978) 142 CLR 713). The remedy to prevent deception of the public often has the incidental effect of protecting a competing trader's goodwill which would be also injured by that deception.

Nevertheless, it is important to recall that s.52(1) is "not concerned, as such, with any unfairness of competition intrade as between two traders" (Hornsby (1978) 140 CLR at p.226); cf. s.5 of the United States Federal Trade Commission Act 1914). It is not directed exclusively or even primarily to situations of passingoff; it extends to any conduct that is likely to mislead or deceive as, for example, the making of negligent statements and false representations as to the quality of goods. It is not enough that conduct damages a rival trader; it must mislead or deceive or be likely to mislead or deceive members of the public in their capacity as consumers.

The statement in the last sentence of the passage from the judgment of Mason J set out above might be understood to make it a mandatory requirement that, for the application of Section 52, members of the public be or be likely to be misled or deceived in their capacity as consumers (see also the remarks by Gibbs C.J. in the Puxu Case (supra) at). Indeed those remarks were relied upon by St John J. in Westham Dredging Co Pty Ltd v Woodside Petroleum Development Pty Limited (1983) 46 ALR 287 as establishing such a requirement as a mandatory requirement for the application of Section 52, and so depriving the applicant in that case, a dredging contractor from succeeding in a claim against its principal and its consulting engineer for damages for the supply of what was allegedly inaccurate geological data. St John J. repeated this view in H.W. Thompson Building Pty Ltd v Allen Property Services Pty Ltd (1983) 48 ALR 667; (1983) ATPR 40-371, but Northrop J. in Jet Corporation of Australia Pty Ltd v Petres Ltd (1983) 50 ALR 722 at 729 doubted

the correctness of such a view, and of the decision in the Westham Dredging Co Case (supra). In Lubidineuse v Bevanere Pty Ltd (1984) 55 ALR 273 Wilcox J. declined to follow the decision of St John J. in the Westham Dredging Co Case (supra) and expressly held that there was no implication in Section 52 which limited the relevant conduct to conduct which affected a person properly to be described as a "consumer". In that case, Wilcox J. held that the respondent by its principal officer had contravened Section 52 when that officer represented that an employee of the respondents business which the respondent was in the process of selling to the applicants would remain as an employee, while knowing that the employee had expressed dissatisfaction with the applicants as proposed purchasers of the business and intended to leave, should the applicants purchase the business, was guilty of misleading and deceptive conduct within Section 52. His Honour expressly rejected the submission of counsel for the respondents that Section 52 was restricted in the manner suggested by St John J. in the Westham Dredging Case and, after considering dicta in various cases (R v Credit Tribunal; ex parte General Motors Acceptance Corporation (1977) 137 CLR 545 at 561; 14 ALR 257 at 267-8; Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Limited (1978) 140 CLR 216 at 223; 18 ALR 639 at 642-3; R v Judges of the Federal Court of Australia; ex parte Pilkington ACI Operations Ltd (1978) 142 CLR 113 at 120, 128; 23 ALR 69 at 73, 78-9) interpreted the remarks of Gibbs C.J. and Mason J. in the Puxu Case (1982) 149 CLR 191 at 197, 199, 202 and 204; 42 ALR 1 at 9) as using the term "consumers" simply as a "generic title for those intended to be protected under Part VI" and as not expressing "a view that the conduct prohibited by Section 52(1) was limited to conduct touching a consumer". Similarly, in Menhaden Pty Ltd v Cititbank NA (1984) 55 FLR 709 Toohey, J held that incorrect advice by the respondent bank to the applicant to the effect that finance had been approved for a client of the bank with which the applicant was dealing could constitute conduct within section 52 although the advice was not directed to the public or some identifiable section of it but was provided only to the applicant.

9. It would not appear that any conduct which would constitute passing off is excluded from Section 52. Mason, J's dicta make it clear that section 52 extends to many misrepresentations which would not found on action in passing off, once it is accepted that consumers are misled or deceived as consumers by a misrepresentation of trade source or origin, section 52 appears to include every available misrepresentation which could be relied upon in an action for passing off. On the other hand, as Mason, J suggests, the section would not comprehend unfair competition per se, for instance, the misappropriation by one to order of "what in equity belongs to another" (see Needham, J in Hexagon Pty Limited v ABC (1975 7 ALR 233). Nevertheless, if one examines the cases in which traders have relied on or attempted to rely on section 52 to defeat a rival, the incidental effect of the section has been quite significant.

The test is an objective test for the Court

10. The test of whether conduct is misleading or deceptive or likely to mislead or deceive within Section 52 is an objective test for the Court and evidence that a person contravening Section 52 intended to deceive or mislead, or that members of the public were in fact deceived or misled, although admissible and relevant, is neither decisive nor necessary. See Parkdale Custom Built Furniture v Puxu (1982) 149 CLR 191 at 198; Hornsby Building Information Centre v Sydney Building Information Centre (1978) 140 CLR 216 at 225; McWilliams Wines Pty Limited v McDonald's System of Australia Pty Ltd (1980) 33 ALR 394 at 399, 409 and 413-4.¹

Thus Section 52 imposes strict liability for unintentional contraventions of the section, as do sections 53, 53A, 55 and 55A, notwithstanding that contraventions of these sections constitute offences against the Act (section 79).² Such a result accords with the proper construction of the Act as a whole, decisions on the construction of similar legislation, and the position in the United States of America under section 5 of the Federal Trade Commission Act, 1914.³

1. The form and admissibility of survey evidence and evidence of consumers and the 'public mind' or 'public opinion' will be discussed in a subsequent chapter. Further, as to intent to deceive or mislead, see Given v C.V. Holland (Holdings) Pty Ltd (1977) 29 FLR 212 at 217; 15 ALR 439 at 455 (section 53(a)); Riley McKay Pty Ltd v Bannerman (1977) 15 ALR 561 at 566; Eva v Mazda Motors (Sales) Pty Ltd (1977) TPRS 304-48 and paragraph 9.66 of the Report of the Swanson Committee (1976).
2. Darwin Bakery Pty Ltd v Sully (1981) 51 FLR 90; Guthrie v Doyle Dane Barnbach Pty Ltd (1977) 30 FLR 116; Given v C.V. Holland (Holdings) Pty Ltd (1977) 29 FLR 212 at 217; 15 ALR 439 at 455; Ransley v Spare Parts & Reconditioning Co Pty Ltd (1975) TPRS 304-35.
3. For a detailed examination, see Donald and Heydon, Trade Practices Law, Vol 2, 518-520.

An infringement of rights "in trade or commerce" may be required, not merely of private rights

11. In O'Brien v Smolenogov (1983) 2 1PR 68, the Full Court of the Federal Court held that Section 53A of the Trade Practices Act (relating to misrepresentations in connection with the sale or grant of an interest in land) did not apply to purely private rights. The Respondent relied on false and misleading statements made by the Appellants over the telephone in the course of negotiations for a "one off" contract. The Appellants had acquired five parcels of land and decided to sell two. They had advertised the land as for sale in a newspaper. As the Appellants were private individuals, it was necessary for the Respondents to rely on Section 6 to extend the operation of Section 53A (see paragraph 5). The Full Court, relying upon United States decisions, held that the representations were not made "in trade or commerce". There was no act of a commercial character, nor was any act done in the

course of carrying on a business. The act did not arise "in a business" context. In excluding the transaction in question from the operation of Section 53A, the Court rejected an argument that the mere use of the newspaper and telephone made the relevant conduct 'in trade or commerce', saying (at 75):

*It follows, in our opinion, that the only possible feature of the case which could conceivably be relied upon to suggest that the impugned conduct occurred in trade or commerce was the resort by the appellants to a newspaper as a medium of public advertisement of the land and the use made by the parties of the telephone for the purpose of conducting negotiations. It is true, as the learned judge observed, that the use of such facilities is common practice in the conduct of trade or commerce. It is also true, as Mason J observed in *Whitford's Beach*, supra, (at 537) that there is ambiguity in the adjectives "business", "commercial" and "trading" which "have about them a chameleon-like hue, readily adapting themselves to their surroundings". As his Honour said, in some contexts, phrases such as "business deal" and "operation of business" may signify a transaction entered into by a person in the course of carrying on a business; in other contexts they "denote a transaction which is business or commercial in character" (at 537). The same may be said of "commercial" or "trading". But, in our view, the mere use, by a person not acting in the course of carrying on a business, of facilities commonly employed in commercial transactions, cannot transform a dealing which lacks any business character into something done in trade or commerce. Of course, the facilities mentioned have applications which are not commercial in any sense: advertisements in newspapers and the telephone are used by persons for purposes which are not commercial at all. With all respect to the learned judge, we are not persuaded that resort to them can create the business context required by the reference to "trade or commerce" in s53A. The conduct complained of was not something done by the appellants in the course of carrying on a business and it lacked trading or commercial character as a transaction. It thus fell outside the scope of s53A.*

It is difficult to see why, when a private individual not in the course of business sells his house or his car, he is not engaging in an act 'of a commercial character'. Why should a family company which though its director misrepresents the state of the family car to a purchaser be better off, under the Trade Practices Act, than a used car dealer who does much the same thing? In Larmer v Power Machinery Pty Ltd (1977) 14 ALR 243, Nimmo, J had to determine whether the display of a brochure in the vestibule of the defendant's office premises was an act 'in trade or commerce' for the purposes of section 53(c). His Honour so held, saying (at 245-6):

... a very wide meaning [should] be given to it. In my view, the expression is intended to cover the whole field in which the nation's trade or commerce is carried on. I reject the view that it is confined to any particular event which may occur in the conduct of a business which operates within that field.

Although Nimmo, J was concerned with the question whether pre-contractual conduct was conduct 'in trade or commerce', nevertheless, his concept of 'trade or commerce' as 'the nation's trade or commerce' clearly differs from that of the Full Federal Court in O'Brien v Smolenogov which may well exclude many isolated transactions from the operation of the Trade Practices Act.¹ It is, however, difficult to see why a consumer ceases to be a consumer for the purposes of the Act

merely because he buys for consumption from a private individual, even if in a "one-off" transaction.² Indeed, in Lubidineuse v Bevanere Pty Ltd (1984) 55 ALR 273 Wilcox J. held that the conduct of a vendor in knowingly misrepresenting the intentions of an employee at a precontractual stage of the negotiations of the purchasers was conduct "in trade or commerce" in a "one-off" transaction. His Honour found that the American authorities relied upon by the Full Court in O'Brien v Smolenogov (supra) drew "a distinction between the sale of a non-business asset, such as a home, and the sale of a business asset", and (at 285) gladly applied the distinction in the case before him so as to hold that the vendor was acting "in trade or commerce" in the "one-off" sale to the purchaser. His Honour said (at 285):

I apply the distinction made in O'Brien v Smolenogov gladly, because the opposite conclusion appears to lead to undesirable results in at least three respects. First, it would introduce into this area of the law some of the difficulties already found in taxation law in determining whether a sale is by way of disposal of a capital asset as distinct from the carrying on of a business: cf FC of T v Whitfords Beach Pty Ltd (1982) 39 ALR 521; 56 ALJR 240. The distinction is not merely difficult in practice but anomalous in a day when many small traders commence or purchase a business in the expectation of making money more by an eventual sale for a capital profit than by profitable trading in the meantime. Secondly, on the respondent's concession - properly made I think - there would be conduct "in trade or commerce" if this conduct was part of the regular business of the corporation, even if it was associated with the disposal of a capital asset. So a real estate agent may be guilty of misleading conduct "in trade or commerce", leading to the possibility of vicarious liability being visited upon a principal for actions which, if done by itself, it could not be made liable. Finally, if recurrent behaviour will attract the label "in trade or commerce", the result is that given conduct by a corporation in its second or later experience of disposing of a major capital asset will be actionable by a damaged purchaser, yet that same conduct would not be actionable in the first ever disposal, and this whether or not an individual associated with the corporation has had prior experience of such disposals or has been concerned in such conduct.

Reference should also be made in this respect to the decision of Tooley, J in Menhaden Pty Ltd v Citibank NA (1984) 55 ALR 709.

1. For a further discussion of the difficulties, see Donald and Heydon, Trade Practices Law (1978), Vol II, [11.2.2] at 520-522; and W.M.C. Gummo, Unfair Competition and Section 52 of the Trade Practices Act, 1974-1977, in "Intellectual Property and Industrial Property Lectures, 1977", Melbourne, Monash University, Faculty of Law.
2. See also Re Ku-Ring-Gai Co Operative Building Society (No.12) Ltd (1978) 36 FLR 134 and the cases cited in that decision for various meanings of 'trade' and 'commerce'.

The conduct must in law cause the consumer to be or be likely to be deceived and misled.

12. Conduct, to fall within Section 52, must itself deceive or mislead or be

likely to deceive or mislead, that is, it must be what the Court accepts as the effective cause of the relevant class of the public being deceived or misled, or being likely to be deceived or misled in the sense of being 'led into error' ¹. In Parkdale Custom Built Furniture Pty Ltd v Puxu Ltd (1982) 149 CLR 191, Gibbs, CJ at 198 said:

The words of s52 require the Court to consider the nature of the conduct of the corporation against which proceedings are brought and to decide whether that conduct was, within the meaning of that section, misleading or deceptive or likely to mislead or deceive. Those words are on any view tautologous. One meaning which the words "mislead" and "deceive" share in common is "to lead into error". If the word "deceptive" in s52 stood alone, it would be a question whether it was used in a bad sense, with a connotation of craft or overreaching, but "misleading" carries no such flavour, and the use of that word appears to render "deceptive" redundant.

It is not sufficient if the public are deceived or misled by their erroneous assumptions, or by the acts of a third party for whom the person accused of deceptive or misleading conduct is not responsible. In neither case can it be said that the conduct is the cause or likely cause of the deception or misleading. Furthermore, the state of mind of the relevant section of the public resulting from the offending conduct must be such that it can be said that the public are or are likely to be deceived or misled by the conduct. Nothing short of that, such as confusion, will suffice. Parkdale Custom Built Furniture Pty Ltd v Puxu Ltd (1982) 149 CLR 191 at 198, 209 and 225; McWilliam's Wines v McDonald's System of Australia (1980) 33 ALR 394; 49 FLR 455 passim; Taco Company v Taco Bell at 199-202.

1. The previous speculation that there was any difference between "deception" and "misleading" conduct has not found favour with the Courts. See Gibbs, CJ in Parkdale Custom Built Furniture Pty Ltd v Puxu Ltd (1982) 149 CLR 191 at 198, compare Donald and Heydon, Trade Practices Law, (1978) Vol II, [11.2.6] at 525-7.

