

REPUTATION SLOPOVER

James W. Dwyer, B.A., LL.B.(Syd); Solicitor, Sydney

Mr Dwyer is a Partner in the Sydney law firm Allen Allen & Hensley and practises in the fields of industrial and intellectual property.



"REPUTATION SLOPOVER"¹

1. Introduction.

1.01 There is a serious question about the ability of foreign traders to bring actions in passing off in a jurisdiction in which they do not trade and to oppose applications for trade mark registration in those same jurisdictions. To put the question another way, will the Courts give protection to a foreign trader against a local trader where the former is based outside the jurisdiction and restricts its operation within the jurisdiction and the latter attempts to take advantage of the former's reputation?

1.02 The answer has been, "that depends". The cases have said there is a formal requirement of a business presence within the jurisdiction but the extent of the business presence sufficient to give a foreign trader standing to bring these actions is variable. Advising clients in this area, perhaps more than most, has been a matter of second guessing the attitude of the Judges.

1.03 In general the Judges have required that foreign traders be members of the local business community, having either clients or customers there. This has been a handicap to foreign traders in the past and some of the decisions, read in the context of the modern commercial world, seem a little unreal.

1.04 However several recent decisions presage a shift in the Courts' attitude to actions in passing off by foreign traders. In this Paper I will consider these cases. In the course of doing so I will consider whether there is now something special about the relationship between Australia and New Zealand which, regardless of any change in the law, makes it wrong to think of us as "foreigners" in each other's jurisdiction.

1.05 I propose to consider as well opposition by foreign traders to trade mark registration and the links between Australia and New Zealand in this context.

1. I wish to thank my colleagues at Allen Allen & Hemsley for their assistance in the preparation of this Paper. The opinions expressed are, of course, my own.

2. Passing Off and Business Activity: The traditional view.

2.01 The traditional - I shall call it the "hardline"- view is that to prove goodwill protectable in a passing off action a foreign trader must prove some business presence in the jurisdiction. "Business presence" means either selling goods or offering services.

Passing off is the tort of trespass to goodwill. The classic statement of the meaning of goodwill was given by Lord McNaughten in IRC v. Muller & Company's Margarine Limited [1901] AC 217 where his Lordship said,

(Goodwill) is a thing very easy to describe very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates.²

2.02 Muller's Case, *supra*, and others were considered by Walton J. in The Athletes Foot Marketing Associates Incorporated v. Cobra Sports Limited & Anor. [1980] RPC 343. This decision usefully brings together the English authorities dealing with actions by foreign traders and has been favourably received by the English Court of Appeal.³

2. [1901] A.C. 217 at 223, 224.

3. In Anheuser-Busch Inc. v. Budejovicky Budvar NP & ors [1984] FSR 413. Other cases considered by Walton J included Alain Bernadin et Cie v. Pavilion Properties Ltd ("Crazy Horse") [1967] R.P.C. 581, Amway Corporation v. Eurway International Ltd. [1974] RPC 82, La Societe Anonyme & c Panhard et Levassor v. Panhard Levassor Motor Company Ltd. [1901] 2 Ch. 513, Poiret v. Jules Poiret Ltd. (1920) 37 RPC 177, Sheraton Corporation of America v. Sheraton Motels Ltd. [1964] RPC 202, Globelegance B.V. v. Sarkissian [1974] R.P.C. 603, C. & A. Modes v. C. & A. (Waterford) Ltd. [1978] FSR 126, Metric Resources Corp. v. Leasemetrix Ltd. [1979] FSR 571, Baskin-Robbins Ice Cream Co. Ltd. v. Gutman [1976] FSR 545 and Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd. [1979] A.C. 731.

2.03 In The Athletes Foot Case, *supra*, the Plaintiff, a foreign trader, carried on business in the USA and elsewhere as franchiser of independent stores supplying footwear for athletes, each to be called "The Athlete's Foot". At the relevant time the Plaintiff had negotiated but not concluded a franchise agreement for the United Kingdom. The Defendants operated a retail store under the name "The Athletes Foot Bargain Basement" in the U.K. and held the U.K. registration of the names "Athletes Foot" and "Athlete's Foot (Mail Order)".

2.04 Walton J. refused the Plaintiff's application for injunctive relief for passing off.

2.05 From the statement of Lord McNaughten in Muller's Case, *supra*, Walton J. was able to say "one can see where goodwill subsists by observing the areas in which the business attracts custom or customers". This was, His Honour said, obvious common sense. It followed that "if there are no customers there is no goodwill and if there is no goodwill it is not there to be harmed".⁴

2.06 Walton J., following a thorough and exhaustive discussion of the case law, came to a conclusion which might be expressed thus: Goodwill cannot be established in the absence of a proven trade relationship with at least some members of the public in the territory. Thus in The Athletes Foot Case, *supra*, where the Plaintiff was unable to establish "one single solitary transaction by way of trade with anyone (in the U.K.) at all" it was denied relief. Moreover "there (was) not even a single instance given of a transaction by one of the [Plaintiff's] franchisees in the USA (or Australia or Japan, for that matter) with anybody normally resident in England or Wales at all." The fact that the Plaintiff in The Athlete's Foot Case, *supra*, was not actually carrying on business in the U.K. did not of itself prove a lack of a trade relationship: had it been able to prove it had customers in the U.K. that would have been sufficient. The Plaintiff had been unable to establish a trade relationship

4. [1980] RPC 343 at 351.

with anyone in the territory and therefore could not prove "business presence".⁵

2.07 As Walton J. found, the cases indicate that the extent of "business presence" necessary to prove goodwill is variable. In the Panhard Levassor Case⁶ it was enough that the Plaintiff's motor vehicles were bought and imported into England, both by The British Motor Company and by private individuals, so that England was one of their markets. In Sheraton Corporation of America v. Sheraton Motels Ltd. [1964] RPC 202, although the Plaintiff, the American hotel chain, operated no establishments in the U.K. it was enough that it accepted bookings for its foreign hotels made through British travel agents. In the "Crazy Horse" case⁷, for a period of 16 years the Plaintiff merely distributed to tourist organisations and hotels in Britain advertising material for its Paris-based "Crazy Horse Saloon" night club and that was held not enough.

