

## PENDENT JURISDICTION IN AUSTRALIA— SECTION 32 OF THE FEDERAL COURT OF AUSTRALIA ACT 1976

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*The Federal Court of Australia has only the jurisdiction conferred on it by statute. However, many disputes falling within that jurisdiction, particularly in trade practices matters, will also involve elements of common law or other State or federal statutory law. Section 32 invests in the Federal Court additional jurisdiction in some such cases in respect of "associated matters". This may be compared with "pendent jurisdiction" developed by the federal courts in the United States. The object of this article is to analyse the meaning of the term "associated matters" and to consider the bearing it has upon the future relationship between the Federal Court and the various State courts.*

### *The Problem Perceived*

Part VI of the Trade Practices Act 1974 (Cth) ("the Act") displays an impressive armoury for use against contraventions of Parts IV and V, they being concerned respectively with restrictive trade practices and consumer protection.<sup>1</sup> Section 86 confers jurisdiction on the Federal Court of Australia to hear and determine actions, prosecutions and other proceedings under Part VI. Further, and it is this step which provides the occasion of this article, section 86 renders this jurisdiction exclusive of the jurisdiction of any other court, save the High Court whose jurisdiction in respect of actions between residents of different

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<sup>1</sup> It is to be observed that the 1978 amendments to the Act, in inserting a new Division 2A of Part V to deal with actions by consumers against importers and manufacturers of goods ordinarily acquired for personal, domestic or household use or consumption, have departed from this scheme. The consumer may recover under the new Division "in a court of competent jurisdiction" which clearly envisages State Courts pursuant to s. 39 of the Judiciary Act 1903 (Cth). On the other hand, s. 86 of the Trade Practices Act, which is unaltered by the 1978 amendments, still in terms invests exclusive jurisdiction in proceedings under Part VI in the Federal Court. The new remedy given by the 1978 amendments is in Part V and not Part VI. However, s. 82, which is in Part VI, gives a remedy in damages for contravention of, *inter alia*, Part V; this remedy is expressed in different terms to that found in the new Division 2A of Part V. If this is not so, then a breach of the new Division gives rise to alternative remedies; to damages in State Courts and to damages in the Federal Court. The better view is that the new specific remedy must be read as excluding the general words of s. 82 and the jurisdiction of the Federal Court. On the other hand, it has been held by a N.S.W. District Court that it had no jurisdiction to entertain a claim for damages for breach of conditions implied by the old Division 2 of Part V and that the Federal Court was the only proper forum: *Fletcher v. Seddon Atkinson Australia Pty Ltd* [1979] 1 N.S.W.L.R. 169. The decision is debatable but its correctness will here be assumed.

States (the "diversity" jurisdiction) is entrenched by section 75 of the Constitution.<sup>2</sup> The result is that State Supreme Courts cannot entertain proceedings under Part VI.

It is clear, and becoming more so as in practice there appear situations presenting the problem in new guises and disguises, that the reach of Parts IV and V extends into many areas that might be considered exclusive to the common law and thus within the preserve of the Supreme Courts. A few examples will illustrate the point:

- (i) A plaintiff who is apprehensive of proceedings against him to restrain breach of a contract seeks declarations both that the contract is in restraint of trade at common law and unenforceable by dint of section 45 of the Act and so seeks an injunction under section 80 against any enforcement of the restraint against him.
- (ii) Damages are claimed under a contract for the sale of goods on the ground of breaches of conditions implied both under Division 2 of Part V in respect of consumer transactions and under State sale of goods legislation.
- (iii) In a dispute between vendor and purchaser of land, the purchaser alleges that misrepresentations were made to him which found a claim to rescission in equity and to relief under section 87 for contravention of section 53A (dealing with misleading conduct in relation to land).
- (iv) An industrial dispute involves a secondary boycott which both contravenes section 45D and lays a cause of action in one or more of the economic torts (intimidation, conspiracy, inducement of breach of contract).
- (v) A rival trader passes off his goods or services as those of the plaintiff, and thereby also contravenes section 52 by such misleading or deceptive conduct.<sup>3</sup>
- (vi) Another trader seeks to compete by slandering the quality and fitness of his rival who complains both of injurious falsehood and a contravention of section 52.

In all these instances the happiness of a party when told that he has remedies both at common law and under the Act (and thus the prospect of success on one ground even if he fails on the other) will

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<sup>2</sup> S. 163A, which is found, anomalously, in Part XII of the Trade Practices Act, confers on the Federal Court power to grant declarations and orders by way of or in the nature of prohibition *certiorari* or *mandamus*. It is apparent from the terms of sub-s. (2) that there is no intention to render this declaratory jurisdiction exclusive of that of the State Courts under their general power in that behalf: *B.P. Australia Ltd v. Bannerman* (1976) 3 T.P.C. 286. The Federal Court also has general authority, under s. 21 of the Federal Court of Australia Act 1976 (Cth), to grant declarations of right, but only where it already has jurisdiction in the case.

<sup>3</sup> Cf. *Hornsby Building Information Centre v. Sydney Building Information Centre Ltd* (1978) 52 A.L.J.R. 392; *Weitmann v. Katies Ltd* (1977) 29 F.L.R. 336; *United Telecasters Sydney Ltd v. Pan Hotels International Pty Ltd* [1978] A.T.P.R. 40-085.

turn to chagrin when it is made plain that he cannot pursue both in the one State Court. The question then arises as to whether he may do so in the Federal Court. It is with the answer to that question that this article is concerned. If the answer is that he cannot do so, then there will be concurrent rights in different courts. This will pose the issue of whether they may be pursued concurrently or consecutively, or whether the plaintiff is put to his election between them.<sup>4</sup>

There are further dimensions to the jurisdictional dilemma. For the original jurisdiction of the Federal Court does not extend generally to matters arising under Commonwealth laws. Section 19 of the Federal Court of Australia Act 1976 (Cth) limits this jurisdiction to that conferred by other laws made by Parliament. As has been seen, section 86 of the Trade Practices Act is such a law. The point is that original jurisdiction in federal matters such as copyright, trade marks, designs and patents is given by the statutes involved not to the Federal Court, but exclusively to the State Supreme Courts.<sup>5</sup> This gives rise to considerable difficulty in practice, for which the Commonwealth is entirely responsible. The following examples are in point:

- (i) A plaintiff with a registered trade mark wishes also to proceed for misleading conduct contravening section 52 of the Trade Practices Act.
- (ii) A patentee is attacked for abuse of his monopoly, the plaintiff seeking both a compulsory licence under section 108 of the Patents Act and damages and injunctive relief for contravention of section 46 of the Trade Practices Act dealing with monopolisation.
- (iii) A defendant contravenes section 53(a) of the Trade Practices Act by falsely representing that his goods are of a particular standard or quality in fact possessed by those of the plaintiff, and in so doing also has infringed the copyright in the literary material used by the plaintiff to describe his goods.

Again, the person aggrieved cannot take both of his complaints under Commonwealth law to a Supreme Court and will wish to come

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<sup>4</sup> The Trade Practices Act goes to some pains to indicate that some rights given under it are in addition to and not in derogation of any other right or remedy: ss. 75(3), 75A(4). But it is another thing to say that a plaintiff may in a particular case be free to pursue cumulatively the various remedies given by the law even though they be incompatible. For example, s. 75A gives to the disappointed consumer who has purchased goods under a contract in breach of the conditions implied by Division 2 of Part V a right to "rescind" by returning the goods and a right to recover the purchase money as a debt. At general law if he had accepted and paid for the goods he would be left with the goods and an action for damages for breach. Surely he cannot now return the goods, recover the price and also recover common law damages? See *O'Connor v. S.P. Bray Ltd* (1936) 36 S.R. (N.S.W.) 248, 263; *Fullers' Theatres Ltd v. Musgrove* (1923) 31 C.L.R. 524, 547-548, which suggest he must elect.