Parkdale v Puxu - Causal Connection

13. The facts and decision of the Full High Court in Parkdale Custom Built Furniture Pty Ltd v Puxu Ltd (1982) 149 CLR 191 illustrate and establish the propositions advanced in the preceding paragraph. In that case Puxu had designed, manufactured and sold throughout Australia furniture which was well known under the name "Post and Rail" and which had a distinctive appearance and design. Puxu had not registered any designs under the Designs Act 1906. Parkdale manufactured and sold under different names furniture known as the "Rawhide" range which closely resembled that made by Puxu but there was sewn into the front of each piece of Parkdale furniture a small label stating that the item of furniture was "Parkdale Custom Built Furniture" of the "Rawhide" range. The label could be tucked under the

upholstery, and would then not be visible and it might easily enough be removed by cutting it off. It was the practice of manufacturers to label furniture in that way. Puxu's furniture bore labels of a similiar kind, but even smaller. The Full High Court restored the decision of the Judge at first instance, which had been reversed in the intermediate Court of Appeal in the Full Federal Court and found that on the facts Parkdale's conduct was not such as to deceive or mislead or be likely to deceive or mislead in contravention of Section 52 of the Trade Practices Act. The Full High Court held that by labelling its furniture appropriately notwithstanding the similarities of design, Parkdale had not conducted itself so as to deceive or mislead or be likely to deceive or mislead prospective customers. If customers were deceived or misled, that was because they did not bother to read the relevant labels, but wrongly assumed, themselves, that the similarities of the products meant that the products were made by the same manufacturer; insofar as Puxu attempted to make a case which involved reliance upon the conduct of salesmen of retailers who cut labels off chairs or made wrong statements about the trade source of the products, that was conduct for which Parkdale was not responsible, and so the conduct could not be attributed to it. Gibbs C.J. analysed the conduct of Parkdale to establish whether or not there was the necessary causal connection between that conduct and any actual or likely deception of the public. As his Honour said (at 199):

The conduct of a defendant must be viewed as a whole. It would be wrong to select some words or act, which, alone, would be likely to mislead if those words or acts, when viewed in their context, were not capable of misleading. It is obvious that where the conduct complained of consists of words it would not be right to select some words only and to ignore others which provided the context which gave meaning to the particular words. The same is true of acts. In the present case the conduct of the appellant was not simply to manufacture and sell furniture that resembled that of the respondent. The appellant sold only furniture that had been labelled, in the ordinary way, so as to show the name of the manufacturer. If the appellant's conduct was likely to mislead possible purchasers, it is difficult to see why the respondent's conduct in selling its furniture would not also be likely to mislead. However that may be, in my opinion, the conduct of the appellant did not contravene s.52. Speaking generally, the sale by one manufacturer of goods which closely resemble those of another manufacturer is not a breach of s.52 if the goods are properly labelled. There are hundreds of ordinary articles of consumption which, although made by different manufacturers and of different quality, closely resemble one another. In some cases this is because the design of a particular article has traditionally, or over a considerable period of time, been accepted as the most suitable for the purpose which the article serves. In some cases indeed no other design would be practicable. In other cases, although the article in question is the product of the invention of a person who is currently trading, the suitability of the design or appearance of the article is such that a market has become established which other manufacturers endeavour to satisfy, as they are entitled to do if no property exists in the design or appearance of the article. In all of these cases, the normal and reasonable way to distinguish one product from another is by marks, brands or labels. If an article is properly labelled so as to show the name of the manufacturer or the source of the article its close resemblance to another article will not mislead an ordinary reasonable member of the public. If the label is removed by some person for whose acts the defendant is not responsible, and in consequence the purchaser is misled, the misleading effect will have been produced, not by the conduct of the defendant, but by the

conduct of the person who removed the label.

The analysis of the evidence by Mason J. at pp.207-211 was to the same effect. Brennan, J adopted a somewhat different reasoning which is discussed in the next paragraph. It is clear, however, from the judgments of all the members of the Court that what must be considered is conduct which embraces far more than statements and representations. (See also Donald and Heydon, Trade Practices Law, (1978) Vol II, [11.2.3] at 522-525).

The decision of the High Court in the Puxu Case is very much a decision on the facts, and can give rise to difficulties for this reason. Does the decision, for instance, impose a duty on every manufacturer or distributor to label his product so as to indicate the trade source of those products, or risk contravening section 52? Or a duty on purchasers to verify their positive belief as to the trade source of products before purchase, even if they are not in doubt, and have no reason to doubt, if they are to rely upon section 52? And if a manufacturer deliberately copies the appearance of another manufacturer's products, thereby causing purchasers erroneously to believe they are the products of the latter, so that those purchasers do not bother to inspect the labels, has he not deceived and misled consumers? The Puxu case is perhaps a good example of a hard case making bad law.

Erroneous belief of consumers

14. In Parkdale Custom Built Furniture Pty Ltd v Puxu Ltd (1982) 149 CLR 191, Brennan, J, in explaining why conduct did not fall within Section 52 if that conduct was not the cause of an erroneous belief in the minds of the relevant section of the public, observed (at page 225):

Conduct cannot be held to fall within s.52 unless a consumer, not labouring under any mistake or imperfection of understanding of law, would be or would be likely to be misled or deceived by that conduct. Section 52 operates in a milieu of the external legal order, so that the character of conduct which falls for consideration under s.52 is to be determined by reference to the external legal order as it exists when the conduct is engaged in. Therefore, a manufacturer who exercises his freedom to manufacture goods according to a design which is not protected by valid registration does not engage in conduct which is misleading or deceptive or which is likely to mislead or deceive. If consumers or potential consumers believe that all goods of a particular design are manufactured by him who first establishes a market reputation as a manufacturer of those goods, that belief is or may be erroneous. The error may be attributed to a preconceived belief that the manufacturer who first establishes a market reputation has a monopoly in the manufacture and sale of goods of that kind but, unless the manufacturer has acquired a statutory monopoly, that belief is also erroneous and the error flows from a misconception of law. A later manufacturer who does not more than exercise his freedom to manufacture and sell goods made in accordance with a design in the public domain does not mislead or deceive; and if a consumer has an erroneous preconceived belief that the first manufacturer has a monopoly, a false assumption by the consumer as to the source of the later manufacturer's

goods is self-induced. That was the approach taken by the Full Court of the Federal Court with respect to trade names in McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd (1980) 49 FLR 455; 33 ALR 394, and I respectfully agree with it.

This reasoning is perhaps based on surer ground than that of the majority of the Courts. If it is the policy of the legislature to force the author of a design to register it under the Designs Act, 1906, or lose the benefit of his copyright in the design (as applied to articles)¹, then he can hardly complain of a rival taking advantages of his abandonment of monopoly, and why, if the products are of comparable quality, should the interests of consumers require that he be granted the equivalent of the right which he has abandoned? But are these considerations reconnected with the passing off cases which establish that the public need not know of the plaintiff, the owner of the reputation by name, for him to succeed? These cases go to a different problem, establishing reputation. Brennan, J would presumably deny such a plaintiff success in an action for passing off, even if he could establish reputation, but upon what basis? Perhaps there is being developed the concept of an 'unfair monopoly' (rather than a monopoly unfairly used, which is subject to Part IV of the Trade Practices Act, especially section 46). In the Puxu case (supra) Mason, J discussed the Hornsby Building Information Centre case (1977) 140 CLR 276 and the Big Mac case (supra) in the following terms (at 203):

Hornsby and McWilliam's Wines Pty Ltd v McDonald's Systems of Australia Pty Ltd (1980) 49 FLR 455; 33 ALR 394 show the importance of examining why the alleged misconception arose. Thus in Hornsby it was assumed that the name "Hornsby Building Information Centre" led persons to believe that the Hornsby Centre was a branch of, or otherwise associated with, the Sydney Centre. However, the use of that name did not contravene s.52(1). The misconception occurred since the very descriptive name adopted by the Sydney Building Information Centre was "equally applicable to any business of a like kind, its very descriptiveness ensures that it is not distinctive of any particular business and hence its application to other businesses will not ordinarily mislead the public" (1978) 140 CLR, at p.229. It was important that a trade adopting descriptive words did not thereby secure an unfair monopoly in those words.

The concept of an extra-statutory "unfair monopoly" is one which is not, with respect, known to law, and such a concept would indeed be a daring innovation, especially in the light of the reluctance of the High Court of Australia and the Privy Council to create a general cause of action for "unfair competition".²

1. See the Designs Act, 1906 (Cw'th) especially sections 17 and 17A, and the Designs Regulations; Copyright Act, 1968 (Cw'th) section 77 and the Copyright Regulations, and Ogden v Kis [1983] NSWLR . Also Lahore, Intellectual Property in Australia - Copyright, at
2. See Moorgate Tobacco Co Ltd v Philip Morris Limited (High Court of Australia, Full Court, 22 November 1984); and the Pub Squash Case.

15. The concept that a preexisting erroneous belief of consumers could interrupt the causal connection was an important part of the reasoning of the Full Federal Court in McWilliam's Wines v McDonald's System of Australia (1980) 49 FLR 455; 33 ALR 394 (the Big Mac case). In that case, McDonald's, the proprietors of the well known fast food chain and the originator of the "BIG MAC" hamburger, alleged that McWilliam's Wines had contravened Section 52 by advertising one of its wines in a particular container as the "BIG MAC". The Full Court held that Section 52 had not been contravened by McWilliam's use the expression "BIG MAC" in advertising its wine and, in so holding, considered why potential purchasers of McWilliam's Wine and McDonald's hamburgers might have been confused as to whether there was business connection between the two companies. Smithers J. (with whom Northrop J. generally agreed) held that such confusion only arose by reason of the erroneous assumption of some potential purchasers that due to McDonald's frequent use of the words "BIG MAC" "there is some legal or other restriction on the use of those words much wider than that which actually exists [(1980) 33 ALR at 403; 49 FLR at 464]", and that conduct could not be relevantly misleading or deceptive if "it tells the truth and is such that if it is observed by persons who have no false ideas concerning extraneous matters nobody will be misled" [(1980) 33 ALR at 404; 49 FLR at 466]. Fisher J. emphasized that if it were accepted that members of the public were misled to the extent of believing that there was a business connection between the parties, then this was essentially and consequence of the substantial reputation achieved by McDonald's through an extensive advertising campaign. The fact that some members of the public, largely through activity of McDonald's, thereby had an erroneous preconceived notion that nobody else could use the words without the approval of McDonald's should not cause a court to make its objective termination under such a misapprehension [(33 ALR at 414-5; 49 FLR at 477-479)]. However in Taco Company of Australia v Taco Bell Pty Ltd (1982) 42 ALR 177 a differently constituted Full Court of the Federal Court of Australia qualified the interpretation which had been placed on the judgments of the members of the Full Court in the Big Mac Case. In the Taco Bell Case (supra), Deane and Fitzgerald JJ., in a joint judgment, made the following observations (at page 200):

In the course of their respective judgments [in the Big Mac Case], Smithers and Fisher JJ. placed particular emphasis on the fact that a person would only be misled or deceived into thinking that the use of the expression "Big Mac" by McWilliam's indicated some arrangement between McWilliam's and McDonald's if he made the erroneous assumption that the expression could not have been used by McWilliam's in the absence of such an arrangement. There has been a tendency - in our view mistaken - to see their Honours' comments in that regard as involving some general proposition of law to the effect that intervention of an erroneous assumption between conduct and any misconception destroys a necessary chain of causation with the consequence that the conduct itself cannot properly be described as misleading or deceptive or as being likely to mislead or deceive.

In truth, of course, no conduct can mislead or deceive unless the representee labours under some erroneous assumption. Such an assumption can range from the obvious, such as a simple assumption that an express representation is worthy of credence, through the predictable, such as the common assumption in a passing-off case that goods marketed under a

trade name which corresponds to the well-known trade name of goods of the same type have their origins in the manufacturer of the well-known goods, to the fanciful, such as an assumption that the mere fact that a person sells goods jeans that he is the manufacturer of them. The nature of the erroneous assumption which must be made before conduct can mislead or deceive will be a relevant, and sometimes decisive, factor in determining the factual question whether conduct should properly be categorized as misleading or deceptive or as likely to mislead or deceive. Beyond that, generalizations are themselves liable to be misleading or deceptive. Thus, one might generalize that the need for a simple assumption that an express representation is literally true could never be a factor militating against a finding that conduct which has misled or deceived is of its nature misleading or deceptive. Such a generalization would, however, ignore the part that irony can legitimately play in human communications. On the other hand, conduct which could only mislead or deceive if the representee were to make a fanciful assumption and which ordinarily would be innocent, may be misleading or deceptive if it appears that the person engaging in the conduct know that the person to whom the relevant conduct was directed was convinced of the validity of that assumption.

These remarks emphasize the necessity for strict analysis of the conduct which it is alleged falls within Section 52 (or for that matter within Section 53) and the necessity of identifying the consequences of that conduct. The consequences must be the actual or likely deception or misleading of consumers. If that state of mind is not the consequence of the conduct of which complaint is made, then that conduct does not fall within Section 52 (see also Hornsby Building Information Centre v Sydney Building Information Centre (1978) 140 CLR 216 at 247; and World Series Cricket v Parrish (1977) 16 ALR 181 at 201). The question is not whether an erroneous assumption on the part of the consumer contributes to the consequence that the conduct complained of is of the requisite kind; the question is whether the erroneous assumption which must exist for the section to be contravened is caused by the conduct. (This is made clear in the analysis of the Big Mac Case by Mason, J in Parkdale Custom Built Furniture Pty Ltd v Puxu Ltd (1982) 149 CLR 191 at 204.) In the Big Mac Case (1980) 33 ALR 394 the consumers appear to have known of the different trade sources of the hamburgers and wine and the only deception or likely deception which could be relied upon by the Applicant was to the effect that consumers would be or be likely to be deceived or misled into thinking that McDonald's had licenced McWilliams to use the name. This conclusion depended on a pre-existing erroneous belief, that McDonald's had a right to restrain the use of "Big Mac" in respect of wine where the use (as was the case in McWilliam's advertisements) was not itself deceptive. The pre-existing erroneous assumption was sufficient to prevent the necessary causal connection between McWilliam's advertisements and the deception of the consumer (see in particular Smithers, J at 402).

Mere confusion or wonderment is not deception or being misled.