2.08 In reviewing the cases Walton J. found a distinction between goodwill and reputation and found a rule that proof of reputation alone was of no assistance to a Plaintiff in an action for passing off. It was of no moment

(that although the Plaintiffs) have no customers here, they have a reputation in the general sense of the word in this country. It is also of no moment that reputation may have been brought about by advertising: this can be of no moment unless...it brings in customers, when, of course, there is no need to rely on it.⁸

2.09 The English Court of Appeal recently looked at the question of a foreign Plaintiff in Anheuser-Busch Inc. v. Budejovicky Budvar NP & Ors. (the Budweiser Case) [1984] FSR 413. There a

5. [1980] RPC 343 at 357.

6. La Societe Anonyme des Anciens Etablissement Panhard et Levassor v. Panhard Levassor Motor Company Limited [1901] 2 Ch 513.

7. Alain Bernardin et Cie v. Pavilion Properties Ltd. [1967] RPC 581.

8. [1980] RPC 343 at 357.

dispute arose between two breweries, one based in the United States the other based in Czechoslovakia. Both released a beer under the trade name "Budweiser" and both had done so for some time: the Czechoslovakian brewery since the middle 18th century, the United States brewery since the late 19th century. The United States brewery had the distinction of conducting the largest brewery in the world.

2.10 The Plaintiff had supplied its beer to the canteens of American Armed Forces bases in the United Kingdom since at latest 1962. The annual consumption between 1962 and 1973 varied from 3,600,000 cans to 6,000,000 cans. This beer was available to United States servicemen and their families for consumption on and off the bases. It was also available to those members of the British public employed at the bases. Otherwise the Plaintiff's supply to the British market was minimal.

2.11 In 1973 the Defendants released the Czechoslovakian beer to the public on the British market and the Plaintiff unsuccessfully brought an action for, inter alia, passing off. The English Court of Appeal was of the view that the United States brewer had not engaged in a trade relationship with members of the public in the United Kingdom. The proof of that relationship was necessary in order to establish a protectable goodwill.

2.12 The Budweisser Case, supra, represents a narrow view of goodwill and of the business presence necessary to establish goodwill. On the authority of Lord Diplock in the Advocaat Case⁹ Oliver L.J. took the view that "goodwill (as opposed to

9. Warnink & Ors. v. Townsend & Sons (Hull) Ltd. & Anor [1979] A.C. 731.

Lord Diplock's five elements of an action for passing off (stated at p.742) are (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so. This is the correct approach in Australia (see 6.01).

mere reputation) does not exist [in the U.K.] apart from a business carried on [t]here".¹⁰ The Court of Appeal approved of Walton J's judgment in The Athlete's Foot Case, *supra*.

3. The New Zealand Cases.

3.01 Three recent New Zealand cases and one New South Wales case suggest a relaxation of the "hardline" view of business presence and goodwill.

3.02 In ESANDA Limited & Anor v. ESANDA Limited [1983] 2 IPR 182 (High Court of New Zealand) ESANDA Limited, an Australian finance company incorporated in 1955 and wholly owned by the A.N.Z. Banking Group, brought an action for passing off against a small New Zealand finance company incorporated in 1982 carrying on business under the same name. The Defendant's principal sought to explain his choice of the name ESANDA in a most interesting way. It was, he claimed, the shortened form of "Euro-Swiss and Australasia Finance Ltd", a name apparently chosen to remind Mr. Brunner of his home in the Alps.¹¹

3.03 The Plaintiffs put on considerable evidence of their relationship with the New Zealand economic community. This evidence included details of the provision of financial services to companies and individuals in New Zealand, financial services to Australian companies which were related to New Zealand companies, receipt of deposits by New Zealanders, extensive advertising in Australian magazines circulating in New Zealand, the name ESANDA appearing in stories dealing with finance in newspapers having a circulation in New Zealand and appearing in conjunction with business reports of the A.N.Z. Banking Group. It also included details of what might be called incidental exposure, for example, in the broadcasting of sporting events.

10. [1984] FSR 413 at 464.

11. [1983] 2 IPR 182 at 184.

3.04 Against that the Defendant put on market research evidence which proved, so the Defendant said, "extremely low recognition and correct association of the word "Esanda" with the activities of either the first or second Plaintiff".¹² A Mr. Fougere, Director of the Heylen Research Centre, had made a telephone survey one weekend of 308 telephone subscribers in the Auckland free-dialing area. Apparently few of them knew ESANDA. From this the Defendant argued that no goodwill nor reputation attached to the word among the general public. I shall return to this market survey evidence later in this Paper,¹³ suffice it to say at this point that Casey J. seemed unimpressed.

3.05 As to the action for passing off generally, His Honour said

Notwithstanding some modern views suggesting otherwise, it seems clear that in a passing off action a party with no commercial or marketing presence in New Zealand cannot gain protection of its business name here, no matter how substantial its world or local reputation. Only the goodwill attaching to its business interest in this country will be protected, and before an injunction may be granted there must be a likelihood of damage to that interest as a result of the defendant's use of a name or description for its business so closely resembling that associated with the business of the plaintiff, that there is a genuine possibility of confusion among the latter's actual and potential customers....[The cases] all demonstrate that reputation plus some market activity in the jurisdiction - although the evidence of it may be weak- is enough to establish a business goodwill entitled to protection.¹⁴

3.06 His Honour was satisfied that the Plaintiffs had established a business connection with New Zealand, slight though it was, sufficient to justify the conclusion that the case could go forward to trial. In addition His Honour was satisfied "that the publicity given to the first plaintiff's name and connections both directly in New Zealand, and "slopping over" from Australian advertising and contacts, is enough to establish a sufficient prima facie case of reputation among people who count in the

12. [1983] 2 IPR 182 at 185, 186.