<sup>5</sup> Copyright Act 1968, Part V; Judiciary Act 1903, s. 39; Designs Act 1906, ss. 30, 39; Patents Amendment Act 1976, s. 7; Trade Marks Amendment Act 1976, s. 7.

to the Federal Court. Further, take the case of a complaint of contravention of section 52, passing-off, and trade mark infringement. Here the federal jurisdiction is split between the State and Federal Courts and the common law aspect is entertained only in the State Court. Additional complexity will arise where the ground given by the Trade Practices Act is taken by the plaintiff in the Federal Court but the defendant wishes to cross-claim for relief outside the jurisdiction of that tribunal. Take a trader who seeks a declaration from the Federal Court under section 163A of the Trade Practices Act that his conduct does not constitute contravention of section 52, and a rival who asserts that there is a contravention and that in addition there is infringement of his trade mark. May he cross-claim for relief under the Trade Marks Act? Or must he go to a Supreme Court?

This is to deal only with the original jurisdiction of the Federal Court. To pass to the appellate level is to ascend to another level of complexity. Appeals from decisions at first instance in matters arising under the Patent and Trade Marks Acts are taken not to the Full Court of the Supreme Court concerned; they go directly to the Full Court of the Federal Court.<sup>6</sup> What then of a plaintiff who has sued on counts alleging both trade mark infringement and passing-off? What of an action against a former licensee alleging that his present activities are both infringements of the plaintiff's patents and in breach of his contractual obligations under the licence? In each example is the whole matter taken up to the Federal Court, or only so much thereof as involves federal jurisdiction under the trade marks and patent legislation? Section 24 of the Federal Court of Australia Act invests the Court with appellate jurisdiction in these cases but only in respect of judgments of a court of a State, exercising federal jurisdiction. Does this mean that the non-federal elements in these cases are to be split off and launched into the stream containing appeals purely in State matters so that there are two appellate proceedings, one to the Federal Court, the other to the State Full Court? Such a conclusion would affront common sense. A more extreme example is supplied by a consumer who sues a manufacturer in a State Court both in tort and for damages for breach of Division 2A of Part V of the Trade Practices Act.<sup>7</sup> Is an appeal on both issues to be sent partly to the State Full Court and as to the balance, to the Federal Court?

### *A Solution Offered*

Section 32 of the Federal Court of Australia Act is an ambitious attempt to surmount the difficulties and anomalies which have been

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<sup>6</sup> See also as regards income tax, Part V of Division 2 of the Income Tax Assessment Act 1936 (Cth) as amended by the Income Tax Assessment Amendment (Jurisdiction of Courts) Act 1976, which produces a comparable position with proceedings under that legislation.

<sup>7</sup> As he would be entitled, and probably obliged to do; see n. 1.

outlined above. The solution it proposes is the attraction into the federal orbit of the State matters appendant to disputes otherwise within the jurisdiction of the Court, whether original or appellate. The section provides:

- (1) 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 jurisdiction of the Court is invoked.
- (2) The jurisdiction conferred by sub-section (1) extends to jurisdiction to hear and determine an appeal from a judgment of a court so far as it relates to a matter that is associated with a matter in respect of which an appeal from that judgment, or another judgment of that court, is brought.

These words present three issues:

- (i) what is a “matter”;
- (ii) what characteristics or circumstances render one matter “associated” with another; and
- (iii) these issues settled, is the section constitutionally valid?

In any federal system with State and federal court structures at original and appellate level and with the jurisdiction of one branch in some matters exclusive of the other, difficulties of the kind now so apparent with the Federal Court are bound to arise. In both Australia and Canada the subject has not been of critical importance until recent years because of the limited nature of such federal courts as were established and because of the general investment of State courts with federal jurisdiction.<sup>8</sup> For the United States the position has long been otherwise. This country now having been delivered by its Parliament into the jurisdictional torment for seventy years avoided by eschewing the United States model in these matters, it is to that federal system that one must turn for an understanding of the issues involved in settling the scope of section 32.

#### *The United States Experience—Pendent Jurisdiction*

Article III of the Constitution vests the judicial power of the United States in the Supreme Court and in such inferior courts as Congress may from time to time establish. The content of the judicial power includes, *inter alia*, controversies between citizens of different States (the “diversity” jurisdiction) and all cases in law and equity arising under the Constitution and the laws of the United States. The issue early arose as to the authority of federal courts in non-diversity cases, to deal not only with a federal element (for example, the construction of a federal statute) but also with questions concerning purely State law.

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<sup>8</sup> See now, however, in Canada the Federal Court Act 1970-1971, the jurisdictional complexities created by which are discussed by Professor Hogg in a Note (1977) 55 Canadian Bar Review 550.

In 1824 it fell to Marshall C.J. to deal with the subject in *Osborn v. Bank of the United States*.<sup>9</sup> The Bank was incorporated by Act of Congress; it was thereby expressly empowered to sue and be sued in any federal court. Did this mean, for example, that the federal courts had jurisdiction in a case to which the Bank was a party but which lacked any other federal element? The Chief Justice reasoned as follows:

- (a) clearly enough in that example there would be “a case” within Article III of the Constitution;
- (b) it “arose under” a law of the United States because upon that law the Bank depended for its existence and legal personality;
- (c) a case may depend upon several questions of fact and law, and it cannot be sufficient to exclude federal jurisdiction that some only of them arise under federal laws;
- (d) the Constitution when speaking of “a case” arising under federal law does not speak of cases involving no issues but those of a federal character, there being scarcely any case every part of which depends upon the laws of the United States;
- (e) but it is the case as a whole, with federal and State issues, that is committed to the federal judicial power.

He concluded:

If it be a sufficient foundation for jurisdiction, that the title or right set up by the party may be defeated by one construction of the constitution or law of the United States, and sustained by the opposite construction, provided the facts necessary to support the action be made out, then all the other questions must be decided as incidental to this, which gives that jurisdiction. Those other questions cannot arrest the proceedings. Under this construction, the judicial power of the Union extends effectively and beneficially to that most important class of cases, which depend on the character of the cause. On the opposite construction, the judicial power never can be extended to a whole case, as expressed by the constitution, but to those parts of cases only which present the particular question involving the construction of the constitution or the law.<sup>10</sup>

In the dispute then before the Court there was also a distinct federal issue as to the power of a State to tax a bank incorporated by Congress. But in the same year, in *Bank of the United States v. Planter's Bank*,<sup>11</sup> the issue was simply whether the federal courts had jurisdiction in an action by the plaintiff on a promissory note. The Supreme Court held that it did. The case “arose under” a federal law because the plaintiff was created by federal law and this jurisdiction carried with it full

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<sup>9</sup> (1824) 9 Wheat. 738; 22 U.S. 738.

<sup>10</sup> *Id.* 822.

<sup>11</sup> (1824) 22 U.S. 904.

control over all questions of fact or law in the case. In these decisions is found the constitutional basis for what has been called the pendent jurisdiction. It has been suggested by Professor Wechsler that Congress would have the power to go beyond even the generous limits laid down 150 years ago and invest the federal courts with jurisdiction in every case for which Congress had the power to provide the substantive law, even if it had not done so.<sup>12</sup>

Marshall C.J. was concerned with cases where for the resolution of a claim involving an issue arising under a federal law (for example, the incorporation and capacity of the federal bank to sue) it was also necessary to deal with issues of a non-federal character (for example, whether the defendant was liable on a promissory note). His words as to what is incidental to the judicial power to determine such cases were taken in the United States to found pendent jurisdiction in wider senses. First, pendent jurisdiction might exist to decide a non-federal ground for affording substantially the same relief as that sought under the federal law. An example is *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*<sup>13</sup> There the plaintiff wished to stop use by the defendant of the mark "Nu-Enamel". It succeeded on the federal ground of trade mark infringement and on the State ground of common law unfair competition. Secondly, a plaintiff may rely on non-federal law for relief additional to that sought under federal law. Thus in *South Side Theatres Inc. v. United West Coast Theatres Corp.*<sup>14</sup> the plaintiff successfully sought a declaration that its joint venture agreement with the defendant violated federal anti-trust law, and then sought under State law to invoke a determination provision of that agreement which provided as a matter of contract for dissolution of the joint venture if there was violation of the federal law. The relevance of these two heads of pendent jurisdiction to the Australian section 32 will be apparent from the examples given earlier in this article of the difficulties arising in the administration of the Trade Practices Act. It is appropriate now to trace the present development of pendent jurisdiction in the United States.