16. It is now also clearly established that, although the test whether conduct falls within Section 52 is objective, conduct is not deceptive or misleading or likely to deceive or mislead within Section 52 if it merely results in the creation of a state of confusion or wonderment. In Parkdale Custom Built Furniture v Puxu Pty Ltd (1982) 149 CLR 141 the majority of the Full High Court approved of the

holding of Smithers J. and Fisher J. in the Big Mac Case (1980) 33 ALR 394; 49 FLR 455 that to prove a breach of Section 52 it is not enough to establish that the conduct complained of was confusing or caused people to wonder whether two products may have come from the same source. The Full High Court thereby rejected the interpretation of Section 52 which had relied upon the application of decisions relating to the registration of trade marks, and in particular Southern Cross Refrigerating Co v Toowoomba Foundry Pty Limited (1954) 91 CLR 592. Those decisions effectively held that a trade mark should not be registered if it was likely to deceive or cause confusion within the meaning of Section 28(a) of the Trade Marks Act 1955, or predecessors of that section, and that it was sufficient to deprive an applicant of registration if use of the mark would cause persons to wonder whether or not products to which the mark was applied may have come from the same source. cf Lockhart J. in the Puxu Case (supra) in the Full Federal Court (1980) 31 ALR 73 at 100; and Franki J. in the Big Mac Case (1979) 28 ALR 236 at 244; 5 TPC 177. The views of Gibbs CJ. and Mason J. in the Puxu Case (supra) in the High Court accorded with certain remarks of Stephen J. in Hornsby Building Information Centre v Sydney Building Information Centre (1978) 140 CLR 216, where the High Court held that the respondents' use of the name similar to the name of the applicant, did not, in the particular circumstances of that case, contravene Section 52. In the Hornsby Case the names were descriptive and thus not distinctive of any particular business. Nevertheless, while Stephen J. recognized the possibility of confusion, and there was evidence that persons had been led, by the similarity of names, to believe that the Hornsby centre was a branch of, or otherwise associated with, the Sydney centre, in reaching the conclusion that the adoption of the name of the Hornsby centre was not conduct contravening Section 52 said (140 CLR 230; 18 ALR 648):

"Evidence of confusion in the minds of members of the public is not evidence that the use of the Hornsby centre's name is itself misleading or deceptive but rather that its intrusion into the field originally occupied exclusively by the Sydney Centre has, naturally enough, caused a degree of confusion in the public mind. This is not, however, anything to which Section 52(1) is directed."

Nevertheless, in the Taco Bell Case (1982) 42 ALR 177, Deane and Fitzgerald JJ. recognized that mere confusion or uncertainty may, in certain circumstances, be sufficient for a contravention of section 52, saying (at 201):

"Conduct which produces or contributes to confusion or uncertainty may or may not be misleading or deceptive for the purposes of s.52. In some circumstances, conduct could conceivably be properly categorized as misleading or deceptive for the very reason that it represents that confusion or uncertainty exists where, in truth, there is no proper room for either. Ordinarily, however, a tendency to cause confusion or uncertainty will not suffice to establish that conduct is of the type described in s.52. The question whether particular conduct causes confusion or wonderment cannot be substituted for the question whether the conduct answers the statutory description contained in s.52."

It is, surely, correct that mere confusion, which is sufficient to deprive an applicant for a registered trademark of obtaining his limited statutory monopoly under the Trade Marks Act, 1955, should not be sufficient for liability under section 52. Deane and Fitzgerald, Jj, in the passages cited above, appear to recognize this is not the appropriate criterion for liability under section 52. But in suggesting that 'mere confusion or wonderment' may be sufficient for liability under section 52, where it should not 'properly exist', their Honours appear to beg the question of what is the proper test of liability.²

1. (1980) 33 ALR at 397-398, 412-413; 49 FLR at 458-459, 475-476. Parkdale Custom Built Furniture v Puxu Pty Ltd (1982) 149 CLR 171 at 198-199, 209-210.
2. For an interesting criticism and analysis of the problem, see Donald and Heydon, Trade Practices Law, (1978) vol II, [11.2.8] at 530-532. In the light of the Puxu Case (supra) mere confusion or wonderment cannot be sufficient for section 52.

Section 52 is not to be construed beneficially or purposively

17. The provisions of Section 52 (and the other provisions of Part V) are to be construed according to their natural and ordinary meaning, and are not to be read down either by reference to other provisions of the Trade Practices Act, or by reference to the laws relating to intellectual property. These propositions are clearly and authoritatively established in the Puxu Case (1982) 149 CLR 191, in which it was submitted before the High Court that the provisions of Part V of the Trade Practices Act should be confined so as not to restrict competition since the purpose of the Act, and in particular the provisions of Part IV of the Act, was to encourage competition. It was further submitted that the provisions of Part V of the Act should not be applied so as to create effectively a monopoly in design where the provisions of the Designs Act 1906 had not been complied with. The High Court rejected both the submissions. Gibbs CJ. (at page 198) although he was unable to see any reason "why a section (section 52) so broadly expressed and so drastic in its possible consequences should be beneficially construed" nevertheless did not suggest that they should be given some unnaturally confined meaning (his Honour was using the words of Stephen J. in the Hornsby Building Information Centre Case (1978) 140 CLR at 225) or that they should be construed to conform with the common law (cf World Series Cricket v Parrish (1977) 16 ALR 181 at 198-9) but was of the view that they should be given their plain and natural meaning and should not be understood in some loose or expanded sense. Mason J. (149 CLR at 204-207) was apparently of the same view and rejected both the submissions. In rejecting the first submission, his Honour said (at pages 204-5):

Should the general words of s.52(1) be qualified by considerations of statutory purpose and policy derived from Pt IV and from other statutes

regulating industrial property? This is a crucial question here.

The object of Pt V is to protect the consumer by eliminating unfair trade practices, just as the object of Pt IV is to promote competition by eliminating restrictive trade practices. Knowledge of the history of the legislative proposals, of the legislation and of the controversy which has surrounded it might suggest that the dominant object of the Act is the promotion of freedom of competition. But examination and analysis of its provisions yields no acceptable foundation for this conclusion. The two Parts are independent and there is no direction that one Part is to be read subject to the other. Although they have to be read together as parts of the same statute, they might in other circumstances have been enacted as separate statutes with not very much difference in legal effect.

Part V contains no counterpart to s.112 [of the Trade Practices Act] which excludes the operation of Pt IV in matters connected with Pt X. The prohibition in s.52(1) is addressed to corporations which are also bound to comply with the provisions of Pt IV. The statutory policy, as it seems to me, is that the interests of a consumer of goods or services will best be served when manufacturers compete vigorously without adopting restrictive practices and observe prescribed standards of conduct in their dealings with consumers.

Once it is accepted that this is the statutory policy I find it difficult to accept the appellant's notion that the general, yet clear, words of s.52(1) should be read down so as to enable the policy of freedom of competition enshrined in Pt IV to prevail. In a collision between one of two different statutory policies and the plain words giving effect to the other statutory policy the plain words will prevail. To my mind the words "misleading" and "deceptive" as applied to conduct in trade or commerce are reasonably plain. And in a collision between the general policy of encouraging freedom of competition and the specific purpose of protecting the consumer from misleading or deceptive conduct it is only right that the latter should prevail. It would be wrong to attribute to the Parliament an intention that the indirect and intangible benefits of unbridled competition are to be preferred to the protection of the consumer from the misleading or deceptive conduct which may be an incidental concomitant of that competition. Given the statutory context here it is more likely that Parliament intended to promote free competition within a regulatory framework that prohibits that trader from engaging in misleading or deceptive conduct, even if it means that one trader cannot in particular cases compete with another trade because the opposite view would give a paramountcy to freedom of competition not accorded to it by the statute.

Section 52 is not to be limited by reference to other Acts.

18. In rejecting the second submission (relating to an alleged monopoly in a design), Mason J. analysed (149 CLR at 205-207) the interrelationship between the relevant statutory provisions in a lengthy passage which should be set out in full, as an authoritative and clear statement of the relevant considerations:

The relationship of s.52(1) with established statutory regimes dealing with related topics gives rise to an important question. Can it be inferred from the detailed treatment of limited monopolies of intellectual and industrial property in specific statutes that s.52(1) should be read down if it otherwise could facilitate the creation of new

monopolies not subject to the limitations imposed by those statutes? In my view there are sound reasons for not construing s.52 in that way.

Clearly there is here no question of infringement of a trade mark. As a general proposition the Trade Marks Act 1955 (Cth) is concerned with deception or confusion to the public as to the source of goods, whilst the Trade Practices Act is concerned with deception of the public as consumers of goods or services (*McWilliam's* (1980) 49 FLR at pp.472-473; 33 ALR at p.410). Likewise, the operation of s.52 is not restricted by the common law principles relating to passing-off. If, as I consider, the section provides the public with wider protection from deception than the common law, it does not follow that there is a conflict between the section and the common law. The statute provides an additional remedy.

To obtain a monopoly in a particular design under the Designs Act it is not sufficient merely to have a period of undisturbed user. The necessary registration is only possible for a "new or original design, which has not been published in Australia before the lodging of an application for its registration" (s.17(1)). A certificate of registration remains in force for a limited period (s.26). Importantly a registered design is open to public inspection (s.27) so that others can assess whether they could be infringing the copyright in a registered design. Thus the statute seeks a balance between limited monopoly rights for traders with a novel design on the one hand and the stimulus of competition aided by access to information on the other hand. Similarly the Patents Act 1952 (Cth) seeks to balance competing interests in connection with the grant of letters patent for a particular invention. Essentially, in return for the disclosure of his invention a patentee receives a limited monopoly at the expiration of which the invention is available to the public at large.

The case made by the respondent as a competing trader here is that it is entitled to an injunction to restrain the appellant from producing and selling goods which very closely resemble the respondent's product. Its claim in substance is that s.52 gives it the rights which it would have had if it had a registered design for the furniture.

On the other hand the appellant's case is that to forbid a manufacturer to manufacture a product because it too closely resembles a competitor's earlier product without subjecting the resulting monopoly for the earlier product to the limitations imposed by the Designs Act, would be to create a monopoly in a design in circumstances in which that Act does not confer a monopoly. This, the appellant urges, is a result which could scarcely have been intended.

Mr Staff Q.C. for the respondent submits that the Patents Act and the Designs Act are directed to a field of obligations and rights quite different from s.52. In one sense this is so. It is the object of the two statutes to create private property rights. They confer exclusive or monopoly rights in patents and designs respectively and prescribe the conditions according to which these rights come into existence. With s.52 it is different. Its primary purpose is not to create private property rights but to regulate the conduct of traders by prohibiting them from engaging in conduct which misleads or deceives consumers. Enforcement of this statutory prohibition may enable trader A to prevent trader B from manufacturing or marketing goods which closely resemble those of trader A because the marketing of them will mislead or deceive the public, but this result, if it occurs, will be incidental to the enforcement of the prohibition - it is an unavoidable consequence of protecting the public from misleading or deceptive conduct. When s.52 is viewed in this light, there is no very strong reason for saying that the generality of its language should be restricted on the ground that it runs counter to the policy and purpose of the Patents Act and the Designs Act.

It would be otherwise if the policy and purpose of the two statutes

were to prohibit all monopoly rights in patents and designs except those for which they provide. If the two statutes were antimonopoly statutes then we might be justified in saying that the general words of s.52 should be read subject to the particular words of the Patents Act and the Designs Act - generalia specialibus non derogant. But it is not possible to say of them that they are antimonopoly statutes - their object is to create exclusive rights.

The appellant attempts to turn this argument aside by asserting that the policy which underlies the two statutes is that there will be no monopoly rights in patents and designs except on the prescribed statutory conditions. Certainly this is the effect of the two statutes - one can only obtain a grant of letters patent or registration of a design by complying with the statutory conditions. But I would not describe it as the policy of the statutes. Their emphasis is positive, it is on the grant of exclusive rights on stipulated conditions; it is not on the prohibition of similar rights except on stipulated conditions. Consequently, I would not read down the provisions of s.52 by reference to considerations of policy said to arise from the Patents Act and the Designs Act. As I have already said, the words of the section, though general, are reasonably plain. The argument based on the two statutes is not of sufficient strength to displace the ordinary meaning of the words.

Brennan J. (149 CLR at 219-225) was of the view that properly construed Section 52 did not alter the "careful balance" of the Patents Act 1952 and the Designs Act, 1906 "by a sidewind and, after four centuries, open the way to the creation of prescriptive monopolies for the manufacturer of goods" (at 224). His Honour considered that in the case before him an understanding of common law principles assisted the correct understanding of the scope and operation of Section 52. The protection afforded by the common law stopped short of according to a manufacturer a monopoly right to the manufacture and sale of goods of a particular design unless he is the owner of a design which was validly registered under the Designs Act. There was a distinction between the design of an article and the get-up of an article, although sometimes the distinction, though clear enough in principle, was difficult to apply in particular cases. The action for passing off from misappropriating the get-up of a competitor and similarly in the application of Section 52 in the case before him, there was no misappropriation by Parkdale of the get-up of Puxu's furniture, because the label put on by Parkdale in accordance with the practice of the trade clearly distinguished its furniture from that of Puxu. In the light of the observations of the members of the High Court in the Puxu Case (supra) section 52, and, presumably the other provisions of Part V are to be construed according to their ordinary and natural meaning, and without reference to other legislation dealing with intellectual property rights.

The conduct must convey a misrepresentation

19. If conduct is to fall within Section 52, it must contain or convey, in all the circumstances of the case, a misrepresentation. This principle is enunciated by Deane and Fitzgerald JJ. in the Taco Bell Case 42 ALR 177 at 202. In order to

establish whether or not a misrepresentation of the relevant kind is conveyed or contained in conduct, it is necessary carefully to identify the conduct of which complaint is made and its consequences. Deane and Fitzgerald J., in the Taco Bell Case (supra at 202), stated the way in which, in their opinion, conduct should be tested to see whether it conveys a misrepresentation within Section 52 in terms which are of considerable assistance. Their Honour's said:

Irrespective of whether conduct produces or is likely to produce confusion or misconception, it cannot, for the purposes of s.52, be categorized as misleading or deceptive unless it contains or conveys, in all the circumstances of the case, a misrepresentation. The difficulty which will commonly arise in a s.52 case is in determining whether the conduct contains or conveys, in all the circumstances, a misrepresentation and in assessing the significance to that question of evidence that one or more persons were in fact led into error. In extreme, but no necessarily infrequent, cases, it may be correct to hold that, as a matter of law, conduct said to contravene s.52 is incapable of conveying the untrue meaning alleged or any other false meaning. Such cases aside, whether or not conduct amounts to a misrepresentation is a question of fact to be decided by considering what is said and done against the background of all surrounding circumstances. In some cases, such as an express untrue representation made only to identified individuals, the process of deciding that question of fact may be direct and uncomplicated. In other cases, the process will be more complicated and call for the assistance of certain guidelines upon the path to decision. In a case, such as the present, where the suggested misrepresentation has not been expressly made and it is alleged that the relevant deception or misleading is, or is likely to be, of the public, the following propositions appear to be established as affording guidance.