13. See 7.01 et seq.

14. [1983] 2 IPR 182 at 186.

local financial and business world".¹⁵ It appears that this publicity was enough to oust the principle Chilwell J. had expressed in his unreported decision in Gallagher v. International Brands Limited (4 March 1977) that "advertising alone without user whether the advertising be within New Zealand or "slops over" from abroad is insufficient to establish reputation without actual user of the common law trade mark here". Chilwell J. did recognise that sufficient user may be slight indeed.

3.07 The ESANDA Case, *supra*, was an application for interlocutory relief and Casey J. was only concerned to decide whether the Plaintiff had an arguable case on the two questions of local reputation and goodwill associated with the name on the one hand and a genuine possibility of confusion on the other. It was at the final hearing that the Plaintiff had to satisfy the Court of both those matters.

3.08 It appears that the Plaintiff had never opened its doors in New Zealand. Those members of the New Zealand financial community with whom it had had dealings must have approached it for there to have been a business relationship. Whether such approaches were made because New Zealand traders thought of the Plaintiff as a member of the New Zealand business community or as a foreign trader which they could entice into business activities in New Zealand is not referred to. The judgment of Casey J., while it turns very much on the facts of the case, suggests that the requisite business activity is constituted by the availability of the business service or goods, however difficult it may be for one to avail himself of those services, within the jurisdiction.

3.09 The second New Zealand case is the Crusader Oil Case: Crusader Oil N.L. & Anor. v. Crusader Minerals N.Z. Limited (High Court of New Zealand, unreported, 6 September 1984). This was a dispute between two Australian mineral companies on the one hand

15. [1983] 2 IPR 182 at 187.

and a New Zealand mineral company on the other. The Australian companies, both part of the "Crusader" group, alleged that the New Zealand company, Crusader Minerals, was passing itself off as part of the Australian "Crusader" group. This case, Mr. Justice Jeffries said, was about the right of the New Zealand company to use a particular name when it is the name of a very large Australian company.

3.10 The Plaintiffs had a considerable exposure in New Zealand and His Honour said that the evidence established a reputation for the Plaintiffs there. The Plaintiffs had concluded agreements with New Zealand Petroleum and others to conduct exploration in the Westland area of the South Island of New Zealand in the early 1970's; a permit was held for some years and wells were drilled; Crusader Oil later became interested in PPL38052 off Westland until about 1983; at the time of the trial it held an interest in PPL38059 off Westland; it had expended about \$A300,000 in exploring and investigating mining and oil tenements in New Zealand; it had an agreement for the sale of natural gas condensate to New Zealand through BP Oil New Zealand Limited.

3.11 That evidence clearly satisfied the "hardline" business activity test for establishing reputation and goodwill within the jurisdiction.¹⁶

3.12 A third New Zealand case is Green v. Broadcasting Corporation of New Zealand (1983) 2 IPR 191. In this case the Plaintiff was the producer and host of a well-known television show in England. The Defendant produced and broadcast in New Zealand a closely similar show without permission of the Plaintiff. The Plaintiff failed in his action for, inter alia, passing off.

3.13 Mr. Green may be said to have won on the law but lost on the facts. Ongley J. found that the title of the television

16. Unreported, 6 September 1984 at p.21.

programme coupled with what had been called the format of the show was so closely associated with the personality of the Plaintiff as to create a goodwill in the total production of which goodwill he was the owner. That goodwill was said to be limited to the United Kingdom and perhaps to those countries in Europe where the television programme had been broadcast.

3.14 Had the facts been different His Honour would have been prepared to find that the Plaintiff had some goodwill existing in New Zealand which goodwill he was entitled to protect:

...the subject matter of this action, a television production, is particularly susceptible to the attribute of a goodwill which is international in character; but an examination of the facts does not support the contention that goodwill existed in New Zealand in the circumstances of this case.

4. The New Zealand cases and the "hardline" approach to business activity

4.01 Each of these cases can be said to satisfy the "hardline" business activity test.

4.02 In the ESANDA Case, *supra*, Casey J. said the facts satisfied him that there was a sufficient business connection with New Zealand¹⁷ and thus the test of Walton J. in The Athletes Foot Case, *supra*, was satisfied. In the Crusader Oil Case, *supra*, Jeffries J. said plainly that the evidence satisfied those of even the "hardline" school of Walton J.¹⁸ It appears that in Green's Case, *supra*, Ongley J. required that the programme be broadcast in New Zealand for there to have developed protectable goodwill; that, one imagines, would be sufficient business activity.

17. [1983] 2 IPR 182 at 187.

18. Unreported, 6 September 1984 at p.21.

4.03 Imagine this: Tomorrow morning in the main street of Auckland a large and sophisticated Department store opens its doors. The store uses as its motif black and white houndstooth checks. It uses them on everything: paper, bags, carpet, the lot. The female shop assistants all wear black and all wear pearls; the male shop assistants all wear brown suits with the odd carnation. The store has emblazoned everywhere the words "David Jones" in large and distinctive lettering. Assume that David Jones had never operated a Department store in New Zealand and assume that service marks are registrable in New Zealand.