In 1875 Congress conferred upon the federal courts general jurisdiction in questions "arising under the Constitution or Laws of the United States".<sup>15</sup> The constitutional term "case" does not appear in the legislation. Although the grant of jurisdiction has otherwise been expressed in the same terms as the Constitution, there has "not been any discussion in the Supreme Court on the occasions the subject of pendent jurisdiction has been before it, of the Constitutional limits involved; it has been

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<sup>12</sup> "Federal Jurisdiction and the Revision of the Judicial Code" (1948) 13 *Law and Contemporary Problems* 216, 224-225.

<sup>13</sup> (1938) 305 U.S. 315, 323.

<sup>14</sup> (1949) 178 F. 2d 648.

<sup>15</sup> 18 Stat. 470, see now 28 U.S.C. §1331 (1958).

assumed that even the widest view contended for was within the reach of the Constitution because the relationship between State and federal claims permitted the conclusion that the entire action before the Court comprised but one constitutional 'case' ".<sup>16</sup> It is this attitude which is the striking legacy of *Osborn v. Bank of the United States*.

But upon any generous interpretation of pendent jurisdiction a salutary check was imposed. It was to be expected that plaintiffs with greater faith in the federal courts would seek to attract their jurisdiction for essentially local disputes by overlaying an aura of federal law. Hence the evolution of a principle to sift out questions "substantially federal". Various epithets have been used. It has been asked whether the federal claim made is "obviously without merit" or whether its unsoundness "clearly results" from previous Supreme Court decisions.<sup>17</sup> The test is not whether the claim might ultimately be held bad but whether the federal claim as pleaded is so insubstantial as "to be frivolous; or . . . plainly without color of merit"<sup>18</sup> or whether the plaintiff is "really" relying upon the federal law for his alleged rights.<sup>19</sup>

But what was the criterion by which one judged whether, granted substance in the federal claim, the non-federal element exceeded what might permissibly be attached as "pendent"? In 1933 the Supreme Court sought in *Hurn v. Oursler*<sup>20</sup> to bring some order into what by then had become a dazzling disarray of decisions on the point. The plaintiffs held copyright under federal law in a play entitled "The Evil Hour" which included a seance scene in which the audience was to take part. The defendants had rejected the script but allegedly incorporated the seance idea into their own play. The plaintiffs had revised the script but had not secured for the revision federal copyright (which required registration) with the result that the revision was protected only under the State law as to common law copyright. The defendants had in their possession copies of both scripts. The allegation was that the defendants infringed federal copyright and conducted "unfair business practices and unfair competition" under State law in respect of both versions of the plaintiff's play, it not being clear from which script they had worked. The parties were residents of the same State and so the diversity jurisdiction was not attracted. The plaintiffs failed on the merits as to the federal claim. The Supreme Court held that:

- (a) whilst this meant that the other claim for unfair competition in respect of the copyrighted version failed also on the merits, the Court below had had pendent jurisdiction to entertain it, and
- (b) that the claim for unfair competition in respect of the uncopy-

<sup>16</sup> *Moor v. County of Alameda* (1972) 411 U.S. 693, 711.

<sup>17</sup> *Levering & Garrigues Co. v. Morrin* (1933) 289 U.S. 103, 105.

<sup>18</sup> *Binderup v. Pathe Exchange* (1923) 263 U.S. 291, 306.

<sup>19</sup> *O'Brien v. Westinghouse Electric Corp.* (1961) 293 F. 2d 1, 12.

<sup>20</sup> (1933) 289 U.S. 238.



righted version was a separate cause of action and had to be dismissed for want of pendent jurisdiction.

The following matters of importance appear from the Supreme Court judgment:

- (i) the allegations of the plaintiffs fixed upon the same acts of the defendants as constituting all causes of action pleaded;
- (ii) failure to succeed on the federal issue did not deprive the court of jurisdiction to go on to dispose of the truly pendent claim (that is, the first branch of the unfair competition claim) on its merits;<sup>21</sup>
- (iii) a distinction was to be observed between “two distinct grounds in support of a single cause of action . . . one only of which presents a federal question” (when the federal court may retain and dispose of the case on both grounds) and “two separate and distinct causes of action . . . one only of which is federal in character” (when the federal court may not retain the non-federal cause of action);
- (iv) in the case at bar the counts for copyright infringement and unfair competition in respect of the copyrighted version fell within the first category for at least three reasons (it not being made clear whether they were treated by the Court cumulatively or in the alternative):
  - (a) there was but a single right allegedly violated, namely the right to protection of the text of the play (in its copyrighted version), and it was this violation which constituted the single cause of action; again, in *Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*<sup>22</sup> the Supreme Court held that infringement of a registered trade mark and unfair competition by use of it violated the plaintiff’s single right to exclusive use of its mark;
  - (b) the claims of infringement and unfair competition rested “precisely” upon “identical facts”;
  - (c) the primary relief sought was an injunction to put an end to “an essentially single wrong however differently characterized”, so that the one injunction would satisfy both grounds urged by the plaintiffs;
- (v) essential to this analysis is the concept of “a cause of action” and to that end the Supreme Court repeated its words in *Baltimore S.S. Co. v. Phillips*:

A cause of action does not consist of facts, but of the unlawful violation of a right which the facts show. The number and variety of the facts alleged do not establish more than one cause of action so long as their result, whether they be considered severally or in combination,

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<sup>21</sup> See *Schulman v. Huck Finn Inc.* (1973) 472 F. 2d 864; *Rainville Company Inc. v. Consupak Inc.* (1976) 407 F. Supp. 221; *Sims v. Western Steel Coy* (1977) 551 F. 2d 811; *Thompson Tool Co. Inc. v. Rosenbaum* (1977) 443 F. Supp. 559.

<sup>22</sup> (1938) 305 U.S. 315, 325.

is the violation of but one right by a single legal wrong. . . . "The facts are merely the means, and not the end. They do not constitute the cause of action, but they show its existence by making the wrong appear".<sup>23</sup>

- (vi) The count alleging unfair competition based upon the plaintiffs' revised (and uncopyrighted) version was dismissed as "wholly independent" of the claim for copyright infringement and as asserting a distinct right, namely to protection of the uncopyrighted play, which resulted in a separate and distinct cause of action. But, one may ask, if the "right" had been defined more widely, as for example the right of the plaintiffs to protection from theft of their intellectual labours, would there not then have been but one cause of action?<sup>24</sup>
- (vii) It is implicit in the decision, though not adverted to in it, that when claims satisfy the tests there laid down for pendent jurisdiction, they are within the concept of a "case arising" under federal law, so that, within the doctrine of Marshall C.J., the "whole case" including the non-federal claim falls for decision by the federal court.<sup>25</sup>

It will immediately be apparent that there were several terms of quite indeterminate reference left at large in *Hurn v. Oursler* and the subsequent history of the pendent jurisdiction shows the lower federal courts making much as they pleased of them. The imprecision in the concept of the "right" invaded has already been noted in dealing with the case itself. Clearly, the broader the definition of "right" the greater the scope for pendent jurisdiction. For example in *United Mine Workers of America v. Meadow Creek Coal Co.*<sup>26</sup> the Court of Appeals (6th Circuit) held that an employer's claim under section 303 of the Taft-Hartley Act<sup>27</sup> against the defendant union for engaging in a secondary boycott had properly appended to it a common law claim for conspiracy to injure the plaintiff's business. What was the right of the plaintiff thus doubly invaded by the defendant? Nothing less than "the plaintiff's right to be free from wrongful interference with its business".<sup>28</sup> One can only wonder what the Supreme Court which decided *Hurn v. Oursler* would have made of this. Again, in *Errion v. Connell*<sup>29</sup> it was held by the Court of Appeals (9th Circuit) that a claim at common law in fraud arising out of a sale of land and securities worth \$124,000 in exchange for land worth only \$12,000 rather than the \$150,000 asserted by the defendant was properly joined to a claim under S.E.C. Rule 106-5<sup>30</sup>

<sup>23</sup> (1927) 274 U.S. 316, 321.

<sup>24</sup> See notes (1933) 33 Columbia Law Review 699, 701; (1934) 32 Michigan Law Review 412.

<sup>25</sup> *Strachman v. Palmer* (1949) 177 F. 2d 427, 432; Note (1958) 71 Harvard Law Review 513, 514.

<sup>26</sup> (1959) 263 F. 2d 52.

<sup>27</sup> 29 U.S.C. §187.

<sup>28</sup> (1959) 263 F. 2d 52, 59.