First, it is necessary to identify the relevant section (or sections) of the public (which may be the public at large) by reference to whom the question of whether conduct is, or is likely to be, misleading or deceptive falls to be tested (Weitmann v Katies Ltd (1977) 29 FLR 336, per Franki J. at 339-40, cited with approval by Bower CJ. and Franki J. in Brock v Terrace Times Pty Ltd (1982) 40 ALR 97 at 99; [1982] ATPR 40-267 at 43,412).

Second, once the relevant section of the public is established, the matter is to be considered by reference to all who come within it, "including the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations": Puxu Pty Ltd v Parkdale Custom Built Furniture Pty Ltd (1980) 31 ALR 73, per Lockhart J. at 93; see also World Series Cricket v Parish, supra, per Brennan J. (16 ALR at 203).

Thirdly, evidence that some person has in fact formed an erroneous conclusion is admissible and may be persuasive but is not essential. Such evidence does not itself conclusively establish that conduct is misleading or deceptive or likely to mislead or deceive. The court must determine that question for itself. The test is objective (see, generally, Annard & Thompson Pty Ltd v Trade Practices Commission (1979) 25 ALR 97, per Franki J. at 102; Sterling v Trade Practices Commission (1981) 35 ALR 59, per Franki J. (with whom Northrop J. agreed) at 66 and per Keely J. at 69; Snoid v Handley (1981) 38 ALR 383, per the court (Bower CJ, Northrop and Morling JJ.); and Brock v Terrace Times, (supra), per Bower CJ. and Franki J.).

Finally, it is necessary to inquire why proven misconception has arisen: Hoansby Building Information Centre v Sydney Building Information Centre 178 ALR at 647; 140 CLR at 228). The fundamental importance of this principle is that it is only by this investigation that the

evidence of those who are shown to have been led into error can be evaluated and it can be determined whether they are confused because of misleading or deceptive conduct on the part of the respondent.

It is difficult to see how this statement of a "modus operandi" for determining whether, in the light of existing authority, section 52 has been contravened, could be improved.

Puffing, half truths, promises and predictions are not necessarily misrepresentations within Section 52

20. Whether or not a misrepresentation falls within Section 52 or for that matter, Sections 53, 53A, 55 and 55A is essentially a question of fact to be decided in each particular case. It may be necessary to consider whether the conduct complained of amounts merely to "puffing", or a "half truth" which may or may not amount to a misrepresentation, or is similarly ambiguous, or amounts merely to a promise or prediction. These matters are considered in detail in the standards texts on Part V of the Trade Practices Act and reference should be made to them. See Taperell Vermeesch and Harland Trade Practices and Consumer Protection 3rd Ed. at paras. 1420-1436; Donald and Heydon, Trade Practices Law, Vol.2 at pages 533-554.

The Class of Persons who are or who are likely to be deceived or misled within Section 52

21. In Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Limited (1982) 149 CLR 191 there was some difference between the members of the High Court on the exact description of the persons included within the relevant class of public deceived or misled or likely to be deceived or misled by the conduct of which complaint is made. Gibbs CJ. (149 CLR at 199), although recognizing that "ordinarily a class of consumers may include the inexperienced as well as the experienced, and the gullible as well as the astute," would restrict Section 52 as contemplating the effect of conduct on "reasonable members of the class" and said that "the heavy burdens which the section creates cannot have been intended to be imposed for the benefit of persons who failed to take reasonable care of their own interests". Mason J. (149 CLR at 207-209) appears to contemplate the relevant classes being purchasers of furniture acting reasonably. Murphy J. (149 CLR at 214-5) would include in the relevant class the "shrewd and ... ingenuous ... educated and ... uneducated and ... inexperienced in commercial transactions", and "the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyse but are governed by appearances and general impressions", whereas Brennan J. did not advert to the limitations, if any, of persons to be included within the relevant class. In the Taco Bell Case (42 ALR 177) Deane and Fitzgerald JJ. at 202

approved the formulation of the relevant section of the public stated by Lockhart J. in Puxu v Parkdale Custom Built Furniture in the Full Federal Court (1980) 31 ALR 73 at 93, as including "the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations".¹ In CRW Pty Ltd v Sneddon (1972) AR (NSW) 17 at 28, the court said that consumers, for the purpose of the false advertising provisions of the Consumer Protection Act, 1969 (NSW), being the persons to whom a relevant misrepresentation is made, must be considered to include persons of widely differing sophistication and intelligence, and to take account of the manner in which a misrepresentation is made and received. In Annard & Thompson Pty Ltd v Trade Practices Commission (1979) 25 ALR 91; 5 TPC 111, Franki J. said:

The test is whether, in an objective sense, the conduct of the appellant was such as to be misleading or deceptive when viewed in the light of the type of person who is likely to be exposed to that conduct. Broadly speaking it is fair to say that the question is to be tested by the effect on a person, not particularly intelligent or well informed, but perhaps of somewhat less than average intelligence and background knowledge, although the test is not the effect on a person who is, for example, quite unusually stupid (25 ALR at : 5 TPC at 131-2).

In the same case however Northrop J. said that it was necessary to consider "the effect of the conduct on a reasonable man in the street". Franki J's test, however, was subsequently applied in McDonald's System of Australia v McWilliam's Wines (1979) 28 ALR 236; 5 TPC 577; (1980) 33 ALR 394; 6 TPC 480.² So it has been held that advertisements which might not deceive a careful reader will nevertheless constitute conduct which is deceptive or misleading or likely to deceive or mislead within Section 52 if a significant number of readers (who might clearly be less than a majority) would be likely to be misled.³ Perhaps the terms of the misrepresentation must be construed in the light of the circumstances in which and the nature of the goods or services in respect of which it is made: the more dangerous the product and the more serious the consequences of the misrepresentation, then the wider the class of consumers which the court will select.⁴

1. cf World Series Cricket v Parish (1977) 16 ALR 181 at 203.
2. Henderson v Pioneer Homes (1980) 29 ALR 597; and Thompson v Riley McKay Pty Ltd (No.2) (1980) 31 ALR 507; 6 TPC 352. cf World Series Cricket Pty Ltd v Parish (1977) 16 ALR 181; 2 TPC 303; Parish v Publishing and Broadcasting Ltd [1977] TPRS 304,185; Bradmill Industries Ltd v B & S Products Pty Ltd (1981) 6 TPC 563.
3. See World Series Cricket v Parish (supra); Health Insurance Commission v Hospitals Contribution Fund of Australia [1981] ATPR 40-227 at 43,074; Pinetrees Lodge Pty Ltd v Atlas International Travel Pty Ltd (1981) 38 ALR 187 at 193; Snoid v CBS Records Australia Ltd (1981) 31 ALR 73; 5 TPC 932 at 943-4.
4. See Donald and Heydon, Trade Practices Law (1978) Vol II [11.2.9] at 533-538.

The Consumer Protection Provisions of the Trade Practices Act and the General Law -
Passing Off

22. The consumer protection provisions of the Trade Practices Act, especially Sections 52 and 53, apply. The relationship was explained by Stephen J. in the Hornsby Building Information Centre Case (1977-8) 140 CLR 216 at 226 in the following terms:

It is, no doubt, somewhat of a novelty that a quite extensive jurisdiction in passing off actions, traditionally the concern of the Supreme Courts of the States, should be conferred upon the Industrial Court and that this should be done by an Act described as one "relating to certain Trade Practices" and by sections not very explicitly directed to such a subject matter. However this is, I think, but a consequence of the very direct relationship which necessarily exists between the deception of consumers in the course of trade and the injury caused by the unfair practices of a trade rival. Such deception will quite often be the means adopted to produce that injury. Legislation which aims at the prevention of the former will at the same time tend to put an end to the latter. If, moreover, the legislative prohibition can be enforced by an injunction which "any other person" may seek (see s.80(1)), it then becomes possible for a trader, injured by the competition of his trade rival, to gain a remedy under the Act instead of having recourse to civil action by way of proceedings for passing off. The remedy in such a case will not, as in passing off, be founded upon any protection of the trader's goodwill but, being directed to preventing that very deception of the public which is injuring his goodwill, it will nevertheless be an effective remedy for that of which he complains. The provisions of s.82, not invoked in this case, which allows a person who suffers loss by another's act which is contravention of s.52 to recover by action the amount of his loss, may render the statutory remedy even more complete.

23. The principles relating to passing off may well be of assistance in determining how Section 52 (and for that Sections 53, 55 and 55A) should be applied. As Ellicot J. said in Handley v Snoid [1981] ATPR 40-219 at 42, 973:

The law of passing off recognizes a trader's right to protect the goodwill which it attaches to his business because a particular name, mark, get-up, slogan etc has become distinctive in the market of his goods. The right is of course a restriction on the freedom of competition in the market place because it prevents other traders from using such a name, etc. but it is a restriction which the law accepts. From the consumer's point of view it is beneficial because it avoids being misled or deceived into thinking that one trader's product is that of or connected with another. This, in essence, is why the law of passing off is so relevant to Section 52. In truth, the use by one trader of a name which has become distinctive of the goods of another can be as misleading and deceptive in the market place as a false statement made by a trader about the goods of another. Basic to establishing such deception is proof that in the market place the particular name, etc by use, advertising or similar means distinguishes or means to consumers the goods or services of an identifiable trader.

Must reputation be proven

24. Accordingly there have been many proceedings commenced under the Trade

Practices Act in which a trader endeavours to prevent another trader from marketing goods or services under a name or mark similar to or identical with that of the first trader, or from making use of an overall appearance or get-up which is similar to that of the first trader. It is frequently alleged that the relevant section of the public has been deceived or misled or is likely to be deceived or misled into thinking that the second trader's goods or services are or are connected in business with the first trader's goods or services. To rely upon Section 52, the first trader must be able to show that the second trader's conduct has caused a relevant misconception in the public mind about the first trader's goods and services. Under the traditional formulation of the law relating to passing off (which has been substantially revised and is developing: (see [5.1.001] and following, it was necessary for the first trader to prove that his name or the get up of his products or his trade marks had acquired such reputation in the market place as to be distinctive of him and lead people to believe that, although they were acquiring the goods or services of the second trader, in fact, they were acquiring goods or services which they had come to associated with the trade source of the first trader. Thus, when an attempt is made to apply section 52 or section 53 in a situation where traditionally passing off is relevant, it may be necessary for the person claiming relief to establish as a fact his reputation with the relevant section of the public to found the deception of the public into believing that the goods or services in fact provided by another come from the trade source of the person seeking relief.¹ However a trader alleging a breach by a competitor of section 52 or section 53 need not necessarily prove his own reputation. For instance, if the competitor is alleged to have made a false or misleading claim about his own product, this conduct will fall within section 52 and probably within section 53, and a rival trader may seek to enforce those sections because he fears that if the competitors claims are allowed to go uncorrected, his competitor will unjustly gain a market share at his expense. It may be that the existence and extent of reputation is not even a relevant factor in determining whether conduct contravenes section 52.² The existence and extent of reputation (that is, its value) may, however, be relevant on whether or not an applicant under section 52 or section 53 should be granted relief, and the nature and extent of that relief. Furthermore, if the factual situation alleged to give rise to a cause of action under section 52 or section 53 is the traditional one of passing off by the adoption of an identical or similar trade name or get-up, which the person alleging the contravention of Section 52 claims is distinctive of him, as a necessary condition of success he may be required to establish that he himself, his goods or services possess such a reputation so that the trade name or get-up is distinctive of him, his goods or services, i.e. that it has developed a "secondary significance" to the public as representing him as the trade source of those goods or services.³

1. See Weitmann v Katies Ltd (1977) 29 FLR 336; 2 TPC 329 at 332; Hornsby Building Information Centre v Sydney Information Centre Ltd (1978) 140 CLR 216; 18 ALR 639; 3 TPC 244 at 250-254 per Stephen J; McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd (1980) 33 ALR

394; 6 TPC 480, and also at first instance (1980) 28 ALR 236; 5 TPC 577; Bradmill Industries Ltd v B & S Products Pty Ltd (1980) 6 TPC 563 at 568-570; Pinetrees Lodge Pty Ltd v Atlas International Travel Pty Ltd (1981) 38 ALR 187 at 193.

2. Colgate-Palmolive Pty Ltd v Rexona Pty Ltd (1981) 37 ALR 391; Health Insurance Commission v Hospitals Contribution Fund of Australia [1981] ATPR 40-227.
3. cf John Englander & Co Pty Ltd v Ideal Toy Corporation [1981] ATPR; Pinetrees Lodge Pty Ltd v Atlas International Travel Pty Ltd (1981) 38 ALR 187; Snoid v CBS Records Australia Pty Ltd (1981) 38 ALR 38.

The Taco Bell Case

25. Federal Court in Taco Company of Australia v Taco Bell Pty Ltd (1982) 42 ALR 177, 40 ALR 167; 2 TPR 48; (1982) ATPR 43, 484 is an interesting illustration of the relevance or otherwise of establishing a common law reputation in relation to a cause of action under Section 52 of the Trade Practices Act. In that case the Taco company was incorporated in the United States of America and franchised restaurants throughout the United States, Canada and Guam under the name "Taco Bell". The restaurants were usually identified with architecture of a specific appearance, of mexican decor, and by operations which were standardized. In 1970 an American individual opened a restaurant in Bondi, a suburb of Sydney, and called it "Taco Bill's" or "Taco Bill's Casa". In 1973 the restaurant was acquired by Taco Bell, the respondent, which registered the business names "Taco Casa" and "Taco Bell". In 1981 two restaurants associated with the American Taco Company were opened in Sydney and Taco Bell instituted proceedings alleging contravention of Sections 52 and 53 of the Trade Practices Act, 1974 as well as passing off. The American Taco Company cross-claimed alleging the same rights against Taco Bell. Ellicott J., at first instance, granted an injunction to Taco Bell and refused the Taco Company relief. His Honour found that the truly distinctive feature of Taco Bell's restaurant was its name "Taco Bell's Casa" and that it was natural that a customer of Taco Bell's Casa seeing the taco company's name "Taco Bell" as the name of a fast food outlet in George Street, Sydney, would think there was a business connection between the two; conversely other customers not knowing of "Taco Bell's Casa" and having patronised the Taco Company's George Street restaurant, on seeing Taco Bell's Casa might go there expecting the same type of service, namely fast foods, as they received at George Street, which would not be the case. In either case the consumers, deceived by the similarity of the names, could act to what they might regard as their detriment. His Honour rejected the contention of the Taco Company that the difference between the services provided in its restaurants and in Taco Bell's Casa would remove any likelihood of deception to the public, saying (40 ALR at):

... having considered the relevant evidence, I am satisfied that there would be a significant section of the public whose initial misconception, induced by the similarity between the names, would not be removed in this way. There would be those who would not notice the literature - remembering the restaurant is designed for people in a hurry - and there would be others who, even if they notice it, would not necessarily conclude that there was no business connection between the two.