4.04 Can David Jones (Australia) Limited:

1. Successfully bring an action for passing off? or
2. Successfully oppose any attempt by the proprietors of the New Zealand establishment to register the name "David Jones" as a service trade mark in New Zealand?

4.05 To address the first question, what business activity in New Zealand would David Jones (Australia) need to prove in order to establish protectable goodwill?

4.06 The Australians among us old enough will remember the days of the regular David Jones catalogues. Filling orders placed from New Zealand through those catalogues would constitute sufficient business activity. In proving that David Jones would be able to prove that it had customers within the territory and that would satisfy Walton J. Advertising alone, whether in an Auckland daily newspaper or in the Australian Womens Weekly distributed in New Zealand, would be insufficient. Least of all a "word of mouth" reputation, built up through favourable reports from New Zealanders and tourists who had shopped in David Jones establishments in Australia, would not be sufficient business activity.

5. The New Zealand cases and the relaxation of the "hardline" approach

5.01 These three New Zealand cases were able to be decided on firmly established principles and it was not necessary for the

Court to alter the commonly understood requirements for goodwill. However, all three cases suggest a relaxation of the "hardline" approach to business activity, which may encourage David Jones (Australia) especially if it has had no commercial links with New Zealand at all.

5.02 These three New Zealand cases encourage David Jones (Australia) in that they accept the view of Graham J. in the Baskin-Robbins Ice Cream Company v. Gutman (1976) FSR545. In that case His Honour said this:

Some businesses are, however, to a greater or lesser extent truly international in character and the reputation and goodwill attaching to them cannot in fact help being international also. Some national boundaries such as, for example, those between members of the EEC are in this respect becoming ill-defined and uncertain as modern travel and Community rules make the world grow smaller...I believe myself that the true legal position is best expressed by the general proposition, which seems to me to be derived from the general line of past authority, that the existence and extent of the plaintiffs' reputation and goodwill in every case is one of fact however it may be proved and whatever it is based on.¹⁹

5.03 Graham J. is making two points. The first is that there may be something in the business enterprise itself which allows one to presume international goodwill and the second is that in the modern world definitions of "territory" may need to be flexible.

5.04 Ongley J. in Green's Case, *supra*, clearly accepted the first,²⁰ and in the Crusader Oil Case, *supra*, Jeffries J. accepted Counsel's submission that

19. (1976) FSR 545 at 547.

20. See 3.14.

Oil and mining companies by virtue of their activities more easily than most businesses gain international reputations. The nature of oil and mining exploration being highly speculative and supremely costly requires commercial combinations and injections of international finance.²¹

5.05 David Jones (Australia) can only hope that retailing is a business enterprise possessed of international goodwill. Harrods, Blooming dales and Galeries Lafayette would agree.

5.06 Graham J's second point is about the territoriality of goodwill. The cases say that the requisite business activity must be conducted within the territory. "Territory" is a term rarely defined. Cases like The Athletes Foot Case, *supra*, and the Budweisser Case, *supra*, in requiring that there be business activity within the United Kingdom, imply that the "territory" means the area of the Court's jurisdiction and this is the view in England. The position in Australia is less certain.

5.07 The territoriality of goodwill was considered in Taco Bell Pty. Limited v. Taco Company of Australia Limited (1981) 40 ALR 153, a case involving a dispute about Mexican food restaurants in Sydney. This was a case brought in the Federal Court of Australia alleging a breach of Sections 52 and 53 of the Trade Practices Act, 1974, prohibiting misleading or deceptive conduct and the making of false representations. As well, the Plaintiff pleaded passing off. Mr. Justice Ellicott allowed the claims under S.52 Trade Practices Act and for passing off; the S.53 Trade Practices Act claim failed. In the course of his judgment His Honour in effect restricted the territory to metropolitan Sydney.²²

21. Unreported, 6 September 1984. At p.6.

22. See also Snoid & anor. v. Handley & ors (1981) 38 ALR 383 (the "Pop Mechanics" case) where the Full Court of the Federal Court of Australia accepted Mr. Justice Ellicott's finding in that case at first instance that the Respondents' reputation existed only in Canberra and Sydney. Therefore, the Full Court held, the Appellant should not be enjoined outside those cities. This was a Trade Practices Act action only; passing off was not pleaded.

5.08 The Appellant in BM Auto Sales Pty. Limited & Anor v. Budget Rent a Car System Pty. Limited (1977) 51 ALJR 254, attempted to "carve up" territory, there, into different regions of Australia but the Court found it unnecessary to decide the issue. The Appellant conducted a business in Darwin using the name of a well-known national company. The Respondent operated in Darwin through agents initially but later in its own right. The Appellant later began its operations. The evidence of a business presence in the Northern Territory was slight but sufficient. The Appellant argued that the name "Budget Rent-a-Car" was not distinctive of the Respondent's business in the Northern Territory at the relevant time. It was not enough, so the argument went, that the Respondent was well-known in other parts of Australia. The Court, in finding that the Respondent had sufficient business presence in the Northern Territory, did not have to decide the issue. Gibbs J. said it was unnecessary to consider whether any distinction should be drawn between cases in which the Plaintiff's business reputation has been acquired in a foreign country and those in which the reputation has been acquired in a part of Australia other than that in which the proceedings are brought.²³

5.09 With the greatest respect to Mr. Justice Ellicott his approach seems unwise. I believe the better view is that "territory" means at least the area of the Court's jurisdiction.

5.10 In the ESANDA Case, *supra*, Casey J. said that the passage I have quoted from Graham J's judgment in the Baskin-Robbins Case, *supra*,²⁴ has "special relevance to the current and developing commercial relationship between Australia and New Zealand".²⁵ Jeffries J. in the Crusader Oil Case, *supra*, went further.