<sup>29</sup> (1956) 236 F. 2d 447, 454.

<sup>30</sup> Issued under s. 106 of Securities Exchange Act of 1934, 15 U.S.C. §78.

prohibiting deceptive contrivances in connection with sale of securities; the federal law did not extend to the land, but there was a single cause of action involving a “single fraudulent scheme” to deprive the plaintiff of her assets.

Another source of uncertainty has been the necessity that the claims rest on the same facts. That is what the Supreme Court spoke of. Some courts have accepted that position.<sup>31</sup> Others have accepted a lower standard and it is to this one now turns. However before doing so, it is worthy of note that nothing in *Hurn v. Oursler* suggested factual identity was *sufficient* as well as necessary, let alone that some loose overlapping of factual material would do. But the drift of decision has been to treat the case as based solely on a requirement of factual resemblance, and then to dilute that requirement. The survey must begin in 1942 with *Musher Foundation Inc. v. Alba Trading Co. Inc.*,<sup>32</sup> a decision of the Court of Appeals (2nd Circuit). The plaintiff had three patents covering products and processes for an infusion of a sufficient amount of olive oil into corn oil to prevent rancidity; further, it alleged that the word “infused” had acquired a secondary meaning indicating products of the plaintiff made in accordance with these patents. The claim against the defendant asserted patent infringement and passing-off. The majority (in a judgment delivered by Augustus Hand J.) held there were two causes of action and only the first was federal in nature. The critical passage in the judgment fixed upon the consideration that substantially the same evidence would not determine liability upon the grounds urged by the plaintiff:

The proof of infringement of the patents in suit will depend on complainant's success in establishing that the defendant employed the process of infusing oil or has manufactured, used or sold the infused product, and not that it has advertised the product as “infused” or placed it in containers bearing that descriptive mark. Indeed, the defendant might infringe the patents without the use of containers bearing the name “infused” and without employing the words “infused” or “infusion” in its advertising or sales talk. It might also make representations that would render it guilty of unfair competition without selling oil manufactured under complainant's process. The only cases where there has been joinder of a federal with a non-federal count and jurisdiction over the latter count has been sustained have been cases of joinder of suits on registered copyrights with suits for unfair competition based on common law copyrights; suits on registered trade-marks with suits for unfair competition based on unregistered trade-marks and suits on design patents with suits for unfair competition based on products made in accordance with the patented designs. . . .

In the situations dealt with in the foregoing decisions substantially

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<sup>31</sup> *Darwin v. Jess Hickey Oil Corp.* (1957) 153 F. Supp. 667, 673; *Brown v. Bullock* (1961) 194 F. Supp. 207, 220; *Strachman v. Palmer* (1949) 177 F. 2d 427, *affd* 82 F. Supp. 161, 166.

<sup>32</sup> (1942) 127 F. 2d 9.

the same evidence determined the liability of the various defendants both under the applicable federal statutes and under the common law right to prevent unfair competition through a copying or simulation of complainant's compositions, trade-marks or designs, to the injury of its business and good-will and the loss of its customers. The common law copyright, trade-mark or design was of the same matter covered by the registered copyright, trade-mark or patent and the only additional factor required in order to establish unfair competition was proof that goods having the appearance of defendant's had become associated in the public mind with products emanating from the complainant.

In the case before us we can see no substantial identity between the proof showing infringement of the complainant's patents and that showing an infringement of its common law trade-mark "Infusion". Proof of infringement of the patents would require no evidence of the use of the word "infusion" and proof of the similarity of complainant's and defendant's containers would not establish infringement of the patents. The two counts do not merely allege different grounds of recovery founded upon substantially the same facts, but rather set forth causes of action which under the doctrine of *Hurn v. Oursler* . . . are separate and cannot be joined, since one is federal and the other non-federal.<sup>33</sup>

Clark J. dissented. He was prepared to look at the case "broadly" and to treat the cause of action as unfair appropriation of the plaintiff's property on two counts, *viz* infringement of its patent and common law trade mark rights. That is to say, Clark J., by widening the character of the relevant genus, was able to treat as two species thereof what the majority saw each as a distinct genus. To the majority there were two rights in question, the right to exclusive exploitation of the patents and the right to sole use of the common law mark, and thus two causes of action. To Clark J. the patents and common law mark exemplified the single right to use industrial property without interference, such interference yielding but one cause of action, albeit on two grounds. His remarks bear quotation at length:

The conceptual yardstick . . . doctrine is the "cause of action"; a single cause of action giving rise to both federal and non-federal rights may be completely adjudicated in the federal courts, where it must be anyhow because of the federal rights. It seems to me clear, however, that the rule is wholly illusory unless we grant a reasonable and practical content to the yardstick and require for our unitary cause only a substantial amount of overlapping testimony, rather than complete identity of the facts. That is the obviously desirable rule from the standpoint of procedural economy; furthermore, it is sound analytically, for the cause or ground of the action is, broadly, the unfair appropriation by defendant of plaintiff's property, protected by either state law or federal law or

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<sup>33</sup> *Id.* 10.

both, in a trade-mark or a book or an invention. A converse view, requiring identity of facts, practically excludes the possibility of a single cause, since state and federal rights are hardly ever—if ever—complete equivalents, and differing rights depend on differing facts. At any rate, federal rights of trade-mark, copyright, or unfair competition are not exact counterparts of the non-federal right against unfair competition, and the facts to support the former are not identical with those which support the latter.<sup>34</sup>

He then turned to consider (by way of obiter dictum) the position of a plaintiff claiming infringement of a federal registered trade mark, together with passing-off (“unfair competition”) under State law in respect of the same mark, and continued:

There may be a certain affinity, for example, between the showing that the trade-mark is registrable in the one case and that it has a secondary meaning in the other, in the sense that the same witnesses will probably support each ground; but the slightly different tinge to the facts, to say nothing of the law, is just as obvious. On the other hand, . . . the core of the plaintiff’s grievance is the same in each case: the violation of a right to exclusive use of its property in the mark or device. It is this substantial core that should be determinative and should be held to support our jurisdiction here. Narrow views as to it may lead not only to peculiar and uneconomical results so far as federal jurisdiction is concerned, but also to kindred problems involving *res judicata*, amendment, finality of judgments, and all the others where the yardstick of the cause of action is applicable.

Now, to my way of thinking, the fundamental core of facts in this case is, for all practical and logical uses, . . . a unit. . . . Plaintiff has here a process for the manufacture of olive oil which it has patented and which it designates by the appropriate name, “Infused”. That name, signifying the product of that process, has commercial value, as the plaintiff asserts. . . . The same course of proof which will show the novelty of the process is pretty surely that which the plaintiff will rely on to show the uniqueness of the name. Of course, the defendant may perhaps be able to show either lack of novelty in the process or lack of uniqueness in the name, without showing both at once; but that possibility does not negate the essentially overlapping character of the proof. It would take a pretty technical lawyer to separate the process from its name; certainly no lay witnesses would do so naturally.<sup>35</sup>

One may wonder whether the same witnesses would be of much assistance both as to novelty of the patents and trade mark reputation. Be that as it may, it is this judgment, with its reference to “fundamental core of facts” which has influenced the subsequent course of decision in the United States.

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<sup>34</sup> *Id.* 11.

<sup>35</sup> *Id.* 12.

In the first place, in 1948 Congress enacted §1338(b) of the Judicial Code which will be considered later in this article. It seemed to codify, in industrial property cases, Judge Clark's view by requiring that the two claims be "related" rather than two grounds in support of a single cause of action. Further, his views have influenced the expansive view of pendent jurisdiction apparent in areas untouched by the 1948 legislation.

In *Caldwell-Clements Inc. v. McGraw-Hill Publishing Co. Inc.*<sup>36</sup> it was treated as sufficient for joinder of a claim for unfair competition at common law to a federal claim for conspiracy to restrain trade and monopolise commerce that some evidence in one was relevant to the other. Again, in *Jung v. K. & D. Mining Co.*<sup>37</sup> a common law claim in fraud was properly joined with counts claiming violations of the Federal Securities Act of 1933 and Securities Exchange Act of 1934,<sup>38</sup> although neither fraudulent intent nor reliance upon the representations made were elements in the federal claim. Then in 1966 the Supreme Court looked again into pendent jurisdiction and whilst not in terms overruling *Hurn v. Oursler* it restated the applicable criteria in terms radically departing from it. There is no more talk of a single cause of action or of identical facts.