The ordinary public are educated to treat distinctive names like "Taco Bell" as representing the goods or services of particular traders and if they are confronted by the use of very similar names, I think it takes a great deal to remove the assumption which they naturally make - that the goods or services in relation to which they are used are the product of the same or a related business. In any event, those who go into the "Taco Bell" restaurant in George Street or Granville, believing it to be connected with the Bondi restaurant, would have acted on the faith of the misconception before they were confronted with the literature and other material in question.

26. Ellicott, J in rejecting the Taco Company's claim for relief against Taco Bell held that the relevant date at which the question of contravention of Section 52 had to be determined was the 3rd September 1981, the date on which the Taco Company commenced business in Australia in its restaurant in George Street, Sydney. At that time, his Honour found, neither the Taco Company nor anyone connected with it had previously conducted any restaurant business in Australia using the name "Taco Bell", nor had they attempted to attract the custom of the people in Sydney to their business outside Australia. In trade and commerce in the local market, the name Taco Bell could not have had any meaning to consumers which denoted the Taco Company or anyone associated with it. His Honour held that Section 52 was concerned with consumers in the local market and that it was relevant to have regard to the principles relating to the action for passing off. After considering at length the cases dealing with what was sufficient activity by a foreign trader in the local market to establish a reputation in the local market for the purposes of passing off, and in particular the decision of Walton J. in Athlete's Foot Marketing Associates Inc. v Cobra Sports Ltd [1980] RPC 343, Ellicott J. said (at 40 ALR 167):

Having considered all the authorities cited, I agree in general terms with the conclusion which Walton J. reached. In order to succeed in an action for passing off in relation to the Sydney metropolitan area a plaintiff must show that it has a goodwill here. This can usually be established by proof that there has been some prior business activity here involving the use of the name or mark or get-up in question in relation to the plaintiff's goods or services. The nature and degree of business activity will differ from case to case. It does not follow from what Walton J. said that a single transaction will always suffice. In some cases it may. Nor is it necessary that a plaintiff has established a place of business here. Its goods may have been imported and sold here under the relevant name or mark by another. It may have licensed people to use its name or mark on products which are sold there. It may have advertised here to solicit orders by post from the public or to encourage the public to travel to do business at its premises in another country. In this time of fast communication it may even have solicited customers here to travel long distances to another country to use its services there.

His Honour continued (at 40 ALR 169):

... Even if it has no place of business there people residing there may, nevertheless, be attracted to do business with it. For example, by buying goods which it produces and are sold there by importers, or by ordering goods from it by mail or by travelling from their residence to its place of business in an adjoining country. This "attractive force" is usually created because there has been some business activity in that place on the part of the owner of the business or those dependent on it, intended to so attract people. One cannot, in logic, exclude the possibility that it could exist because people who live there are prompted to seek out the business by a knowledge gained by them whilst travelling or living in another country where the place of business exists (eg a Hong Kong tailor). However, one thing, in my opinion, is clear, namely, knowledge by people in Sydney that a successful business is being conducted in the United States under a distinctive name does not give that business a reputation or goodwill here unless people in Sydney are attracted to do business with it despite the distance separating them. Only then could it be said that there existed in Sydney "the attractive force which brings in custom". In many cases distance or the nature of the business will make it highly improbable that anybody could be so attracted.

27. Ellicott J's decision was upheld on appeal by the Full Federal Court (Franki, Deane and Fitzgerald, Jj) but on narrower grounds (42 ALR 177). Franki J. held that because of the relevant date the Taco Company did not have any reputation which could be damaged in the Sydney metropolitan area in relation to the name "Taco Bell", its claim for passing off must fail, and he would in turn reject the cross claim for passing off. While his Honour referred (at 183) to the relationship between the concepts which have been worked out in relation to passing off and their application to Section 52 of the Trade Practices Act, his Honour's reasons for upholding the appeal in relation to Section 52 remain mysterious. Deane and Fitzgerald Jj. referred to the relationship between Section 52 and passing off in the following terms (at 197):

Whilst, as was pointed out by Stephen J. [in Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd (1978) 78 ALR 639 at 646; 140 CLR 216 at 227], the long experience in the courts in relation to passing-off should not be disregarded and some principles which have been developed in that context may be also applicable to s.52, it is, in our opinion, important to heed his Honour's emphatic rejection on the same page of any suggestion that s.52 is no more than a statutory re-enactment of passing-off principles: see, also, the remarks of Brennan J. in World Series Cricket Pty Ltd v Parish (1977) 16 ALR 181 at 199 and the judgment of Northrop J. in McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd (1980) 33 ALR 394 at 405ff. The backgrounds of s.52 and of the law of passing-off are quite different. Their respective purposes and the interests which they primarily protect are contrasting. Their areas of operation do not coincide. The indiscriminate importation into s.52 cases of principles and concepts involved in passing-off and the associated area of trade mark law is likely to be productive of error and to give rise to arguments founded on false assumptions.

Their Honours proceeded to reject the submission that conduct could not constitute

a contravention of Section 52 unless it causes or is likely to cause misleading or deception which continues to "the point of sale" (Franki J. agreed with this) and found that Taco Bell did not contravene Section 52, and that it could not, at any relevant time, have been liable in passing off, as the Taco Company did not have any local reputation; and their Honours' proceeded to uphold the claim of Taco Bell against Taco Company. There is, at present, no judicial statement which enables one to ascertain with any certainty the extent to which it is necessary to prove reputation in relation to section 52 or 53 of the Trade Practices Act, nor of the extent to which principles established for passing off may be relevant, if at all, to those sections. Sometimes the principles are described as 'helpful', sometimes as 'productive of error' in relation to the sections. This uncertainty may cause difficulty in practice, especially in deciding whether lengthy or expansive evidence of public opinion should be obtained in any particular case. In the absence of judicial clarification, one can only read the cases and by a process of osmosis, develop the necessary intuition to decide when and how much regard should be given to reputation and passing off in any particular case.

Cases analogous to passing off

28. Other cases in which reliance has been successfully or unsuccessfully placed upon Section 52 to restrain the adoption of an identical or similar trade name or get-up include McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd (1980) 49 FLR 455; 33 ALR 394 and Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd (1982) 149 CLR 191 at 197-8; 202, 212 and 218. Reference may also be made to the following:

Bradmill Industries Ltd v B & S Products Pty Ltd (1980) ATPR 40-196 (similar get-up of napery and names); Rolls Royce Motors Ltd v D.I.A. (Engineering) Pty Ltd (1981) 50 FLR 340 (adoption of distinctive radiator grille and badge); Dairyvale Metro Co-operative Ltd v Browne's Dairy Pty Ltd (1981) 35 ALR 494 (adoption of similar yoghurt container); Handley v Snoid (1981) 54 FLR 202; 38 ALR 338; 4 TPR 361 (adoption of identical name of band "Pop Mechanix"); Coonan & Denlay Pty Ltd v Superstar Australia Pty Ltd (1981) 37 ALR 155 (get-up of cricket helmets and boxes); Marlbro Shelving Systems Pty Ltd v A.R.C. Engineering Pty Ltd (1983) 5 TPR 271 (similar shelving); Fire Nymph Products Pty Ltd v Jalco Products (WA) Pty Ltd (1983) 1 IPR 79; 47 ALR 355 (fire places of similar appearance); Visa International Service Association v Beiser Corporation Pty Ltd (1983) 1 IPR 471, 482 (adoption of get-up of credit card); Emrik Sporting Goods Pty Ltd v Stellar International Sporting Goods Pty Ltd (1981) 53 FLR 319 (tennis rackets of similar appearance); John Englander & Co Pty Ltd v Ideal Toy Corporation (1981) 54 FLR 227 (Rubik's Cubes); Nostac Enterprises Pty Ltd v New Concept Import Services Pty Ltd (1981) 4 TPR 402 (use of similar cartoon characters); Pinetrees Lodge Pty Ltd v Atlas International Pty Ltd (1981) 38 ALR 187 (similar logo); Stewart Alexander & Co (Interstate) Pty Ltd v Blenders Pty Ltd (1981) 53 FLR 307 (get-up of coffee jar); Lego Australia Pty Ltd v Paul's (Merchants) Pty Ltd (1982) 42 ALR 344; 2 TPR 7 (use of "Lego" of children's plastic building blocks in relation to plastic irrigation equipment held not to contravene Section 52); Brock v Terrace Times Pty Ltd (1982) ALR ; 1 TPR 24 (get-up of cook books); Dairy Industry Marketing Authority v Southern Farmers Co-operative Ltd (1982) 36 ALR 913; 1 TPR 64 (similar names of

flavoured milk); Parke Davis Pty Ltd v Wilkinson Sword Pty Ltd (1981) 1 TPR 96 (interchangeable razor cartridges); Starcross Pty Ltd v Liquid-chlor Pty Ltd (1981) 1 TPR 103 (relief refused for identical swimming pool equipment differently and distinctively labelled); Comet Inter-professionnel Duvand de Champagne v N.L. Burton Pty Ltd (1981) 1 TPR 128 (French Champagne producers fail to prevent Spanish wine being marketed as champagne); W.H. Brine & Co v Whitton (1981) 1 TPR 230 (marketing of soccer balls of identical get-up bearing genuine mark but of inferior quality constituted contravention of Section 52); Motor-charge v Motor Cards Pty Ltd (1982) 2 TPR 38 (similarity of names held to contravene Section 52); Cue Design Pty Ltd v Playboy Enterprises Pty Limited (1982) 45 ALR 535 ("Cue" as name of restaurant was not likely to mislead purchasers of "Cue" dresses); Apple Computer Inc. v Computer Edge Pty Ltd (Federal Court of Australia, (1984) 50 ALR 581; 1 IPR: 353; reversed on appeal (1984) 2 IPR 1; 53 ALR 225 similarities in get-up of computers); Gavioli Luigi & Figli FNC v G J Coles & Co Pty Ltd (1983) ATPR 40-428 (similarly got-up bottles of Lambrusco wine).

Descriptive words and sections 52 and 53

29. As in the law relating to passing-off, so in determining whether there has been a contravention of section 52 or section 53, problems are caused by the use of purely descriptive words, whether in a corporate or trade name, or as a trade mark. In Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd (1977) 140 CLR 216, a majority of the High Court held that Section 52 had not been contravened by the appellant adopting and carrying on business under its name although the respondent had been operating under its name for a considerable period. Stephen J., who delivered the principal judgment, although he was prepared to assume that some people had been misled to believe that the Hornsby Building Information Centre was a branch of or in some way associated with the Sydney Centre, said that it was necessary to enquire why this misconception had arisen, and attributed it to, in effect, the normal use of descriptive use in the English language. His Honour said (140 CLR 216 at 229-231):

There is a price to be paid for the advantages flowing from the possession of an eloquently descriptive trade name. Because it is descriptive it is equally applicable to any business of a like kind, its very descriptiveness ensures that it is not distinctive of any particular business and hence its application to other like businesses will not ordinarily mislead the public. In cases of passing off, where it is the wrongful appropriation of the reputation of another or that of his goods that is in question, a plaintiff which uses descriptive words in its trade name will find that quite small differences in a competitor's trade name will render the latter immune from action (Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd (1946) 63 RPC 39, at p.42, per Lord Simonds). As his Lordship said (1946) 63 RPC at p.43, the possibility of blunders by members of the public will always be present when names consist of descriptive words - "So long as descriptive words are used by two traders as part of their respective trade names, it is possible that some members of the public will be confused whatever the differentiating words may be." The risk of confusion must be accepted, to do otherwise is to give to one who appropriates to himself descriptive words an unfair monopoly in those words and might even deter others from pursuing the occupation which the words describe.

If this be so in the case of passing off actions the case of s.52(1), concerned only with the interests of third parties, is a fortiori. To allow this section of the Trade Practices Act to be used as an instrument for the creation of any monopoly in descriptive names would

be to mock the manifest intent of the legislation. Given that a name is no more than merely descriptive of a particular type of business, its use by others who carry on that same type of business does not deceive or mislead as to the nature of the business described. Thus both the Hornsby and the Sydney Centres are building information centres and no one is being deceived as to the nature of the service which is available there. Any deception which does arise stems not so much from the Hornsby Centre's use of the descriptive words as from the fact that the Sydney Centre initially chose descriptive words as its title and for many years thereafter was the only centre in Sydney which answered the description which those words provide. In consequence members of the public have come to associate its particular business with that type of activity. Evidence of confusion in the minds of members of the public is not evidence that the use of the Hornsby Centre's name is itself misleading or deceptive but rather that its intrusion into the field originally occupied exclusively by the Sydney Centre has, naturally enough, caused a degree of confusion in the public mind. This is not, however, anything at which s.52(1) is directed.

Jacobs J. expressly agreed with Stephen J., and Barwick CJ. with whom Aicken J. agreed also appeared to have agreed with Stephen J's reasoning in the relevant respect.¹ The problem of when a descriptive word has ceased to be descriptive and become distinctive is one well known in relation to passing off² and is essentially a question of degree to be resolved on the evidence. In relation to section 52, however, the problem is not quite the same. The distinction between deception and confusion, for the purposes of section 52, is now well established, and Stephen, J appears to suggest that the use of descriptive words can never amount to actual or likely deception. Perhaps other conduct could make it so.