23. (1977) 51 ALJR 254 at 258. See also McBean's Orchids (Australia) Pty. Limited v. McBean's Orchids Limited (unreported, High Court of New Zealand, Jeffries J., 5 November 1982).

24. See 5.02.

25. [1983] 2 IPR 182 at 187, 188.

5.11 In the course of his judgment His Honour made far reaching comments about the close relationship between Australia and New Zealand. These two countries, His Honour said, have historically a common affinity which is so obvious that it need only be asserted. Moreover that affinity is growing and has been "immeasurably stimulated by the CER treaty".²⁶

5.12 The Australia/New Zealand Closer Economic Relations (CER) trade agreement, an agreement of Treaty status, was signed in Canberra on 28 March 1983. The previous Liberal/National Party government had already entered into the CER and the in-coming Labor government novated the agreement, so to speak.

5.13 The Preamble to the CER says that our two countries are conscious of their longstanding and close historic, political, economic and geographical relationship. The agreement makes plain that it is designed to strengthen those links and reinforce the ties that bind.

5.14 The Australian Department of Trade literature says that trans-Tasman industry rationalization is expected to be a major element in the success of CER. Australian and New Zealand industries are encouraged to take investment and planning decisions in the context of a trans-Tasman market. The Department makes so bold as to predict mergers between Australian and New Zealand companies, and an increase in trans-Tasman companies. Government policy like this, in an environment where the movement of people across the Tasman is so extensive,²⁷ must put our two countries in an unique relationship.

26. Unreported. 6 September 1984. At p.20.

27. The Australian Bureau of Statistics has provided the following figures:

<u>Category</u>	<u>Year</u>	<u>Figure</u>
a) Permanent arrivals in		
Australia from New Zealand	1982/83	6867
	1983/84	5770
b) Permanent departures to		
New Zealand from Australia	1982/83	4981
	1983/84	9326
c) Short term arrivals in		
Australia from New Zealand	1982/83	225292
	1983/84	236396
d) Short term departures		
from Australia to New Zealand	1982/83	212761
	1983/84	219841

5.15 The question is, should the Australian and New Zealand Courts take judicial notice of the CER agreement and the social and economic context in which it has been made? In the Crusader Oil Case, supra, Jeffries J. said

...I think the court is justified in taking into account that (New Zealand) has concluded such a trade agreement which will, in the future, bind the two countries closer in their trading relationships, which in turn affects the issue yet to be reached of one company's reputation and goodwill in that of another (sic).²⁸

I respectfully agree with His Honour.

5.16 His Honour goes on specifically to decline to follow the decision of the English Court of Appeal in the Budweiser Case, supra, insofar as it relates to the territorial nature of goodwill. "New Zealand and Australian Courts must be prepared by their equity decisions to apply the principles to the way this part of the world is developing".²⁹

5.17 The ESANDA Case, supra, and the Crusader Oil Case, supra, suggest that as a matter of fact and not of law Australia and New Zealand are now part of the one territory. It is not clear whether this is the case for all business enterprises or is restricted to financial services and mining ventures. If Australia and New Zealand are in fact the one territory for all business enterprises or alternatively for some business enterprises only and retailing is one such business enterprise, David Jones (Australia) would be able to bring an action for passing off against the New Zealand entrepreneur.

6. The Position in Australia

6.01 The recent High Court decision in Moorgate Tobacco Company Limited v. Philip Morris Limited & Anor. (unreported, 22 November 1984) confirms what had been assumed, that the law of passing off

28. Unreported. 6 September 1984. At p.13.

29. Unreported. 6 September 1984. At p.20.

in Australia is the law as stated by Lord Diplock in the Advocaat Case, supra.³⁰ In the leading judgment in the Moorgate Case, supra, Deane J. makes clear that Lord Diplock has stated the law for Australia. However, neither case considers the position of a foreign trader.³¹

6.02 What if the reverse of the situation I suggested earlier were true and a New Zealand company wished to bring similar proceedings in Australia?

6.03 That was the situation in Fletcher Challenge Limited v. Fletcher Challenge Pty. Limited & Ors. ([1981] 1 NSWLR 196) a case of considerable importance which I shall consider at some length. In that case Powell J., in the New South Wales Supreme Court, gave protection against passing off to a company which at the relevant date had not only not traded within the territory but had not even been created. Its forthcoming incorporation had only been announced.

6.04 Like the ESANDA Case, supra, this was an application for interlocutory orders. The Plaintiff was a New Zealand company incorporated as an amalgamation of three other New Zealand owned companies, Challenge Corporation Limited, Fletcher Holdings Limited and Tasman Pulp and Paper Company Limited. Some of these were registered in New South Wales as foreign companies, had traded and were well-known in Australia and New Zealand.

30. See fn.8, page 5.

31. In the Moorgate Case, supra, the Appellant and the Respondent were the Licensor and Licensee respectively under a licence agreement for the manufacture of cigarettes. The previous Licensor and the current Licensee had considered but not concluded an agreement for the licensing of a further product, a "mild" cigarette. Moorgate, upon becoming Licensor, indicated its unwillingness to pursue the negotiations. When the Licensee applied for registration in Australia of the name by which the cigarette in question had been released in the United States the Licensor brought these proceedings. It was unsuccessful.

6.05 The amalgamation was announced in New Zealand and given wide publicity in Australia and in New Zealand. The name of the new company was also given wide publicity. The day after the announcement of the amalgamation the Defendant company, at that time not yet incorporated, reserved in New South Wales the name by which it had been announced the New Zealand company would be known. The New Zealand company sought and was granted interlocutory orders prohibiting the New South Wales company from passing itself off as the New Zealand amalgamation.