This drastic change occurred in *United Mine Workers v. Gibbs*.<sup>39</sup> It is apparent in the following passage from the opinion of the Court, delivered by Brennan J.:

The state and federal claims must derive from a common nucleus of operative fact. But if, considered without regard to their federal or state character, a plaintiff's claims are such that he would ordinarily be expected to try them all in one judicial proceeding, then, assuming substantiality of the federal issues there is *power* in federal courts to hear the whole.<sup>40</sup>

The plaintiff had sought damages against the defendant union, alleging a secondary boycott in violation of section 303 of the Taft-Hartley Act.<sup>41</sup> He also alleged a conspiracy in interference with his contract to haul coal from a mine, the operations of which had been impeded by picketing and other industrial activity of the defendant. He recovered damages on the State but not the federal claim, and lost even these in the Supreme Court; however, it was made clear that there had been a

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<sup>36</sup> (1952) 12 F.R.D. 403. See also *Wagner v. World Wide Automobiles Corp.* (1961) 201 F. Supp. 22.

<sup>37</sup> (1958) 260 F. 2d 607. See also *Wood v. Precise Vac-U-Tronic Inc.* (1961) 192 F. Supp. 619.

<sup>38</sup> 15 U.S.C. §77.

<sup>39</sup> (1966) 383 U.S. 715, noted (1968) 81 Harvard Law Review 657. This decision has been discussed by the Supreme Court in *Moor v. County of Alameda* (1972) 411 U.S. 693 and *Hagans v. Lavine* (1973) 415 U.S. 528, 545-550, but not with any result presently of importance.

<sup>40</sup> *Id.* 725.

<sup>41</sup> 29 U.S.C. §187.

correct assumption of federal jurisdiction to try the whole case. The Court noted that *Hurn v. Oursler* had led to “considerable confusion” and stigmatised as “unnecessarily grudging” those lower courts which had required complete identity of facts. On the other hand, the courts have been left to puzzle over the “common nucleus of operative fact”. That is, like most legal rules susceptible of formulation only in metaphor, not a helpful statement, but no doubt it is intended to convey the idea of some (not all) facts common and important to the federal and State aspects of the case which, even if not supplying elements in any cause of action, at least explain in a “commonsense” way why the plaintiff is proceeding against the defendant. That is the drift of the United States authorities applying the *Gibbs* test. Thus the pendent jurisdiction has been attracted in several disputes where a licensee of the plaintiff’s patent or an employee has on rupture of their relationship not only infringed the patent (the federal matter) but broken his contractual obligations (for example, to return drawings and not to solicit the plaintiff’s customers) and fiduciary duties (not to disclose his former master’s secrets) and has slandered the goods of the plaintiff.<sup>42</sup> Of none of these cases could it be said it clearly met the criteria of *Hurn v. Oursler*. Nor is it now a fatal objection to joinder that the federal right involved (for example, a patent) was not in force throughout the whole of the period wherein occurred the matters arising under State law.<sup>43</sup>

There do seem to remain some inhibitions against joinder under pendent jurisdiction. It still seems to be the better view that each claim must be between the same parties, so that there cannot be joinder, for example, between first, a claim against a corporation and an individual for patent and copyright infringement and secondly, a claim against the individual alone for breaches of contract and trust.<sup>44</sup> On the other hand, the preponderant opinion is that the claims sought to be joined need not be raised by the same party. This means that where a plaintiff asserts a federal claim and the defendant cross-claims under State law, the latter is caught up by pendent jurisdiction.<sup>45</sup> Again, although there

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<sup>42</sup> *Rainville Company Inc. v. Consupak Inc.* (1976) 407 F. Supp. 221; *Sims v. Western Steel Coy* (1977) 551 F. 2d 811; *Thompson Tool Co. Inc v. Rosenbaum* (1977) 443 F. Supp. 559.

<sup>43</sup> *Schulman v. Huck Finn Inc.* (1973) 472 F. 2d 864; cf. *Powder Power Tool Corp. v. Powder Actuated Tool Co. Inc.* (1956) 230 F. 2d 409.

<sup>44</sup> *French Renovating Co. v. Ray Renovating Co.* (1948) 170 F. 2d 945; see also *New Orleans Public Belt R. Co. v. Wallace* (1949) 173 F. 2d 145; *United Shoe Workers of America v. Brooks Shoe Mfg Co.* (1960) 191 F. Supp. 288. In recent years there has been considerable conflict between the lower courts as to the power to join a “pendent party”, that is to say a party suing or sued only in respect of a non-federal claim: *Hymer v. Chai* (1969) 407 F. 2d 136; *Almenares v. Wyman* (1971) 453 F. 2d 1075, 1083-1085. The Supreme Court in *Moor v. County of Alameda* (1972) 411 U.S. 693, 713-715 left the issue undecided.

<sup>45</sup> *Cutting Room Appliances Corp. v. Empire Cutting Machine Co.* (1951) 186 F. 2d 997.

is not a great deal of authority on the point, there seems no objection in principle to joinder of a claim which arises under State legislation rather than common law.<sup>46</sup>

*The United States Experience—Specific Legislation*

Section 1338(b) of the Federal Judicial Code of 1948 provides:

The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent . . . or trade mark laws.

It was soon established by the trend of decision that:

- (i) The term "substantial" had the same meaning as in the cases on pendent jurisdiction.<sup>47</sup>
- (ii) Subject to (iii) below, the section was certainly no narrower than the doctrine of *Hurn v. Oursler*, and may be wider than it insofar as it uses the term "related claim".
- (iii) The section is narrower than the old doctrine in that it is limited on the one hand as to State law to unfair competition and on the other to federal industrial property statutes; thus, claims of unfair competition are to be joined to claims under federal anti-trust laws only under the pendent jurisdiction.<sup>48</sup>
- (iv) The pendent jurisdiction is in truth a judicial gloss upon the Judicature Article of the Constitution which operates now concurrently with the section, so that in the one case jurisdiction may be based on both grounds.
- (v) In construing the provision weight should be given to the reviser's notes included in the committee's reports before the Congress. The note to para. (b) of 1338 stated that it was "added and is intended to avoid 'piecemeal' litigation to enforce common-law and statutory copyright, patent and trade mark rights by specifically permitting such enforcement in a single civil action in the district court. While this is the rule under Federal decisions, this section would enact it as statutory authority".<sup>49</sup>
- (vi) The term "related" refers to probative facts, meaning that part of the proof in support of one claim be common to the other;<sup>50</sup> the extent of the common element required is disputed between several of the Circuit Courts of Appeals.

<sup>46</sup> *Wagner v. World Wide Automobiles Corp.* (1961) 201 F. Supp. 22.

<sup>47</sup> See generally on the 1948 legislation, Note (1952) 37 Iowa Law Review 406; Note, "The Evolution and Scope of the Doctrine of Pendent Jurisdiction in the Federal Courts" (1962) 62 Columbia Law Review 1018.

<sup>48</sup> *Caldwell-Clements Inc. v. McGraw-Hill Publishing Co. Inc.* (1952) 12 F.R.D. 403.

<sup>49</sup> Cf. as to the use of such materials in the Anglo-Australian system, *Commissioner for Prices and Consumer Affairs (S.A.) v. Charles Moore (Aust.) Ltd* (1977) 51 A.L.J.R. 715, 717, 723, 729, 730; *Davis v. Johnson* [1978] 1 All E.R. 1132, 1140, 1147, 1149, 1153, 1157.

<sup>50</sup> *Wham-O-Manufacturing Co. v. Paradise Mfg Co.* (1964) 327 F. 2d 748; *River Brand Rice Mills Inc. v. General Foods Corp.* (1964) 334 F. 2d 770, 773.



It is this last point which is central to an understanding of the degree of departure from *Hurn v. Oursler* which has been achieved, whatever the intention in that regard of the draftsman. Further, the expression “related claim” clearly bears an analogy to “associated matter”, appearing in section 32 of the Australian statute; it is difficult to conceive of a claim or matter which is related to another which could not also fairly be described as associated with it.