1. For other cases involving descriptive words see United Telecasters Sydney Ltd v Pan Hotels International Pty Ltd (1978) 4 TPC 209 at 216-7; John Englander & Co Pty Ltd v Ideal Toy Corporation [1981] ATPR 40-218 at 42, 962 per Fox J.; Pinetrees Lodge Pty Ltd v Atlas International Travel Pty Ltd (1981) 38 ALR 187 at 193; Comet a Interprofessionnel Duvand de Champagne v N.L. Burton Pty Ltd (1981) 1 ATPR 40-258 at 43,300-43,301.

2. See Kerly's Law of Trade Marks.

Comparison of Section 52 and Passing Off

30. It is apparent from what has been said above that the elements of an action under Section 52 of the Trade Practices Act and of an action for passing-off are different conceptually, but may overlap.¹ The following matters deserve comment:

- (1) Under Section 52, customers may sue to complain of passing-off by a rival trader by the use of the name or get-up of another, or for any conduct constituting passing-off; whereas at common law, only a rival trader or a person who can establish the relevant reputation can sue (see paragraph 7 above).

- (2) Conduct if it is to fall within section 52, must deceive or mislead or be likely to deceive or mislead the public as consumers; accordingly the classes of misrepresentation relevant for section 52 may in general be narrower than misrepresentations which at present can constitute passing-off (see paragraph 14 above).
 - (3) It is not necessary for a rival trader, in order to rely upon Section 52, to prove reputation or goodwill, whether he is a foreign trader or not. On the other hand if the conduct of which he complains as a breach of Section 52 involves a misrepresentation about his trade name or get-up, it may well be necessary for him to establish that reputation so as to convince the Court that the relevant section of the public is likely to be deceived or misled.
 - (4) It is quite unnecessary to consider let alone establish any "common field of activity" in relation to Section 52 of the Trade Practices Act (whether this is a requirement of passing off is extremely doubtful).
 - (5) The discretionary considerations relevant to the grant of an injunction to restrain contravention of Section 52 are wider, and less restricting, than for passing-off. This is discussed in a later chapter.
 - (6) A trader can complain about a rival trader misrepresenting the rival traders' own goods or services, as a contravention of Section 52, whereas this type of misrepresentation may still not found an action for passing-off: see paragraph 19 above.
 - (7) The measure of damages for passing off may be more generous than the damages available for a contravention of section 52. See paragraph 46 below.
1. For an interesting discussion of the 'overlap', which sees the influence of the common law as a 'mortal blow' to the ambitious consumerism which led to the enactment of sections 52, 53, 53A, 55 and 55A, see Blakeney, Old Wine in New Bottles etc (1984) 58 ALJ 316.

FALSE REPRESENTATIONS - SECTION 53

31. Section 53 is concerned with false representations, or false or misleading statements, as to certain specified matters. In each case the conduct prohibited is such that it would clearly be caught by section 52. Where, however, particular conduct can be shown to be within the narrower confines of section 53, criminal liability will ensure: see section 79.¹ Section 53 provides:

A corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services -

- (a) falsely represent that goods are of a particular standard, quality, grade, composition, style or model or have had a particular history or particular previous use;*
- (aa) falsely represent that services are of a particular standard, quality or grade;*
- (b) falsely represent that goods are new;*
- (c) represent that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have;*
- (d) represent that the corporation has a sponsorship, approval or affiliation it does not have;*
- (e) make a false or misleading statement with respect to the price of goods or services;*
- (f) make a false or misleading statement concerning the need for any goods or services;*
- (g) make a false or misleading statement concerning the existence, exclusion or effect of any condition, warranty, guarantee, right or remedy.*

1. Section 53 is in large part based on s.3(b) of the Uniform Consumer Sales Practices Act, prepared in 1971 by the American National Conference of Commissioners on Uniform State Laws and recommended for enactment in the various States with the object of protecting consumers from deceptive and unconscionable sales practices. The drafting of the Act designed to inform businessmen of specific practices which are deemed to be deceptive so that, so far as is reasonably practicable, they may know in advance the type of conduct which is prohibited. Somewhat similar motives influenced the drafting of section 53 in the Australian Act. Unfortunately, however, the language of section 53 in its original formulation was obscure in some important respects and raised difficulties. Section 53 was substantially amended by the Trade Practices Amendment Act 1977 with the result that these difficulties have largely been removed.

32. It is proposed to examine those respects in which Section 53 provides a remedy for the protection of intellectual property rights. It is apparent that the section covers a much wider range of representations than those which have traditionally been the subject of an action for passing off or infringement of registered trade mark. It is not the purpose of this section to provide a general treatment of Section 53, and reference should be made to the standard works (Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection 3rd Ed. at paras.1449-1476; Donald & Heydon, Trade Practices Law, (1978) Vol.2 Chapter 12 at pages 574 to 613; Miller, Trade Practices Service, paras.53/1 to 53/22). It should be noted however that the section is expressed to apply only to conduct in trade or commerce by a corporation, and while contravention of Section 52 of the Trade

Practices Act does not enable a prosecution for a criminal offence to be brought, contravention of Section 53 may have this result (see Section 79). It is apparent that in relation to intellectual property paragraphs (a), (aa), (c) and (d) are of greater importance than the other paragraphs of Section 53.

The Elements of Section 53

"Supply"

33. Section 53 applies to conduct in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services. The phrase "supply of goods or services" is a wide one, "supply" is wider than "sale" and is defined in Section 4 of the Act as follows:

"Supply" when used as a verb, includes:-

- (a) in relation to goods - supply (including re-supply) by way of sale, exchange, lease, hire or hire purchase; and
- (b) in relation to services - provide, grant or confer, and when used as a noun, has a corresponding meaning, and "supplied" and "supplier" have corresponding meanings.

The definition is inclusive, that any action not specifically indicated which would otherwise be regarded as supply will be comprehended by the definition. In relation to goods the definition makes it clear that supply by lease, hire or hire purchase, as well as supply by sale, is to be treated as supply¹ but presumably a supply of goods by other means will suffice.² The words "furnish", "serve", "distribute" and "provide" are often mentioned as equivalent to "supply". In the case of goods, the elements of delivery and acceptance of delivery, whether pursuant to a contract or not, have been suggested as essential ingredients of supply³.

1. See Australian Guarantee Corp v Jennings (1981) 6 TPC 731; [1981] NSWLR 50.
2. In another context, the delivery of goods by way of gift has been held to be a supply, and there seems to be no reason why this should not be the case under the Act (Graham v Sloan [1943] NZLR 292; see also Clarke v New Concept Import Services Pty Ltd [1981] ATPR 40-264.
3. Andoloro v Wyong Co-Operative Dairy Society Ltd [1965] NSWLR 1121, see also Commonwealth v Sterling Nicholas Duty Free (1972) 46 ALJR 241. Whether or not property in goods must pass to constitute supply outside the specific transactions referred to in the definition is a difficult question. Tapereil, Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed at [423] suggest that it must.

"Goods"

34. Goods are defined in section 4 of the Act to include:-

- (a) ships, aircraft and other vehicles;
- (b) animals, including fish;
- (c) minerals, trees and crops, whether on, under or attached to land or not; and
- (d) electricity and gas.

Generally, the word "goods" is used to mean tangible, moveable personal property such as furniture or motor cars as distinct from immoveable real property, and intangible personal property such as debts, shares in companies, patents, trade marks, copyright and rights of action. The definition of goods is not exhaustive and includes all those things which would, apart from the definition, fall within the meaning of the word. See Sutton, The Law of Sale of Goods, (2nd Ed)(1974), Law Book Co, pp 34-8; Benjamin's Sale of Goods (2nd Ed),(1981) Sweet and Maxwell, paras.76-132).

"Services"

35. Services is defined in section 4 of the Act as including:

... any rights (including rights in relation to, and interests in, real or personal property), benefits, privileges or facilities that are, or are to be, provided, granted or conferred in trade or commerce, and without limiting the generality of the foregoing, includes the rights, benefits, privileges or facilities that are, or are to be, provided, granted or conferred under-

- (a) a contract for or in relation to -
 - (i) the performance of work (including work of a professional nature), whether with or without the supply of goods;
 - (ii) the provision of, or of the use of or enjoyment of facilities for, amusement, entertainment, recreation or instruction; or
 - (iii) the conferring of rights, benefits or privileges for which remuneration is payable in the form of a royalty, tribute, levy or similar exaction;
- (b) a contract of insurance;
- (c) a contract between a banker and a customer of the banker entered into in the course of the carrying on by the banker of the business of banking; or
- (d) any contract for or in relation to the lending of moneys,

but does not include rights or benefits being the supply of goods or the performance of work under a contract of service.

Questions arise whether the mere payment of money is within it, or contractual rights, especially in relation to the supply of goods. See Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed at [1322]; cf Donald & Heydon, Trade Practices Law, (1978) Vol.2, pages at [12.2.2].

Contravention of Section 53 and Point of Sale

36. Because of the width in the first part of Section 53, there may be a contravention of Section 53 in connection with the supply or possible supply of goods or services if an offending statement is made prior to point of sale or the making of any contract in relation to the supply of goods or services. The contravention is complete as soon as the statement is made. Consequently it is irrelevant that no one is in fact deceived because the statement is corrected prior to a subsequent contract being made or that the person to whom a statement is made decides not to contract at all. Furthermore the contravention may continue once the misrepresentation is made even after it is corrected, until it exhausts itself (see R v Thomson Holidays Ltd [1974] QB 592; Riley McKay Pty Ltd v Bannerman (1977) 15 ALR 561 per Bowen CJ at 570)². The phrase "the promotion by any means" of the supply of goods or services indicates that a statement made in any form of advertising material will suffice, even though the corporation may not itself supply the goods or services (it may be a company related to the supplier), or makes the statement by way of general promotion without presently offering that product for sale. Likewise a manufacturer which advertises in a newspaper goods or services which it does not itself supply direct to the public will be caught.¹ Consequently the problems of causation which have arisen in determining whether section 52 has been contravened (see paras 14 to 21 above) are much less likely to arise, if at all, in relation to section 53.

1. See generally Mansard Developments Pty Ltd v Sackville [1981] ATPR 401-225 at 43,225 per curiam; Videon v Barry Burroughs Pty Ltd (1982) 37 ALR 365 at 383-4 per Fisher J.). Where promotional literature is sent by a distributor to a dealer who sells the distributor's product, s.53 may be infringed even if there is no evidence of that literature having been distributed to potential purchasers (see Larmer v Power Machinery Pty Ltd (1977) 14 ALR 243; 2 TPC 31: see Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed. at [1336], [1443] and [1614].
2. See Donald and Heydon, Trade Practices Law (1978), Vol 2, at [12.2.5].

37. There are also problems of interpretation in Section 53 arising out of the phrase "false or misleading", and in determining when a representation is made. Reference should be made to Taperell, Vermeesch and Harland, Trade Practices and Consumer Protection, 3rd Ed paragraphs [1451] to [1454]; Donald and Heydon, Trade Practices Law (1978), Vol 2, at [12.2.3].

Section 53(a)

38. Section 53(a) prohibits false representations "that goods are of a particular standard, quality, grade, composition, style or model or have had a particular history or particular previous use". This paragraph is primarily directed to false representations, such as that goods are "new" when they are second-hand, or that goods comply with a standard when in fact they do not, which would not necessarily fall within the class of misrepresentations traditionally covered by the action for passing off. Nevertheless it may well be that some representations which would found an action for passing off would also fall within paragraph (a): for instance the representation in Spalding Bros v Gamage Ltd (1915) 32 RPC 273, 84 LJQ 449; to the effect that the plaintiff's goods of one quality were goods of another quality. The use of the word "particular" may cause some difficulties as it could be read as suggesting that a generally recognized or specifically defined "standard, quality, grade, composition, style or model" must be referred to in the relevant representation. This has yet to be authoritatively determined. See Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed, [1456]. Donald and Heydon, Trade Practices Law (1978) Vol 2, [12.3.1] at 581-590.

Section 53(c) and (d)

39. Section 53(c) and (d) however prohibit representations which include many representations traditionally the subject of an action for passing off. These paragraphs prohibit representations

"that goods or services have sponsorship approval performance characteristics accessories uses or benefits they do not have;

... that the corporation has a sponsorship approval or affiliation it does not have"

A false representation as to sponsorship would occur, for instance, where it is falsely claimed that a course of lectures is sponsored by an educational or professional body or that the claimant's product is being sponsored by a well-known public personality. (See Henderson v Radio Corp Pty Ltd [1960] SR (NSW) 570). A false representation that goods had been manufactured by a well-known company could well be regarded as a representation as to "sponsorship" or "approval", but the interpretation of the phrase so far in the decided cases indicates that the words will be interpreted in a quite narrow sense. Although A may make a representation which is likely to mislead or deceive some members of the public into believing that there is a business association between A and B, A's conduct, while amounting to a contravention of s.52, probably does not amount to a representation of sponsorship or approval of A's products by B (Pinetrees Lodge Pty Ltd v Atlas International Travel Pty Ltd (1981) 38 ALR 187; see also Franki J. in McDonald's System of Australia Pty Ltd v McWilliam's Wines Pty Ltd (1979) 28 ALR 236; 5 TPC

577. On appeal, (1980) 33 ALR 394; 6 TPC 480). It may be that in these circumstances A's conduct amounts to a representation of approval if he in some way represents that his product is licensed by B or that B has given some form of certification mark to the product (Weitmann v Katies Ltd (1977) 29 FLR 536; 2 TPC 329 at 336 per Franki J. Franki J. adhered to this view in the Big Mac Case (supra) at 588. In United Telecasters Sydney Ltd v Pan Hotels International Pty Ltd (1978) 4 TPC 209 at 219 Franki J. considered that it may be questionable whether the word "approval" in para (c) embraces a mere revocable licence to use a trade name. For instance a false representation by a repair company that it was authorized by a manufacturer to repair appliances made by that manufacturer would infringe paragraph (c). However, companies frequently advertise in such a way as to suggest, indirectly or by implication, that they are authorized repairers for certain makes of appliances. In such cases the representation may well be misleading rather than false and it may be necessary to rely on section 52.¹