6.06 Powell J. accepted that the tort of passing off was a tort of trespass to goodwill but indicated that the question at the interlocutory stage is "Has the Plaintiff established a sufficient prima facie case of a reputation in this State?"³² In answering this question His Honour said that it is legitimate to attribute to a company which represents an amalgamation of three other companies the combined goodwill of all three. Each of the three companies had traded and each would have been entitled to protection against passing off, it appears.

6.07 Even if that was wrong His Honour was prepared to hold that the announcement of the proposed amalgamation and the proposed new corporate name themselves created a new reputation which was entitled to protection against the Defendant's lodging of an application for the reservation of a company name.³³ This was so even though the application was made within hours of the announcement of the new name.

6.08 To protect the new company on the basis of an amalgamated goodwill is to my mind a sound approach to passing off. It recognises the realities of the modern commercial world and as such is to be applauded. Goodwill, so Lord McNaughten said, is the attractive force which brings in custom.³⁴ That is

32. [1981] 1 NSWLR 196 at 204.

33. [1981] 1 NSWLR 196 at 205.

34. I.R.C. v. Muller & Co.'s Margarine Ltd. [1901] A.C. 217 at 223.

precisely what the new company was seeking to protect. There must be a distinction between a new company which has no such "attractive force" and one which is merely the result of corporate re-organisation. The former can have no goodwill; the latter must have the goodwill of its antecedents.

6.09 I appreciate that the purists may not approve of the decision in this case. Here was a corporation which had no office within the territory, which had no customers within the territory and which at the relevant time would have been unable to offer its services even to those who sought it out. It simply did not exist. All that was known by any relevant sector of the community was that it would soon, subject to the efficiency of the Commissioner for Corporate Affairs, begin trading in New Zealand and as a foreign corporation registered in New South Wales, would offer its services to Australians. I have, however, always thought of myself as a realist.

6.10 In support of the alternative ground for his decision, that the new company had already established a protectable reputation, Powell J. referred to the High Court's decision in Turner v. General Motors (Australia) Pty. Limited (1929) 42 CLR 352. The American company seeking protection in that case had commenced building a factory in Australia and had widely advertised in Australia before the Defendant committed the act complained of. The Plaintiff's actions were sufficient to enable it to maintain an action for passing off.

6.11 At this point the New Zealand company seeking protection in Australia could take little comfort from the decision in the Fletcher Challenge Case, supra. However, Powell J. recast the two elements said to be necessary for the establishment of protectable goodwill and it is this which would assist the New Zealander. For Powell J. the Plaintiff must prove not the carrying on of business and the carrying on of that business within the territory. Instead he must prove that he has the necessary reputation and that that reputation exists within the territory. This is a significant change to the law and it is in this respect that the trans-Tasman "slopping over" of what might be called business exposure becomes extremely important.

6.12 I should comment at this late stage that I find the term "slopping over" most unattractive. The cases refer to "spilling over", and I think that the better term.

6.13 It is much easier to prove reputation than to prove the carrying on of business, even if that means only proving transactions by way of trade with someone in the territory. Although the Courts have always said that the business activity carried on need only be slight the Fletcher Challenge Case, supra, is the first case with which I am familiar which requires business activity to be so slight as only to be reputation.³⁵ If this represents the present view of the law in New South Wales, and one hopes it does, the New Zealand company would have a considerable chance of success in New South Wales in an action for passing off.

7. The relevant section of the public and evidentiary questions.

7.01 Before discussing the question of opposition to trade mark registration I wish to say something about the tests for business activity. When seeking to prove business presence or reputation must one look to the population generally, or is there a relevant section of the population which one can test and on whose opinions one can rely?

7.02 In the ESANDA Case, supra, the Defendant lead evidence about the knowledge of the general public, as evidenced by a telephone survey. As I said earlier,³⁶ I think Casey J. found this evidence unimpressive,³⁷ and rightly so. Why should a

35. I think the objection that this was an interlocutory decision only is well met by reference to the support this case has received, especially in the Crusader Oil Case, supra.

36. See 3.04.

37. His Honour said that the Plaintiff had satisfied him that "[the] people who count in the local financial and business world" knew of the Plaintiff and that was decisive ([1983] 2 IPR 182 at 187).

large and successful venture which, by its very nature, has dealings with only a very limited class of persons be denied protection against the actions of another who seeks to take advantage of the reputation it has amongst that limited class? I mean no disrespect when I say that it ought not matter at all that a Miss Wilson of Wanganui has never heard of Morgan Guarantee.

7.03 I think the correct approach is to ask what is the section of the public with which an enterprise of the type in question can reasonably be presumed to have dealings or be likely to have dealings, and then to establish the extent of the reputation the particular enterprise has with that particular class.

7.04 Mr. Morcom puts it well in his article, "Passing Off actions by Foreign Traders"³⁸ when he says that one should ask first if there is a section of the public among whom the Plaintiff has an existing reputation and secondly whether the Defendant has set out to deceive that section of the public. Such acts should be no less actionable than if the Defendant had set out to deceive the public generally.³⁹

7.05 With the greatest respect to the English Court of Appeal, I am uneasy about its approach to this question in the Budweisser Case, supra. There the extensive trade conducted by the Plaintiff on US bases was disregarded because these sales were not sales on the open market to the public generally. In effect the Court is saying that where there is a qualification on the persons with whom the foreign trader can do business any subsequent dealings are not dealings on the open market with the public generally and the reputation gained thereby can be disregarded. Is one not to assume that this rule covers qualifications other than being a member of the US Air Force? What of sales of alcohol on club premises when entry to the premises is restricted to members? Perhaps the learned judges

38. EIPR November 1979 p. 321.

39. ibid., p.322.

cease to be members of the general public upon passing through the portals of The Athenaeum or Whites.