In applying section 1338(b), the Seventh Circuit treated the term “related” as doing no more than re-stating what was decided in *Hurn v. Oursler*; it followed that both federal and local causes had to rest in their view upon “substantially similar facts”. Accordingly, a claim for unfair competition based upon events preceding by two or three years the issue of a patent could not be joined with a suit for patent infringement.<sup>51</sup> On the other hand, the Fifth and Ninth Circuits accepted as sufficient a “considerable overlap in factual basis” with “a substantial amount of the evidence of one claim . . . relevant to the other”.<sup>52</sup> The authoritative work by Professor Moore<sup>53</sup> urged a “broad and fair” construction of the section and concluded that “a real factual or legal relation” will suffice. That was a long trek from *Hurn v. Oursler* and well on the way to the destination for the pendent jurisdiction reached in 1966 by the Supreme Court in *Gibbs’ Case*.<sup>54</sup> Indeed, in a number of cases since 1966, federal courts have founded jurisdiction both on the statute and on *Gibbs’ Case*. For example, in *Rainville Company Inc. v. Consupak Inc.*<sup>55</sup> it was held that in an action for patent infringement the Court had jurisdiction over counts alleging breach of fiduciary duty and breach of a contract of employment either because they came within “the ever-expanding term” of unfair competition within the section, or because of their derivation from “a common nucleus of operative facts” as required for true pendent jurisdiction.

If this trend continues, then the position will be reached where:

- (a) *Hurn v. Oursler* ceases to determine either the ambit of the section or the pendent jurisdiction and becomes a topic of legal history;
- (b) the *Gibbs’ Case* test in substance applies both to the statute and pendent jurisdiction;
- (c) analysis of the elements of causes of action is discarded in favour of the broad and imprecise concept of the common nucleus of operative facts.

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<sup>51</sup> *Powder Power Tool Corp. v. Powder Actuated Tool Co. Inc.* (1956) 230 F. 2d 409. See also *Golden Door Inc. v. Odisho* (1977) 437 F. Supp. 956, 962.

<sup>52</sup> *Pursche v. Atlas Scrapper & Engineering Co.* (1963) 300 F. 2d 467, 483-484; *River Brand Rice Mills Inc. v. General Foods Corp.* (1964) 334 F. 2d 770, 772-773.

<sup>53</sup> *Moore’s Federal Practice* (2nd ed.) Vol. 1, 658-659.

<sup>54</sup> 383 U.S. 715.

<sup>55</sup> (1976) 407 F. Supp. 221. See also *Schulman v. Huck Finn Inc.* (1973) 472 F. 2d 864.

So broad is the concept that, given identity of parties and counts fitting the categories in section 1338, it is hard to see what is not comprehended by that provision. Such doubt as appears from the recent cases rather concerns the range of common law wrongs embraced within "unfair competition". Breach of contract, of fiduciary duty, of obligations of confidence, slander of title, passing-off, unjust enrichment and an indeterminate peripheral area of sharp dealing, have all been entertained as "unfair competition".<sup>56</sup>

What is there in all of this for the person obliged to construe section 32 of the Australian Act? Very much what he chooses to make of it. It is fair comment that:

- (a) there is not in this country the long history and full development of federal courts with wide original jurisdiction as in the United States;
- (b) on the contrary, the Australian solution to the problem has in the past utilized the "autochthonous expedient" of investing State Courts with federal jurisdiction;
- (c) the establishment of the Federal Court of Australia marks a departure from that practice and it is upon the interpretation of section 32 that there rests the future relationship of State and federal jurisdiction;
- (d) the United States decisions at all stages (though in different ways) seize for the decisive criterion upon the concurrence in some measure of a factual basis for the claims concerned; *Hurn v. Oursler* instructs one to isolate the right violated and then by reference to the facts elicit the cause of action, whilst the more recent cases disdain such analysis in favour of a "practical" search for a common background to the matters in dispute;
- (e) but there are, as will be indicated later, further criteria involved in an analysis of the concept of "association" for section 32 and it would be wrong to neglect them simply because they are not treated in the United States decisions;
- (f) whilst the United States decisions are concerned simply with a federal/State dichotomy, that is not true of section 32; in many matters arising under federal laws (for example, all the industrial property statutes) original jurisdiction is vested in State Courts and here the question is whether section 32 attracts them into the orbit of the Federal Court;
- (g) there are well developed principles in the United States directed to the assumption and exercise of a discretion to decline in a particular case pendent jurisdiction, it being

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<sup>56</sup> *Lyon v. Bausch & Lomb Optical Co.* (1955) 224 F. 2d 530. See *River Brand Rice Mills Inc. v. General Foods Corp.* (1964) 334 F. 2d 770; *Schulman v. Huck Finn Inc.* (1973) 472 F. 2d 864; *Rainville Company Inc. v. Consupak Inc.* (1976) 407 F. Supp. 221; *Golden Door Inc. v. Odisho* (1977) 437 F. Supp. 956; *Thompson Tool Co. Inc. v. Rosenbaum* (1977) 443 F. Supp. 559.

assumed in such a case that there would be power to take the State issue if the federal court so wished.<sup>57</sup> The language of section 32 is mandatory and there is here no such scope for *forum non conveniens* as a doctrine in this field.

### *The Construction of Section 32*

The term “matter” may be taken to have the meaning given in the cases concerning Chapter III of the Constitution, namely a dispute as to a right, duty or liability to be established by the Court.<sup>58</sup> But what causes one such dispute to be “associated” with another, whilst still part of the same proceedings in the general sense? Is it identity in cause of action? Identity in right invaded? Identity of relief claimed? Identity of facts which have to be established to obtain that relief? Identity of background to each matter, the dispute as a whole having grown from the same elements in a practical sense, as for example the efforts of the defendant to appropriate various items of industrial property licensed to it by the plaintiff? Or will some combination of other or lesser attributes suffice?

The evident purpose of section 32 in its appellate operation is to pick up appeals from Supreme Courts in proceedings with the federal and non-federal elements. Thus, a plaintiff who sues, as he is required to do, in a Supreme Court for trade mark infringement and also for passing-off is not to be subjected to two concurrent appeals, one to the State Full Court on passing-off and the other to the Federal Court. The Federal Court is to take both. In such cases there will usually be an identity of parties but the facts grounding each claim will not be identical, if only because of the conceptual differences between registered and common law marks. Further, although the relief granted may be similar in character, it may differ, for example, as to terms in which conduct is enjoined, the reference being on the one hand to the registered mark and further infringement thereof (within the meaning of the Trade Marks Act) and on the other to passing-off or causing to be passed off the goods of the defendant for those of the plaintiff.

Nevertheless these would appear to be matters associated within the meaning of section 32. The reason must lie in:

- (i) the historical origin of registered marks as a development from the common law protection of marks;
- (ii) identity of parties;
- (iii) the provocation of each complaint by, in a practical sense, the same behaviour of the defendant in using on its goods a mark the plaintiff asserts infringes both common law and statutory rights;

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<sup>57</sup> *Hagans v. Lavine* (1973) 415 U.S. 528.

<sup>58</sup> *In re The Judiciary and Navigation Acts* (1921) 29 C.L.R. 257. See also the analysis of that decision in *Commonwealth v. Queensland* (1975) 50 A.L.J.R. 189, 198-199.

- (iv) the assertion by the plaintiff of a similar right, namely to trade under his mark to the exclusion of use thereof by others, both claims being to protection of the plaintiff's property in his mark; and
- (v) the effect of the relief claimed as, in a compendious way, putting a stop to that behaviour and recompensing the plaintiff.

On the other hand, to succeed the plaintiff may have to show different things on each limb of the case. In particular at common law he will have to lead evidence to show a reputation founding his rights in the mark, whilst proof merely of his registration obviates this necessity in an infringement action. Again, whilst generally a defendant in a passing-off suit may escape liability by showing his use of the plaintiff's mark was not likely to confuse or deceive, that would give him no defence to an infringement of a mark registered in Part A of the Register.<sup>59</sup> However, it is submitted that there is nevertheless an "association" in such a case for section 32.