Paragraph (d) overlaps with paragraph (c) to some degree. If a corporation falsely claims that it is sponsored generally by another body such as a charitable organization or a government department, it would be caught by paragraph (d), even if it made no such claim in respect of any specific goods or services provided by it. So also if it falsely claimed that the corporation is a subsidiary of or otherwise affiliated with some other well-known company or organization. However, if what is involved is the adoption of a corporate name or brand name which is deceptively similar to, but not identical with, that of another, the claim is probably as misleading rather than false and section 53 may not apply. Moreover "affiliation" has been interpreted in a manner which would not apply in such circumstances. In McDonald's System of Australia Pty Ltd v McWilliam's Wines Pty Ltd ((1979) 28 ALR 236; 5 TPC 577 (on appeal see (1980) 33 ALR 394; 6 TPC 480)) Franki J. held that the type of affiliation to which para 53(d) refers is akin to "sponsorship" or "approval" and seems to require a positive link. In Pinetrees Lodge Pty Ltd v Atlas International Travel Pty Ltd ((1981) 38 ALR 187) there was conduct which was likely to mislead or deceive some members of the public into believing that there was a business association between two companies, but Ellicott J. held that such conduct contravened s.52 but did not amount to a representation of affiliation. So in TEC & Thomas (Australia) Pty Ltd v Matsumiga Computer Co Pty Ltd & Ors (1984) 2 IPR 81, the relief granted was based on Section 52. In that case, the applicant was the exclusive distributor to the Australian market of Seiko computers and computer equipment which had been manufactured by members of the Japanese Hattori Seiko group. In August or September 1982 the applicant commenced negotiations to appoint the first respondent, then known as Transnational Data Systems Pty Ltd, as "Master Distributor" of Seiko computers in Australia and New Zealand. Although some distribution was performed, the relationship between the parties deteriorated to the extent that on 7 June 1983 the distributorship was determined. At about this time the second respondent registered the business names Seiko Computers and Seikosha. On 21 October 1983 the fourth respondent issued a press release concerned with the proposed sale by it of computers that replaced a model which was marketed by the applicant. The computer concerned was not in fact marketed by the applicant or by any other member of the Hattori Seiko group of

companies. Late in November an article appeared in "The Australian" newspaper in which the fifth respondent was reported to have said that the first respondent was the only organisation which had the right to sell computers under a Seiko label. Following the publication of this article, the applicant, by letter to the first respondent, alleged breaches of section 52 of the Trade Practices Act and sought certain undertakings which were not furnished. It was held that it is no defence to a section 52 claim that the statement made was literally true as it can still be misleading and deceptive. Thus the fact that business names were registered by the respondents did not provide a defence. (Hornsby Building Information Centre Pty Ltd v Sydney Information Centre Ltd (1978) 140 CLR 215 per Stephen J. at 226 was applied.) By use of the names Seiko Computers and the threatened use of the name Seikosha in connection with the marketing of computer equipment which is not that of the applicant, the corporate respondents have represented contrary to fact, that a business or trade connection subsists between the applicant or the Hattori Seiko group on the one hand and the corporate respondents. The fact that there is a time lapse between the making of the false representation of a relevant connection between the parties and their products and the actual point of sale, by which time a misleading impression may have been corrected, does not prevent such anterior conduct breaching section 52.²

1. See also Vanfi (Aust) Pty Ltd v Novosonic Corp Pty Ltd (1984) 1 IPR ; Sony KK v Saray Electronics (London) Ltd [1983] FSR 302; Greg Cotton Motors Pty Ltd v Neil & Ross Neilson Pty Ltd (1984) 2 IPR 214; cf Sony of Canada Ltd v Hi-Fi Express Inc. & Ors 138 DLR 662.
2. See Taco Co of Australia Inc. v Taco Bell Pty Ltd (1982) 42 ALR 177 at 197-9, applied. Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd (1982) 42 ALR 1, was distinguished.

Section 53A

40. Section 53A of the Trade Practices Act should also be noted. It contains a specific prohibition of representations corresponding to those defined in paragraph (d) of section 53 "in connection with the sale or grant, or the possible sale or grant, of an interest in land or in connection with the promotion by any means of the sale or grant of an interest in land". (See Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection (3rd Ed) at pp 671-677; Miller, Annotated Trade Practices Act (1983) at [53A/1] to [53A/3]; Donald and Heydon, Trade Practices Law (1978) Vol 2, at [12.4.3] and [12.4.4].

Sections 55 and 55A

41. Section 55 provides:

A person shall not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of any goods.

Section 55 is expressed to apply in general terms to "any person". Unlike the other provisions of Pt V, it is not drafted in terms of conduct engaged in by a corporation, and the provisions of s.6 providing for the additional operation of the Act do not apply (Section 5 relating to conduct outside of Australia does, however, apply.) In enacting section 55, Parliament is relying on the external affairs power of the Constitution to overcome those constitutional limitations on the legislative power of the Commonwealth Parliament which influenced the drafting of the other provisions of the Act. For the history of section 55 and the explanation of the peculiarities of its drafting, see Taperell, Vermeesch & Harland, Trade Practices and Consumer Practices, 3rd Ed. [1487] to [1489], where Section 55A is also discussed. The section which was inserted by the Trade Practices Amendment Act, 1977, provides:

A corporation shall not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the characteristics, the suitability for their purpose or the quantity of any service.

See also Bannerman v Mildura Fruit Juices Pty Ltd (1984) ALR 369.

It may be that the express reference to 'the public' in sections 55 and 55A confines the operation of those sections more narrowly than that of sections 52, 53 and 53A (see Donald and Heydon, Trade Practices Law, (1978) Vol 2, at [12.5.1]). Nevertheless, the external affairs power in paragraph 51(xxix) of the Constitution has in recent years received a wide interpretation and the constitutional validity of sections 55 and 55A is probably beyond a successful challenge. As the sections may then apply to any natural person, as well as corporations, and are not restricted by the limitations in that respect of sections 52, 53 and 53A (see para. 3 above) sections 55 and 55A may provide a basis for the development of a 'statutory tort' of unfair competition.

CLAIMS UNDER THE TRADE PRACTICES ACT AND ASSOCIATED MATTERS

Associated Matters

42. Jurisdiction is conferred on the Federal Court of Australia by various provisions of the Trade Practices Act 1974 to herein determine claims and prosecutions under the Act. See section 86. That jurisdiction is exclusive of the jurisdiction of any other Court, other than the jurisdiction of the High Court under Section 75 of the Constitution. See also Sections 163 and 163A of the Act. Section 32 of the Federal Court of Australia Act 1976 provides:

"To the extent that the constitution permits, jurisdiction is conferred on the Court in respect of matters not otherwise within its jurisdiction that are associated with matters in which the jurisdictions of the Court is involved".

There has been considerable controversy and doubt as to the extent of the jurisdiction of the Federal Court under section 32.¹ This was reflected in the judgments of the High Court in Philip Morris Inc v Adam P Brown Male Fashions Pty Ltd; United States Surgical Corporation v Hospital Products International Pty Ltd (1981) 33 ALR 465, but the decision of the majority of the High Court in the subsequent case of Fencott v Mueller (1983) 46 ALR 41 has clarified considerably the extent of that jurisdiction the joint judgment of the majority (Mason, Murphy, Brennan and Deane, Jj. at 66 to 69 passim) contains a valuable discussion and statement of principle, which because of its importance, is set out in full:

"There was a clear difference of opinion in Philip Morris as to the meaning of "matter" in the context of s 76(ii). The majority view was that a "matter" is a justiciable controversy which must either be constituted by or must include a claim arising under a federal law but which may also include another cause of action arising under another law, provided it is attached to and is not severable from the former claim. The proposition that a matter may include a cause of action arising under a nonfederal law, though denied in the dissenting judgments, is the ratio decidendi of Philip Morris. It follows that the ambit of a matter arising under a federal law may extend beyond claims which arise under that law or which are to be determined by reference to that law alone. As Windeyer J said in Felton v Mulligan (124 CLR at 393): "The existence of federal jurisdiction depends upon the grant of an authority to adjudicate rather than upon the law to be applied on the subject of adjudication."

Subject to any contrary provision made by federal law and subject to the limitation upon the capacity of non-federal laws to affect federal courts, non-federal law is part of the single, composite body of law applicable alike to cases determined in the exercise of federal jurisdiction and to cases determined in the exercise of non-federal jurisdiction (cf Felton v Mulligan, at 392, 399).

It follows also that, though the facts upon which a non-federal claim arises do not wholly coincide with the facts upon which a federal claim arises, it is nevertheless possible that both may be aspects of a single matter arising under a federal law."

...

"Perhaps it is not possible to devise so precise a formula that its application to the facts of any controversy would determine accurately what claims are disparate and what claims are not. Whatever formula be adopted as a guide -- and the formula of "common transactions and facts" is a sound guide for the purpose -- it must result in leaving outside the ambit of a matter a "completely disparate claim constituting in substance a separate proceeding" (per Barwick CJ in Felton v Mulligan, at 373), a non-federal matter which is "completely separate and distinct from the matter which attracted federal jurisdiction" (per Murphy J in Philip Morris, at 512) or "some distinct and unrelated non-federal claim" (per Stephen, Mason, Aickin and Wilson JJ in Moorgate Tobacco (31 ALR) at 174).

Claims which are described by these or similar phrases cannot be determined by exercise of the judicial power referred to in s.71 of the Constitution, for that power can be exercised only to determine those

matters in which federal jurisdiction is or can be conferred under Ch III of the Constitution. For precisely this reason, however, it is necessary to attribute to "matter" in ss 75 and 76 of the Constitution a connotation which does not deny to federal judicial power its primary character: that is, the power of a sovereign authority "to decide controversies between its subjects, or between itself and its subjects, whether the rights relate to life, liberty or property" (per Griffin CJ in *Huddart, Parker & Co Pty Ltd v Moorehead* (1980) 8 CLR 330 at 357). The unique and essential function of the judicial power is the quelling of such controversies by ascertainment of the facts, by application of the law and by exercise, where appropriate, of judicial discretion. In identifying a s.76(ii) matter, it would be erroneous to exclude a substantial part of what is in truth a single justiciable controversy and thereby to preclude the exercise of judicial power to determine the whole of that controversy. What is and what is not part of the one controversy depends on what the parties have done, the relationships between or among them and the laws which attach rights or liabilities to their conduct and relationships. The scope of a controversy which constitutes a matter is not ascertained merely by reference to the proceedings which a party may institute, but may be illuminated by the conduct of those proceedings and especially by the pleadings in which the issues in controversy are defined and the claims for relief are set out. But in the end, it is a matter of impression and of practical judgment whether a non-federal claim and a federal claim joined in the proceedings are within the scope of one controversy and thus within the ambit of a matter."

...

"However, a federal judicial power is attracted to the whole of a controversy only if the federal claim is a substantial aspect of that controversy. A federal claim which is a trivial or insubstantial aspect of the controversy must, of course, itself be resolved in federal jurisdiction, but it would be neither appropriate nor convenient in such a case to translate to federal jurisdiction the determination of the substantial aspects of the controversy from the jurisdiction to which they are subject in order to determine the trivial or insubstantial federal aspect. Again, impression and practical judgment must determine whether it is appropriate and convenient that the whole controversy be determined by the exercise of federal judicial power."

While there may be considerable scope for the joining of proceedings for infringement of trade marks, copyright or registered designs as matters associated within the meaning of section 32 with matters properly within the original jurisdiction of the Federal Court,² such as claims for breaches of sections 52, 53 and 55 of the Trade Practices Act, 1974, cases in which proceedings for infringement of a patent or concerning the validity of a patent might qualify as associated matters are more difficult to imagine. However, false representations concerning the character or quality of goods, especially, could conceivably depend upon facts which would enable the Federal Court to determine an associated matter of patent infringement, with its necessarily related question of validity, within the principles enunciated by the majority of the High Court in *Fencott v Muller* (supra); and proceedings in respect of threats, under section 121 of the Patents Act, 1952 may well involve conduct or representations contravening sections 52, 53 or 55 of the Trade Practices Act. Nevertheless, a plaintiff should consider carefully whether or not proceedings for infringement of a patent or concerning its validity, or in relation to threats should be joined as an associated matter to proceedings for other claims

commenced in the Federal Court, as a defendant may thereby be enabled to delay or avoid determination of the claim against him by objections to jurisdiction, and by the taking of appeals from any finding of jurisdiction.

1. See Street, CJ, (1978) 52 ALJ 434; Rogers, J (1980) 54 ALJ 258; Bowen, CJ (1979) 53 ALJ 806; WMC Gummow, (1979) 10 Federal Law Review 211; PH Lane, (1980) 54 ALJ 11; Adamson v West Perth Football Club (1979) 27 ALR 475; Rolls Royce Motors Ltd v DIA (Engineering) Pty Ltd (1981) ALR ; 50 FLR 340.
2. See eg Fire Nymph Products v Jalco Products (1984) 1 IPR 79; HTX International Pty Ltd v Semco Pty Ltd (1983) 1 IPR 403; (1983) ATPR 40-396.

Change of venue - forum conveniens

43. The Federal Court may, on the application of a party or of its own motion change the venue for the hearing of proceedings from "the proper place" (the capital city where the initiating process was filed) to another place (section 6 Federal Court of Australia Act 1976) or the Court may at any stage of a proceeding direct that the proceeding or part of the proceeding be conducted or continued at a place specified in the order, subject to such conditions (if any) as the Court imposes (section 48). In so doing, the Court will, presumably, have regard to what is the forum conveniens, taking into account the "material" nature and extent of rights in respect of a patent, the place of the act of infringement, the residence of the parties, the personal convenience and expense of the parties and their witnesses, and whether trial in another prescribed court is generally more convenient.¹ But if a plaintiff is resident in the jurisdiction in which he brings proceedings, it may be difficult to obtain a transfer of these proceedings.²

1. cf Gleeson v Williamson (1972) 46 ALJR 677; and cases declining equitable relief on the ground of forum non conveniens: Helicopter Utilities Pty Ltd v Australian National Airlines Commission [1962] NSWR 947; Mills v Mills (1938) 60 CLR 150 at 181; Dryden v Dryden (1918) 4 VLR (E) 202; and the circumstances in which an action will be stayed against a foreign defendant, and where two actions are pending. McClelland and J. in United States Surgical Corporation v Hospital Products International Pty Limited (unreported) ordered a stay of proceedings in NSW in view of similar proceedings between the same parties in United States courts. See Ritchie, Supreme Court Procedure, NSW, para 15.26.4; Williams Supreme Court Practice (Victoria) (2nd Ed) paras 25.4.8 - 10 where the cases are collected.
2. See the Lyndsay Edmonds Case (Supreme Court of New South Wales, 2815 of 1979, 1 Nov 1979, Helsham CJ in Eq, unreported), applied by Fullagar, J in Commonwealth Industrial Gases Ltd v Liquid Air (WA) Pty Ltd (1 December 1981, Supreme Court of Victoria, unreported).