8. Opposition to Trade Mark Registration.

8.01 As to the New Zealander's proposed opposition to an application for trade mark registration in Australia, the New Zealander would have to prove prior use of the mark as a trade mark in Australia. That is, the mark must have been used in Australia before the date of the application "in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods" and the user.⁴⁰ Since the advent of service marks in Australia this requirement will apply with the suitable alterations.

8.02 In the absence of fraud it is not unlawful for a trader to become the registered proprietor under the Trade Marks Act of a mark which has been used, however extensively, by another trader as a mark for similar goods in a foreign country, provided the foreign mark has not been used at all in Australia at the date of the application for registration.⁴¹

8.03 The Australian Courts have always been alert to characterise any use, in Australia, no matter how slight, as sufficient. For example in Thunderbird Products Corporation v. Thunderbird Marine Products Pty. Limited (1974) 131 CLR 592 the user sufficient to prove prior use in expungement proceedings was a single sale only by a foreign corporation to a local distributor. The foreign corporation sold one of its products to the local distributor in the knowledge that that product would be used as a prototype. In addition the relevant mark appeared in correspondence between the parties, on brochures, on the invoice and on the shipping documents. That, in the opinion of Jacobs J., was sufficient.

40. Shell Company of Australia Limited v. Rohm & Haas Company (1949) 78 CLR 601 at 625, 627-629.

41. The Seven Up Company v. O.T. Limited & Anor (1947) 75 CLR 203 per Williams J. at 211; adopted by Latham C.J. on appeal (1947) 75 CLR at 216.

8.04 In the recent High Court decision in the Moorgate Case, supra, the Court's willingness to identify relevant user meets its limit. There one of the arguments advanced by the Appellant required it to prove proprietorship of the trade mark "KENT GOLDEN LIGHTS". In that case packets of cigarettes and associated advertising material displaying the name "KENT GOLDEN LIGHTS" were handed personally or in one instance sent by mail to representatives of the respondent in Australia. There were at least three occasions on which cigarettes packets and advertising material were so delivered. However, given the context in which the deliveries were made, that is as part of negotiations with a view to the Respondent taking a licence to manufacture and release in Australia a cigarette released in America as "KENT GOLDEN LIGHTS", the Court was unable to identify an actual trade or offer to trade in the goods bearing the mark or an existing intention to offer or supply goods bearing the mark in trade. There was accordingly no local use of the mark as a trade mark at all; there were merely preliminary discussions and negotiations about whether the mark would be so used.⁴²

8.05 Unfortunately the Court made no reference to the decision in the Thunderbird Case, supra.

8.06 The requirements in New Zealand appear to be less stringent than those in Australia.

8.07 In Pioneer Hi-Bred Corn Co. v. Hy-line Chicks Pty. Limited [1979] RPC 410 (New Zealand Court of Appeal) Richardson J. put the test which any opponent to registration must satisfy this way:

...having regard to the awareness of the opponent's mark in the New Zealand market for goods covered by the registration proposed, would the use of the applicant's mark be likely to deceive or cause confusion to persons in that market?⁴³

42. Unreported. 22 November 1984. Per Deane J. at 15-18.

43. [1979] RPC 410 at 424.

A test framed in terms of prior user or of injury to goodwill would be unhelpful, so His Honour said.⁴⁴

8.08 Mr. Justice Richardson's test was viewed favourably in the recent Hong Kong decision of Hong Kong Caterers Limited v. Maxim's (1983) HKLR 287 (High Court of Hong Kong, Hunter J.). In this case Hong Kong Caterers had applied to register in Hong Kong the trade mark "Maxim's" to which application Maxim's Limited, a United Kingdom company, had objected. In view of the objection the Assistant Registrar in Trade Marks declined to register the mark and Hong Kong Caterers Limited appealed against that decision. Hunter J. dismissed the appeal.

8.09 This decision indicates that the New Zealand test in trade mark proceedings, and the approach to passing off actions adopted by Graham J.⁴⁵ have support several common law jurisdictions.

8.10 Maxim's had never operated a restaurant in Hong Kong but there was evidence, which Hunter J. accepted, that Maxim's possessed a substantial international reputation. It had, for example, supplied pre-frozen meals and wines to all passengers flying with Pan American Airways for some 22 years. There was a daily Pan-Am flight to Hong Kong. As well, Maxim's had supplied the wines to outlets in Hong Kong including the Peninsula Hotel, in and after 1966. Hunter J. refers in his judgment to "the legend" of Maxim's.

8.11 In these trade mark opposition proceedings the question, His Honour said, was

whether the existence of a trading reputation within the jurisdiction of the relevant Court as a pure question of fact; or whether the law has regard only to a relevant reputation namely one which both exists in fact and is manifested locally by an actual commercial presence or actual customers. Another way of phrasing the issue is to ask at what point in its development will the Courts of Hong Kong recognise an existing or developing

44. ibid. See also Lincoln Industries Ltd. v. Wham-O MFG Co. & ors (unreported, New Zealand Court of Appeal, 26 June 1984).

