PROTECTING BUSINESS REPUTATION IN AUSTRALIA — SECTION 52 OF THE TRADE PRACTICES ACT AND PASSING OFF

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The common law relating to the tort of passing off is the traditional means by which conduct threatening business reputation may be halted. During the past five years, the Federal Court of Australia has been called upon on many occasions to apply s 52 Trade Practices Act 1974 (Cth) to prevent such conduct. As yet, there has been no clear judicial statement as to the interrelationship and overlap between the two causes of action.

This Article discusses the scope of the two causes of action in the context of an allegation of actual or threatened erosion of goodwill. The types of cases in which such allegation is usually made is then examined and suggestions given as to which cause of action should be relied on.

1 INTRODUCTION

There are many weapons in the arsenal of a businessman whose business reputation is being threatened by the actions of another. Those actions may constitute one of the economic torts, such as passing off, injurious falsehood or negligent mis-statement,[1] or may be an actionable breach of confidential information. The decision of the High Court of Australia in *Hornsby Building Information Centre Pty Ltd* v *Sydney Building Information Centre Ltd*[2] confirmed that s 52 of the Trade Practices Act 1974 (Cth) is not confined to plaintiff consumers but is another basis upon which businessmen may vindicate their commercial reputation. Since this decision there have been numerous actions instituted by businessmen under s 52 alleging a threatened or actual erosion of their goodwill by the defendant's adoption of their name, mark or product "get-up". This allegation is, however, precisely that which the law of passing off is designed to meet and has led to questions of the overlap between s 52 and passing off actions, and the advantages of one over the other, being raised in several cases.[3] Unfortunately, judicial answers to these questions must be gleaned from obscure comments such as those of Deane and Fitzgerald JJ in the recent *Taco Bell* case.[4]

> The backgrounds of s 52 and of the law of passing-off are quite different. Their respective purposes and the interests which they primarily protect are contrasting. Their areas of operation do not coincide. The indis-

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1 See generally J D Heydon, "The Future of the Economic Torts" (1975) 12 UWAL Rev 1.

2 (1978) 140 CLR 216.

3 *Ibid* 226 *per* Stephen J; *McWilliam's Wines Pty Ltd* v *McDonald's System of Australia Pty Ltd* (1980) 33 ALR 394, 405 *per* Northrop J; *Parkdale Custom Built Furniture Pty Ltd* v *Puxu Pty Ltd* (1982) 42 ALR 1, 22-23 *per* Brennan J; *Taco Company of Australia Inc* v *Taco Bell Pty Ltd* (1982) 42 ALR 177, 186 *per* Franki J.

4 (1982) 42 ALR 177.

> criminate importation into s 52 cases of principles and concepts involved in passing-off and the associated area of trade mark law is likely to be productive of error and to give rise to arguments founded on false assumptions.[5]

This article will attempt to answer the vexed issues of when a claim should be made solely either in passing off or under s 52 and when these claims may be made in the alternative. The conclusion is reached that there are two deciding factors—first, whether the defendant's conduct is aimed at appropriating for itself the plaintiff's business reputation, and secondly, whether the plaintiff requires an account of profits as part of its relief. An examination of the fact situations which commonly arise in relation to threatened business reputation, (for example, those situations involving false claims of sponsorship and character merchandising), supports the contention that apart from those two factors, the protection given by s 52 and the law of passing off is virtually identical. In such cases, the plaintiff's personal preferences regarding forum and remedies will decide the issue of the appropriate cause of action.

2 PASSING OFF

As prompt as plaintiffs have been in complaining of new forms of conduct jeopardising their business reputations, so have courts in Australia and the United Kingdom displayed a willingness to promote the action against passing off as a dynamic and flexible form of redress. The "classical"[6] description of the tort of passing off is a misrepresentation by one trader that his goods or business are those of a competitor. In the past 20 years, courts have placed emphasis on the fact that the defendant has, contrary to prevailing principles of commercial morality, mis-appropriated the plaintiff's goodwill, and have mellowed in their requirement that the misrepresentation should be as to the ownership of the defendant's goods.

Whilst the changing nature of the tort of passing off renders it difficult, if not impossible, to precisely define its elements, certain "characteristics", which must at the least be present in order to constitute the cause of action, may be identified. In the leading *Advocaat* case,[7] Lord Diplock listed these characteristics as:

> (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.[8]

Given the vast array of representations paraded before courts dealing with

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[5] *Ibid* 197.