If one turns then from the appellate operation of section 32 to the original jurisdiction of the Federal Court, an appropriate starting point is an attempted joinder of a passing-off suit with a claim of contravention of section 52 of the Trade Practices Act. This is the fifth example put at the commencement of this article. Clearly these two matters lack a common historical derivation. But what of the other criteria mentioned in the immediately preceding paragraph? There is identity of parties, the same conduct gave rise to the claims, and, in particular, both proceedings are much concerned with preventing deception by the defendant of those with whom he deals or at whom he directs his misrepresentations. In that sense both matters have the same gist or main thrust. But does the plaintiff seek protection for the same or associated rights? Here there is a difficulty with actions for contravention of section 52 and other provisions of the Act where the moving party is not one of the class with whose well-being the Act is concerned. In a section 52 case it is now well established by the High Court<sup>60</sup> that the applicant for injunctive relief need not be a consumer. He may be a rival trader of the respondent, as in the present example. But he sues to vindicate the public right, not his private goodwill as in the passing-off suit. Does this take the case beyond section 52? On balance, it is submitted not, bearing in mind the weight of the other common factors mentioned.

However, in so deciding it must be recognised that one departs from

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<sup>59</sup> Trade Marks Act 1955, s. 62; *Marc A. Hammond Pty Ltd v. Papa Carmine Pty Ltd* [1976] 2 N.S.W.L.R. 124, 127.

<sup>60</sup> *Hornsby Building Information Centre Pty Ltd v. Sydney Building Information Centre Pty Ltd* (1978) 52 A.L.J.R. 392; *Ex parte Pilkington A.C.I. (Operations) Pty Ltd* (1978) 53 A.L.J.R. 230; *Ex parte Soul Pattinson (Laboratories) Pty Ltd* (1978) 53 A.L.J.R. 238.

any test that requires for association of matters the same relation as *Hurn v. Oursler* dictated between distinct grounds in support of a single cause of action and rejected for separate and distinct causes of action. For the United States Supreme Court saw the violation of a single right as the *indicium* of a single cause of action and saw each cause of action as a “case”. But while the United States decisions at bottom seek to amplify the expression “case arising under any federal law”, section 32 assumes the one case (in the sense of proceedings) may contain several “matters”. Further, in expounding the term “matter” in Chapter III of the Constitution, Latham C.J. in *Carter v. Egg & Egg Pulp Marketing Board of Victoria*<sup>61</sup> emphasised that a single legal proceeding might involve several matters, there being several claims joined in the one action. By the term “claim” it is clear the Chief Justice meant “cause of action”. This reasoning if applied to section 32 would grant an association between several causes of action and not confine association to a link between two or more grounds for the one cause of action.

It follows that although there is not merely one cause of action in issue, and although both public and private rights are at stake, there is still, for the reasons given earlier, sufficient in common between a passing-off suit and contravention of section 52 for an association within section 32. The same would be true of claims under section 45D of the Trade Practices Act, and in tort arising out of secondary boycotts; of slander of goods or services founding claims in tort and under section 52; of claims that contracts were unenforceable by force of section 45 of the Trade Practices Act and in restraint of trade at common law; and of claims that there had been breaches of conditions implied in sales of goods contracts both under Division 2 of Part V of that Act and State legislation; and of misrepresentations to a purchaser of land grounding relief at general law and for contravention of section 53A. Indeed, the last example is an *a fortiori* case in that there the Act does appear to be protecting the private right of the plaintiff rather than consumers at large.

But not all cases will be so clear. Take a defendant who is a former licensee of the plaintiff's registered trade mark and patent, whose licence is terminated for breach and who is continuing his misdeeds allegedly:

- (i) by infringing the trade mark and patent;
- (ii) by copying the plaintiff's publicity material in which it claims copyright;
- (iii) by slandering the quality of the plaintiff's products;
- (iv) by making misleading statements as to the quality of his own goods; and
- (v) by misusing the trade secrets learnt from the plaintiff.

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<sup>61</sup> (1942) 66 C.L.R. 557, 578-580.

Complaints (iii) and (iv) to some considerable measure overlap with section 52. The same may be true of the trade mark if it is in fact well known as the plaintiff's mark. But in what way are the claims in copyright and for patent infringement and misuse of trade secrets "associated" with the claim under section 52? That provision has as its gist the impact or likely impact of conduct upon others, namely a result in persons being misled or deceived. Some industrial property rights, especially those protected by passing-off actions and the action for malicious falsehood are directed against misrepresentations of such a kind. Others are in no wise concerned with deception; they give a monopoly against user by others. Thus a copyright patent or trade secret will be wrongly used regardless of whether the defendant misleads anyone in the process. It is submitted that this is a fatal obstacle in the path of any treatment of these as matters associated with a section 52 claim.

True enough, all the complaints in the above example arise out of the same factual background. But surely that cannot be sufficient for section 32 which looks to an association between matters, that is to say, an association in nature or character between the rights, duties or liabilities in issue (thus requiring conceptual analysis of the legal norms involved) rather than a backward look to the "reality" of what brought about the dispute as to those rights, duties and liabilities. This involves rejection for Australia of the "common nucleus of operative fact" perceived by the United States Supreme Court in *United Mine Workers v. Gibbs*<sup>62</sup> and leaves section 32 as midway between that norm and that appearing on the strict reading of *Hurn v. Oursler*.<sup>63</sup>

What then is one to conclude as to the ambit of section 32? The following is suggested:

- (i) Mere identity in parties can never of itself be *sufficient* to render "matters" between them "associated";
- (ii) But such identity is *necessary* as has been accepted in much of the development of pendent jurisdiction in the United States, and, in any event, as is implicit in the concept of a "matter" as a dispute concerning a right, duty or liability between parties.
- (iii) Identity in causes of action asserted in the "matters" in question (assuming this to be conceivable) is not necessary.
- (iv) It is not fatal that a defendant may have a defence which meets only one of the claims against him; for it is not to be expected that each claim will yield the same result, the attraction for joinder being to obtain maximum coverage in the one proceeding.
- (v) Nor is it fatal that in one of the "matters" there is an element of public right.

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<sup>62</sup> (1966) 383 U.S. 715.

<sup>63</sup> (1933) 289 U.S. 238.

- (vi) The mere circumstance that “matters” otherwise in law conceptually disparate have on this particular occasion a common origin in relations between the parties will not suffice.
- (vii) Association in the relevant sense will be suggested by:
  - (a) common historical origin (as with passing-off and registered trade marks, and with copyright and some aspects of trade secrets);
  - (b) a common legal conceptual gist (as with section 52 contraventions and those torts concerned with deception in trade such as passing-off and injurious falsehood, and with the examples given earlier concerning abuse of patent monopoly and restraint of trade, and concerning sales of goods under implied conditions);
  - (c) the grounding of the complaints made in the same activities of the defendant;
  - (d) the seeking in both proceedings of relief which will enjoin the defendant from the same acts in each case or compensate the plaintiff for the one loss;
  - (e) a substantial amount of the evidence as to one matter being relevant to the other.
- (viii) Of the five elements in (vii), only the second and third are necessary in each case, but the fewer of the other elements the less the likelihood of “association”.

Of course, such an analysis will still leave beyond the reach of the Federal Court some matters that might be thought best before it. Thus, if a plaintiff in the Supreme Court seeks an injunction to enforce a contract the defendant asserts infringes section 45, what is to be done? Presumably the Supreme Court can entertain a defence to that effect and an application for a declaration under section 163A of the Trade Practices Act, but cannot entertain a cross-claim for injunctive relief, damages and ancillary relief under Part VI. The defendant will have to seek to stay the Supreme Court proceedings whilst he starts his claim in the Federal Court. Again, a plaintiff alleging contravention of sections 52 or 53 together with use in relation thereto of material infringing his copyright in his publicity material, will be unable to pursue the latter claim in the Federal Court, because the claims lack common historical origin and common legal conceptual gist, do not sound in relief of the same character, and may not rest upon substantially overlapping proofs.

What have the Australian courts to date said upon the subject? Not a great deal. In *Thomson Publications (Australia) Pty Limited v. Trade Practices Commission*<sup>64</sup> Deane and Fisher JJ. opined that section 32 was “a wide and full grant [of jurisdiction] to the extent of Commonwealth legislative power”. In *Adamson v. West Perth Football Club*

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<sup>64</sup> [1979] A.T.P.R. 40-133.

*Incorporated*<sup>65</sup> Northrop J. noted the submission that section 32 gave the Federal Court power to entertain in a proceeding for contravention of section 45 a count alleging unenforceability by virtue of the common law principles as to contracts in restraint of trade. But his Honour found it unnecessary to express an opinion as to the limits to be placed in determining what were “associated matters”.