44. On some occasions the parties to proceedings have each commenced proceedings in separate courts. The jurisdiction of prescribed courts in matters relating to

infringement of copyright and registered trade marks, patents, designs and passing off enable proceedings to be commenced in those courts based upon facts which an opposing party often alleges constitute contraventions of Sections 52 and 53 of the Trade Practices Act, 1974. If a party subsequently commences proceedings in the Federal Court of Australia relying essentially upon the same facts in relation to which proceedings have been commenced in the Supreme Court of a State or Territory, the question then arises when and in what circumstances will the proceedings in either Court be stayed. This question received consideration in L Grollo Darwin Management Pty Ltd v Victor Plaster Products Pty Ltd (1978) 4 TPC 1 where the Full Court held that proceedings previously commenced in the Supreme Court of the Northern Territory should proceed to trial before the Federal Court proceedings. Apart from the fact that the Supreme Court proceedings were commenced first, they were uncomplicated, the issues were clear and the determination of the action was likely to have a decisive effect on the total litigation. Moreover, the Federal Court proceedings were complex and likely to be the subject of delays, and there was no certainty that the applicant would succeed in amending its statement of claim as it was seeking to do. In the interests of justice, it was within the jurisdiction of the Court to so exercise its discretion. However, the Full Court held that the hearing should only be stayed pending the outcome of the Supreme Court proceedings (see also Hughes Motor Service Pty Ltd v Wang Computer Pty Ltd (1978) 4 TPC 290; cf Muller v Fencott (1981) ATPR 40-251 and Yorke v Treasury Stores Pty Ltd (1981) ATPR 40-265, where stays of Federal Court proceedings were not granted). In an appropriate case the Federal Court could order that proceedings in a State Court be stayed either permanently or until the proceedings in the Federal Court have been decided (Brown v Jam Factory (1981) 35 ALR 79; St Justins Properties v Rule Holdings (1980) 5 TPC 602).

REMEDIES

45. The Trade Practices Act confers on the Federal Court, in relation to a contravention of its provisions, power to grant an injunction, whether final or interlocutory (Section 80) and damages (Section 82). It is not the purpose of this paper to discuss in detail the provisions of the Act governing the power of the court to grant remedies in the case of contravention of those provisions, and reference should be made to the standard works (Taperell, Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed, Chapter 16; Donald and Heydon, Trade Practices Law, (1978) Vol.2 Chapter 18.) It should however be noted that some of the principles relating to the grant of injunctions whether final or interlocutory (see Meagher, Gummow & Lehane, Equity - Doctrines and Remedies, (2nd Ed) Chapter 21 pp. 508 to 590; Spry, Equitable Remedies, (3rd Ed Chapter 4) are considerably modified by sub-section (4) and (5) of Section 80 of the Trade Practices Act which provide:

- (4) The power of the Court to grant an injunction restraining a person from engaging in conduct may be exercised-
- (a) whether or not it appears to the Court that the person intends to engage again, or to continue to engage, in conduct of that kind;
 - (b) whether or not the person has previously engaged in conduct of that kind; and
 - (c) whether or not there is an imminent danger of substantial damage to any person if the first-mentioned person engages in conduct of that kind.
- (5) The power of the Court to grant an injunction requiring a person to do an act or thing may be exercised-
- (a) whether or not it appears to the Court that the person intends to refuse or fail again, or to continue to refuse or fail, to do that act or thing;
 - (b) whether or not the person has previously refused or failed to do that act or thing; and
 - (c) whether or not there is an imminent danger of substantial damage to any person if the firstmentioned person refused or fails to do that act or thing.
- (6) Where the Minister or the Commission makes an application to the Court for the grant of an injunction under this section, the Court shall not require the applicant or any other person, as a condition of granting an interim injunction, to give any undertakings as to damages.
- (7) Where-
- (a) in a case to which sub-section 6. does not apply the Court would, but for this sub-section, require a person to give an undertaking as to damages or costs; and
 - (b) the Minister gives the undertaking,
- the Court shall accept the undertaking by the Minister and shall not require a further undertaking from any other person.

It should also be noted that there is conferred on the Federal Court by Section 87 of the Act power to make a large number of orders of a kind which could not be made under the general law. See Taperell Vermeesch & Harland, Trade Practices and Consumer Protection, 3rd Ed at pp.790-793, paras.[1649]-[1651]. While under Section 80A of the Act, the court can order a party to disclose information or publish advertisements upon the application of the Trade Practices Commission, it is possible that Section 87 may encompass orders which in effect compel corrective advertising. This matter remains, however, to be determined. See Hanimex Pty Ltd v Kodak (Australia) Pty Ltd (1982) 1 TPR 1; (1982) ATPR 43, 593.

Damages under the Trade Practices Act

46. In Frith v Gold Coast Mineral Springs (1982-83) 47 ALR 547, a claim by a purchaser of a business for damages based on misleading conduct of the vendor and the real estate agent involved in the sale, Fitzgerald J. reviewed the authorities which had considered the award of damages under Section 52 and Section 53 of the Trade Practices Act, referring particularly to the authorities dealing with the measure of damages in deceit, and for negligent misstatement, and (at 565-6) made the following observations:

"Similarly, in my opinion, whilst common law rules as to the measure of damages in tort may, in appropriate circumstances, provide a useful guide, no justification exists for confining the damages which are recoverable under ss82 and 87 of the Act by reference to common law tests. The only limitations which exist in proceedings under the Act are those expressed or inherent in the statutory provisions themselves.

It seems plain that the statutory right to damages now under consideration serves a wider purpose and is intended to have a broader ambit than the common law actions of tort or negligent misstatement. There is no indication of a legislative intention that the relevant common law rules should be first discovered, the reasons that led to their development, understood, and then that they should be adopted or adapted consistently with the policy of the Act, before the court performs its duty of assessing the amount to which applicants are entitled under the Act. It seems an arid exercise to enter upon such problems when what is in question is a claim founded on the Act. Particularly is this so, where, as in the case of deceit, there is scope for at least a degree of uncertainty as to what is the appropriate measure of damages.

The broad statement of the appropriate measure of damages in deceit which was adopted in Dolby's case, supra, accords with the statutory test, if, as I think, applicants who establish a cause of action under the Act are entitled to those losses which are the immediate result of the offending conduct and also to consequential losses if sufficiently direct. It is on that footing that I proceed in this case.

There is a further matter to be kept in mind in some cases, and this is one, in which damages are sought under the Act. A purchase of property may be one element in a course of conduct which is embarked upon in reliance on conduct which is misleading or deceptive or likely to mislead or deceive. The statutory entitlement to compensation is not restricted to losses involved in the single element constituted by the transaction of purchase. Applicants for relief under the Act are entitled to have each act or omission shown to have been taken in reliance upon offending conduct considered for the purpose of a determination of whether they thereby suffered loss or damage.

In my opinion, therefore, irrespective of how the applicants' damages might have been calculated had their claim been made and pressed in deceit, it is appropriate, in the determination in these proceedings of the damages to which they are entitled under the Act, merely to seek to identify what were the immediate and what were the direct consequential losses sustained by the applicants by the conduct of the respondent. The operation of that test will, as in all cases, depend on the circumstances. Particularly perhaps where damages claimed relate to alleged consequential losses, care is needed to be satisfied that there is a sufficient causal connection and not a mere following on between the offending conduct of the respondents on the one hand and, on the other hand, the losses of an applicant and that the chain of causation has not been broken by some conduct or event. For that purpose, investigation will often be needed of the relationship between the offending conduct of a respondent, the act or omissions of an applicant which are said to have been taken as a result and which are alleged to have been productive

of loss, and the loss which is said to have occurred in consequence. Commonly, and this case is a prime example, the evidence will be something less than comprehensive and detailed. While in some cases, precise calculation may be necessary or possible, in circumstances such as the present, after the general process of reasoning has been exposed, the final step necessarily involves a broad subjective estimate."

Reference should also be made to Hellyer Drilling Co v MacDonald Hamilton & Co Pty Ltd (1983) 51 ALR 177; TN Lucas Pty Ltd v Centrepont Freeholds Pty Ltd (1984) 52 ALR 467. In the former case, Fitzgerald J. remarked that damages under Section 82 of the Act could include damages caused by a reasonable step taken by an applicant in an attempt to mitigate damages; and further, that damages could be diminished by an unreasonable failure to mitigate.

Aiding and Abetting

47. Section 75B of the Trade Practices Act, 1974 provides as follows:

75B. A reference in this Part to a person involved in a contravention of a provision of Part IV or V shall be read as a reference to a person who-

- (a) has aided, abetted, counselled or procured the contravention;
- (b) has induced, whether by threats or promises or otherwise, the contravention;
- (c) has been in any way, directly or indirectly, knowingly concerned in, or party to, the contravention; or
- (d) has conspired with others to effect the contravention.

In Yorke v Lucas (1983) 49 ALR 672 the Full Federal Court held that a person is not "involved" in a contravention within the meaning of Section 75B unless he asserts to or concurs in the conduct which constitutes the contravention. In Sent v Jet Corporation of Australia Pty Limited (1984) 54 ALR 237, the Full Federal Court further held that to be "involved" within the meaning of Section 75B, it is necessary not only that the person alleged to be so involved should know that a party proposed to engage in such conduct, but that he should in some positive way be associated with it. "Involvement" then may not be much different from "aiding and abetting". In Yorke v Lucas (supra) the Full Federal Court considered relevant authorities on "aiding and abetting" and concluded that a person cannot be convicted of aiding and abetting a contravention of the Act unless he knew the essential facts which must be proved to show that a contravention had been committed. The Court added, however, that knowledge included deemed knowledge of facts to which a person shuts his eyes, but not constructed knowledge of facts which should (query reasonably) have been foreseen or of actions which should (query reasonably) have been prevented. The Court further held that for the purpose of Section 75B(c), to be a "party to a contravention" required the defendant's participation in the contravention with some mental element, and that generally an "involvement" in the

contravention other than innocently was necessary for liability under Section 75B. The words "party to a contravention" in Section 75B(c) necessarily connoted, in the Court's view, that a person assents to or concurs in the conduct which constitutes the contravention.

SECTION 52 AND DEFAMATION

48. In Global Sportsman Pty Limited v Mirror Newspapers Limited (1984) 55 ALR 25, the Full Federal Court held that the publication of statements, including statements of opinion, made in the ordinary course of the publication of news in those parts of a newspaper which are not advertising material can be conduct which is misleading or deceptive or likely to mislead or deceive within the meaning of Section 52(1) of the Trade Practices Act. The Court held that material which is defamatory does not fall outside the operation of Section 52(1) of the Act merely for the reason that it is defamatory, nor is it brought within the operation of that section by reason only that it is defamatory. However, the Court made the following observations:

- (a) The publication of incorrect information may constitute conduct falling within Section 52(1), but only if the conduct contains or conveys a misrepresentation.
- (b) An expression of opinion which is identifiable as such and which conveys no more than that the opinion expressed is held and perhaps the basis for the opinion, misrepresents nothing, however erroneous the opinion may be.
- (c) It is the conduct of a corporation which must be misleading or deceptive or likely to mislead or deceive, and the error or misconception must result from conduct of the corporation and not from circumstances for which the corporation is not responsible.

The decision of the Full Court was consistent with the earlier decision of the Full Court in Universal Telecasters (Qld) Limited v Guthrie (1978) 18 ALR 531. However by an amendment to the Trade Practices Act on 25 October 1984, provision was made for the limited application of the provisions of the Act relating to misleading or deceptive conduct or the making of certain false statements (Sections 52, 53, 53A, 55, 55A and 59) to publications by "information providers" which are defined as persons who carry on "the business of providing information, including a licensed television or radio station, the Australian Broadcasting Corporation and the Special Broadcasting Service". It was provided that the prohibitions in those sections will apply only to publications by information providers of advertisements or of certain matters relating to the supply or sale (or promotion thereof) of goods, services or land interests. The latter type of publications will be subject to the prohibitions if they relate to goods or services or land interests of a kind supplied by the information provider, or the publications were made on behalf of a

person who supplies goods or services or land interests of that kind.

UNFAIR COMPETITION AND THE TRADE PRACTICES ACT

49. In Moorgate Tobacco Co Ltd v Philip Morris Ltd (22 November 1984 - unreported) the Full High Court of Australia unanimously rejected the existence, in Australia, of a "general action for unfair competition or unfair trading". Deane J. in the principal judgment, with which all other members of the Court concurred, concluded an examination of the relevant authorities with the following remarks:

"The rejection of a general action for "unfair competition" or "unfair trading" does not involve a denial of the desirability of adopting a flexible approach to traditional forms of action when such an approach is necessary to adapt them to meet new situations and circumstances. It has not, for example, prevented the adaptation of the traditional doctrine of passing off to meet new circumstances involving the deceptive or confusing use of names, descriptive terms or other indicia to persuade purchasers or customers to believe that goods or services have an association, quality or endorsement which belongs or would belong to goods or services of, or associated with, another or others (see, e.g., Warrink v Townsend & Sons, at p.739ff; Henderson v Radio Corporation Pty Ltd (1960) 60 SR (NSW) 576). The rejection of a general action for "unfair competition" involves no more than a recognition of the fact that the existence of such an action is inconsistent with the established limits of the traditional and statutory causes of action which are available to a trader in respect of damage caused or threatened by a competitor. Those limits, which define the boundary between the area of legal or equitable restraint and protection and the area of untrammelled competition, increasingly reflect what the responsible Parliament or Parliaments have determined to be the appropriate balance between competing claims and policies. Neither legal principle nor social utility requires or warrants the obliteration of that boundary by the importation of a cause of action whose main characteristic is the scope it allows, under high-sounding generalizations, for judicial indulgence of idiosyncratic notions of what is fair in the market place."

The decision of the High Court in the Moorgate Case (supra) was consistent with the refusal of the Judicial Committee of the Privy Council in Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd (1980) 32 ALR 387; [1981] RPC 429 to decline to examine the possibility of the existence of any such remedy. cf Victoria Park Racing and Recreation Grounds Co Ltd v Taylor (1937) 58 CLR 479; Hexagon Pty Ltd v Australian Broadcasting Commission (1975) 7 ALR 233. The question remains whether the Consumer Protection Provisions of the Trade Practices Act, and in particular Sections 52 and 53, can and should be developed to provide greater relief than is possible in passing off (see paragraph 14 above).

50. I have not been able to obtain, so far, a copy of any Competition Bill for New Zealand, which, I understand, officially does not exist, but I hope that the outline of the law in Australia may provide a useful basis for comparison with any proposed New Zealand legislation, once it materialises.