[6] W R Cornish, "The Passing-Off Action in English Common Law" [1982] Industrial Property 186.

[7] *Erven Warnink Besloten Vennootschap* v *J Townsend & Sons (Hull) Ltd* [1979] 3 WLR 68.

[8] *Ibid* 74-75.

passing off claims, Lord Diplock was wise, in listing the first characteristic, not to attempt to specify the type of misrepresentation required. His Lordship stressed, however, that any misrepresentation at all will not suffice:

> in an economic system which has relied on competition to keep down prices and to improve products there may be practical reasons why it should have been the policy of the common law not to run the risk of hampering competition by providing civil remedies to every one competing in the market who has suffered damage to his business or goodwill in consequence of inaccurate statements of whatever kind that may be made by rival traders about their own wares. . . . [A]dvertisements are not on affidavit; exaggerated claims by a trader about the quality of his wares, assertions that they are better than those of his rivals even though he knows this to be untrue, have been permitted by the common law as venial "puffing" which gives no cause of action to a competitor even though he can show that he has suffered actual damage in his business as a result.[9]

What, then, must be the nature of the misrepresentation? This question has been carefully explored by several writers[10] and no purpose would be served by re-examining in detail the relevant cases. It is clear that the misrepresentations proscribed extend beyond direct misrepresentations of a specific source, that is, beyond misrepresentations by A that his goods are those of B. Successful actions in passing off have also been instituted where the misrepresentation by A was that B's goods of an inferior quality were B's goods of a superior quality,[11] where the misrepresentation was that A's goods were of the same geographical origin[12] or constitution[13] as B's and where A falsely asserted B's sponsorship or approval of his product.[14]

The thread which ties these cases together is the fact that the defendant could be seen as filching the plaintiff's business reputation. In the *Spalding* case, the defendant, by representing that it was selling the plaintiff's superior quality footballs, took advantage of the reputation which the plaintiff had established. In the *Spanish Champagne, British Sherry, Scotch Whisky* and *Advocaat* cases, the reputation built up or perpetuated by the plaintiffs in the genuine product was used by the defendants to sell their imitations. In the *Henderson* case, the court recognised that the plaintiff's imprimatur had commercial value and could not be appropriated by the defendant to sell its records.

In view of these cases, it appears that it is the *effect* rather than the *nature* of the misrepresentation which is the determining factor. If the effect of the defendant's misrepresentation is to enable it to appropriate or take the benefit

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[9] *Ibid* 75.

[10] Alan L Limbury, *Trade Practices, Passing Off and Unfair Competition* (a paper presented at "A Twilight Seminar" held at Monash University, 16 April 1980) 13-20; W R Cornish *supra* n 6, 192-193; J D Heydon, *supra* n 1, 20-22; W M C Gummow, "Carrying on Passing Off" (1974) 7 Syd L Rev 224, 229-230.

[11] *A G Spalding & Bros* v *A W Gamage Ltd* (1915) 32 RPC 273.

[12] *J Bollinger* v *Costa Brava Wine Co Ltd* [1960] 1 Ch 262 (Spanish Champagne case); *Vine Products Ltd* v *Mackenzie & Company Ltd* [1969] RPC 1 (British Sherry case); *John Walker & Sons Ltd* v *Douglas McGibbon & Company Ltd* [1972] SLT 128 (Scotch Whisky case).

[13] *Erven Warnink Besloten Vennootschap* v *J Townsend & Sons (Hull) Ltd* [1979] 3 WLR 68.

[14] *Henderson* v *Radio Corporation Pty Ltd* [1960] SR (NSW) 576.

of the goodwill established by the plaintiff, then the first characteristic referred to by Lord Diplock will be present. Before examining the second characteristic referred to by Lord Diplock, two other comments should be made as to the type of misrepresentation required.

First, it need not be constituted by the adoption of a trade name or trade mark. The Privy Council in *Cadbury Schweppes Pty Ltd* v *Pub Squash Co Pty Ltd*[15] confirmed that the infringing representations:

> encompass other descriptive material, such as slogans or visual images, which radio, television or newspaper advertising campaigns can lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product.[16]

Secondly, it may be that certain representations will not, in the context of passing off, be considered false. At issue here are the questions relating to character merchandising and the adoption of both real names and descriptive words. These questions will be examined later in this article.