45. See 5.02 et seq.

international reputation. Is it sufficient to show that X's reputation is not only widespread outside [the territory] but so well known inside [the territory] that user by another of X's mark in [the territory] is likely to give rise to a risk of ... deceit or confusion: or is an established and known international repute insufficient unless in addition X has physically penetrated [the territory] either by conducting business here or perhaps having existing customers here.⁴⁶

8.12 Hunter J. preferred what might be called the factual approach, which does not require the conduct of business or the proof of customers within the jurisdiction.⁴⁷

8.13 This was an approach he derived from the judgment of Graham J. in the Baskin-Robbins Case, *supra*, to which I have already referred.⁴⁸ His Honour contrasted this with the approach of Walton J. in The Athletes Foot Case, *supra*. His Honour referred to and to my mind completely refuted Walton J.'s analysis. In The Athletes Foot Case, *supra*, Walton J. considered as an example the international reputation of Harrods. Walton J. said this:

(there) would, therefore, be a complete answer to any claim by the well known London store if a Bedouin trader were to set himself up in the middle of the desert as "Harrods". He would neither be diverting custom which would go to the real Harrods into his own shop, nor would there be any possibility of confusion which could harm the real Harrods.⁴⁹

8.14 Hunter J. put the imagined trader into the shopping centre of Hong Kong and, adopting comments of Richardson J. in Pioneer Hi-Bred Corn Company v. Hy-Line Chicks Pty. Limited, *supra*, said there would be a real risk of confusion.⁵⁰ Richardson J. had

46. (1983) HKLR 287 at 292.

47. (1983) HKLR 287 at 292-295.

48. See 5.02 *et seq.*

49. [1980] RPC 343 at 350. Walton J. was considering the theoretical basis of the action for passing off but Hunter J. uses this example to contrast the approaches of Walton J. and Graham J. and prefers the latter.

50. (1983) HKLR 287 at 293.

in effect equated "being confused about the source of goods" and "being caused to wonder at the source of goods".⁵¹ The potential deception or confusion, Hunter J. said, would derive from Harrods' international reputation and that would "owe little or nothing to the existence or otherwise of any direct Harrods trading outlet in Hong Kong or to the presence in Hong Kong of past actual customers".⁵² Richardson J. had said that the Court must protect the public interest⁵³ and in Hunter J.'s analysis "those most at risk are those who only know Harrods by repute, have wanted to visit it, but have not had the opportunity, the time of the money to do so, and might now welcome the chance of visiting an apparent Kowloon branch."⁵⁴ Hunter J., unlike Walton J., would have afforded protection to Harrods.

8.15 What Hunter J. would be protecting is the same thing that his brother Leonard protected in Wienerwald Holding AG v. Kwan & Ors. [1979] FSR 381: "the reputation to be protected [in a passing off case] is reputation already existing in this Colony albeit that reputation may be acquired here even when no business is carried on here".⁵⁵ Hunter J. says that local repute cannot be established by visitors alone.⁵⁶ The unfortunate aspect of this case is that His Honour is not more specific about what it is that will establish local reputation in the absence of carrying on business in the territory.

-
51. [1979] RPC 410 at 423.
 52. (1983) HKLR 283 at 294.
 53. [1979] RPC 410 at 424.
 54. (1983) HKLR 283 at 294.
 55. [1979] FSR 381 at 392.
 56. (1983) HKLR 283 at 295.

8.16 If our imagined litigants were to ask me for advice about opposing an application for registration it would all depend on the facts. It would be necessary to establish the type of business operations in which they engaged, the general field of activity, the relevant section of the public whose familiarity with this trader would need be established, and the precise use to which each trader had put its mark.

8.17 That is to say, the law remains as it is stated in the Seven up Case, supra, for Australia and Pioneer Hi-line Chicks, supra, for New Zealand. None of the three New Zealand cases nor the New South Wales case of Fletcher Challenge, supra, alters the position. However, the Hong Kong Caterers Case, supra, suggests that the New Zealand approach is being adopted in other common law jurisdictions and the Australian courts may have to alter their approach somewhat.

8.18 However, the question remains whether it is now right to speak of something special in the links between Australia and New Zealand which, in effect, makes the two countries the one jurisdiction for trade mark opposition proceedings. I think this is so.

8.19 There are several factors which make our countries especially close. As I said in the context of passing off actions,⁵⁷ the Closer Economic Relations agreement, especially when considered in the social, political and economic climate which spawned it, brings the two countries close as never before. Other considerations are the trans-Tasman migration of people⁵⁸ and the communication links between Australia and New Zealand. For many corporations these two countries are considered a single region, and for many executives a stint at branch offices in Australia or New Zealand is common. The sporting links between our countries are very

57. See 5.12 et seq.

58. See fn 19.

close, and that is dear to the hearts of many prominent Australians.

8.20 I think it right for the Australian Courts and for the administrators implementing the Trade Mark registration system to take notice of use of a mark as a trade mark on the other side of the Tasman and accord to the users of these marks standing to bring trade mark opposition proceedings. To do so would be both realistic and would be within the spirit of CER. I think it is right for New Zealand Courts and administrators to take note of the reputation Australian traders have developed in Australia when considering opposition to trade mark applications.

9. Conclusion

9.01 I shall state my conclusions briefly.

9.02 As to actions for passing off, first, recent decisions in Australia and New Zealand presage a relaxation in the "hardline" approach to the proof of the goodwill which passing off protects. None is a decision of an appellate court, and two are interlocutory decisions but in each either the court has allowed an action for passing off in circumstances where the Plaintiff did not satisfy the "hardline" test or the court has pronounced dicta supportive of a relaxation of the "hardline" approach.

9.03 Secondly, these cases imply that it is now right to include Australia and New Zealand as part of the one territory for the purpose of deciding whether there has been a business presence within the territory. That is a wise approach in light of the links between our countries.

9.04 As the opposition to trade mark applications, it remains true that in order to oppose a trade mark application successfully in Australia it is necessary to prove prior use of the mark as a mark in Australia and in New Zealand it is necessary to satisfy the test of Richardson J. in the Pioneer Hi-Bred Corn Case, supra. However, I believe that it is now right to consider Australia and New Zealand as the one territory

for this purpose. That would enable traders without an evident business presence across the Tasman to protect their marks there. In doing so it would recognise the realities of the modern commercial world and the closeness of our two countries.