### *The Constitutional Validity of Section 32*

Thus construed, is the section valid? There are three relevant sources of legislative power. Section 71 empowers the “creation” of federal courts. Section 77 then authorises laws defining the jurisdiction of federal courts with respect to any of the matters in sections 75 and 76. Section 76(ii) speaks of matters arising under any laws made by Parliament. Clearly section 86 of the Trade Practices Act, in investing exclusive jurisdiction in the Federal Court for proceedings under Part VI for contravention of Parts IV and V, is such a law. But where is the law under which “associated matters” arise for section 32? None is apparent. It is true that in cases of patents, trade marks, designs and copyright there is federal power to direct matters to the Federal Court, but clearly that is not the scheme of the section, and it would leave without a basis the application of the section to common law matters not arising between residents of different States.

There is authority for the proposition that when the High Court takes original jurisdiction of a matter involving the interpretation of the Constitution, pursuant to section 30 of the Judiciary Act and section 76(i) of the Constitution, this grant of jurisdiction carries with it the authority essential for full adjudication of the matter and that this is not lost by rejection of the constitutional point: *R. v. Carter; ex parte Kisch*; *R. v. Bevan*; *ex parte Elias and Gordon*; *Carter v. Egg & Egg Pulp Marketing Board of Victoria*; *Parton v. Milk Board (Vic.)* and *Airlines of New South Wales Pty Ltd v. New South Wales*.<sup>66</sup> That is to say the whole “matter” is within the grant, as is the whole “case” within the United States doctrine laid down by Marshall C.J. A distinction in the Australian cases is drawn for an “entirely severable claim” bearing no relation to claims involving interpretation of the Constitution.<sup>67</sup>

For example, in *Airlines of New South Wales v. New South Wales* the plaintiff raised four issues for determination by the High Court. The

<sup>65</sup> (1979) 27 A.L.R. 475, 501.

<sup>66</sup> (1934) 52 C.L.R. 221; (1942) 66 C.L.R. 452; (1942) 66 C.L.R. 557; (1949) 80 C.L.R. 229; (1964) 113 C.L.R. 1 respectively. The current doctrine in the United States is explained in *Hagens v. Lavine* (1973) 415 U.S. 528, 545-550.

<sup>67</sup> *Carter v. Egg & Egg Pulp Marketing Board of Victoria* (1942) 66 C.L.R. 557, 580 per Latham C.J. The Family Law Act 1975 by s. 33 confers on the Family Court jurisdiction in respect of matters not otherwise within its jurisdiction that are “associated with matters (including matters before the Court upon an appeal) in which the jurisdiction of the Court is invoked or that arise in proceedings (including proceedings upon an appeal) before the Court”. The resemblance to s. 32 of the Federal Court statute will be apparent. Of s. 33 Gibbs J. (in *Re Ross-Jones; ex parte*



first two were whether the State Transport (Co-ordination) Act was inconsistent with the Federal Air Navigation Act (by operation of section 109 of the Constitution), either in whole or as to specified parts. The third was whether the plaintiff, having complied with the federal law was then obliged to seek a licence under the State law; this could depend purely upon the terms of the federal law but could also raise section 109. In any event, these three questions were “inseverable” in the requisite sense as matters involving interpretation of the Constitution or as pendent thereto. That was not so of the last question. It concerned purely the required manner of exercise of power to re-allocate route licenses given by the State Commissioner of Motor Transport under the State Act and the answer was not dictated by the resolution of the first three issues, being concerned only with interpretation of the State Act. Accordingly it was “severable” and did not attract pendent jurisdiction.

It will be observed that the jurisdiction is asserted as pendent from a “matter” and inherent in the entrusting of the matter to the adjudication of the High Court. No legislation is required beyond the terms in which the principal “matter” is placed within jurisdiction. These concepts have now been translated by Northrop J. into the Federal Court. This was done in *Adamson v. West Perth Football Club*.<sup>68</sup> The Federal Court was there presented with proceedings of the kind mentioned in the first example at the commencement of this article, namely an applicant who asserted that his contract with the defendant offended section 45 and also the common law rules as to restraint of trade. Northrop J. held he had jurisdiction to deal with both issues, the latter on the ground of “an implied incidental jurisdiction”. In his Honour’s words:

[This] arises wherever there is before the Federal Court a matter vested in it by laws made by the Parliament being in respect of matters arising under laws made by the Parliament and the claim made is supported on grounds which do not arise under laws made by the Parliament but which are not completely severable having no relation whatever to, the claim made in respect of matters arising under laws made by the Parliament. In those circumstances, the Federal Court has jurisdiction to hear and determine the claim insofar as it is based on those other grounds. The claim made must be in respect of matters arising under laws made by the Parliament

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*Beaumont* (1979) 53 A.L.J.R. 259 observed that its effect was “far from clear” and continued (without adverting to the High Court constitutional authorities, still less to the American decisions as to retention of pendent jurisdiction after loss of the principal claim, of which *Hurn v. Oursler* (1933) 289 U.S. 238 is a striking example):

“It cannot be intended to mean, and would not be constitutionally valid if it did mean, that if the jurisdiction of the court is unsuccessfully invoked it nevertheless has jurisdiction in associated matters. The section can only apply if the court already has jurisdiction; its jurisdiction is then extended, so far as is constitutionally permissible, to associated matters.”

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<sup>68</sup> (1979) 27 A.L.R. 475, 499.

and must be bona fide and substantial, but the validity and strength of the claim in respect of the matters arising under laws made by the Parliament is quite immaterial so long as they are genuinely raised.

In support of this conclusion, Northrop J. relied upon the jurisdiction exercised by the High Court when entrusted with “matters” under Chapter III of the Constitution. But in truth the issues before him were directed to a different question. What the Federal Court had before it was not a single “matter” in the constitutional sense, but “proceedings” for remedies under Part VI under the Trade Practices Act, the Federal Court being given exclusive jurisdiction to entertain those proceedings by force of section 86. Thus, it would appear that the analogy drawn by Northrop J. was inapt. Rather than obliging the Court to eke out the meaning of “proceedings” what the Parliament has done is to invest the Federal Court expressly with jurisdiction by the medium of section 32 of the Federal Court of Australia Act. That provision assumes, contrary to the High Court constitutional decisions considered above, that there are not one but two “matters” and goes on to require “association” between them. In *Carter v. Egg and Egg Pulp Marketing Board*<sup>69</sup> Latham C.J. made it clear that mere “association” between two claims did not render them part of the one “matter” for the purposes of Chapter III of the Constitution.

If there were but one “matter” then only one constitutional authority need be found for the legislation dealing with it. This in the examples given has been section 75 of the Constitution itself or a law made under section 76(ii) thereof (that is, “matters arising under any laws made by Parliament”). Clearly section 86 of the Trade Practices Act is (via section 77 of the Constitution) such a law. But on its face section 32 is concerned not with “matters” of the description within sections 75, 76 and 77 of the Constitution, but with other matters; matters “associated” with them. Where then is the power to enact section 32? It is in the third source of legislative authority over the judicature, section 51(xxxix) of the Constitution; that is to say, on the construction of section 32 offered in this article it is concerned with matters (a term used in section 51(xxxix)) incidental to the execution of power vested in the Federal Judicature by the Constitution. Incidental to the judicial power invested in federal courts to decide matters of the description listed in sections 75, 76 and 77, is authority over matters associated therewith in the sense in which that term is used in section 32 of the Federal Court of Australia Act.<sup>70</sup> Therefore, Parliament may legislate upon the topic under section 51(xxxix). To transpose the language of

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<sup>69</sup> (1942) 66 C.L.R. 557, 580.

<sup>70</sup> To construe s. 32 any more widely than has been urged in this article might well be to take it beyond the incidental to the merely contemporaneous and so outside legislative power.

Marshall C.J. in *Osborn v. Bank of the United States* to the Australian context:

[W]hen a question to which the judicial power of the [Commonwealth] is extended by the constitution, forms an ingredient of the original cause, it is in the power of [Parliament] to give the [federal] courts jurisdiction of that cause, although other questions of fact or of law may be involved in it.<sup>71</sup>

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<sup>71</sup> (1824) 9 Wheat. 738, 823; 22 U.S. 738, 821.