In relation to the second characteristic, that is, that the misrepresentation must be made by a trader in the course of trade, the only comment to be made is that the word "trader" must be regarded in a wide sense. As noted by Cornish:

> charitable organizations and professional societies have been able to prevent passing off. So too have the authors of copyrighted works in respect of aspects of their copyright which they are not themselves exploiting. The reputation may be one which is not curently being exploited, as where a plaintiff has for the moment gone out of business but intends to start up again. It may be a reputation promoted in advance of regular trading.[17]

Whilst no difficulty is posed by the third characteristic, the fourth, that is, that the misrepresentation must be calculated to injure the business or goodwill of another trader (in the sense that it is a reasonably foreseeable consequence), has been a stumbling block for many plaintiffs who have been unable to convince courts that the defendant lacked the requisite degree of commercial morality.

Although the burden of proving intention to harm business reputation is lifted from plaintiffs' shoulders,[18] plaintiffs must nevertheless satisfy the court that the probable consequence of the defendant's actions is a jeopardy to that reputation. If the plaintiff and defendant are not in direct trade competition with one another, either because they conduct different enterprises or because they conduct their businesses in different localities, courts will be less willing to censure the defendant's conduct. There is a wealth of conflicting authorities on this issue.[19] In relation to whether the parties must be engaged in a "common field of activity", cases such as *Tavener Rutledge Ltd* v *Trexapalm Ltd*[20] illustrate that it is desirable for a plaintiff

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[15] (1980) 32 ALR 387.
[16] *Ibid* 393.
[17] Cornish, *supra* n 6, 187 (footnotes omitted).
[18] *Cadbury Schweppes Pty Ltd* v *Pub Squash Co Pty Ltd* (1980) 32 ALR 387, 396.
[19] See generally Cornish, *supra* n 6, 189.
[20] [1977] RPC 275 discussed in a case note in (1976) 50 ALJ 96.

to be able to establish direct competition. In that case, the plaintiff English manufacturer of lollipops marketed as "Kojakpops" was found not to have infringed the rights of the owner of the "Kojak" television series whose "licence" to the defendant was, therefore, useless. This is not to say, however, that the "trader" referred to by Lord Diplock must always be a direct business competitor of the plaintiff in order for the court to find that the probable consequence of the defendant's actions is an erosion of the plaintiff's goodwill. Cases such as *Henderson* v *Radio Corporation Pty Limited*,[21] *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd*[22] and *Annabel's (Berkeley Square) Ltd* v *G Schock*[23] are clear authority to the contrary and support the proposition that it is a question of fact in every case whether the probable consequence of the defendant's misrepresentation will be to appropriate, to his own advantage, the plaintiff's reputation. For example, in *Annabel's* v *G Schock*[24] the adoption of the plaintiff's restaurant name by the defendant escort agency was found to engender a belief that the plaintiff had broadened its business operations, thereby injuring its general reputation. In *Tavener Rutledge Ltd* v *Trexapalm Ltd*[25] the defendant would have succeeded if it had been able to establish that the public belief fostered by the plaintiff's adoption of the name "Kojakpops" was not merely that the plaintiff had the licence of the owner of the television series to use the name "Kojak" but that it had such licence *and* that licence indicated such a degree of quality control that the public would rely on it as a guarantee of the quality of the lollipops.

The issue of the territorial reach of a plaintiff's business reputation has also been a difficult one. One argument is that if the plaintiff does not carry on business within the jurisdiction, there can be no possibility that damage to the business reputation will be suffered there. This argument appears to have succeeded in the controversial *Crazy Horse* case,[26] where Pennycuick J refused to restrain the defendant from setting up a "Crazy Horse Saloon" in London offering the same sort of entertainment as the plaintiff's famous establishment of the same name in Paris on the basis that "it has failed to show that it has acquired *by user* of the name 'Crazy Horse Saloon' in this country [England] any goodwill or reputation such as is sought to be protected in a passing off action".[27] Pennycuick J evidently wished to quash the notion that because a reputation had been established in one country, it would be protected by an English Court. Subsequent decisions have not been so stringent. For example, in *Maxim's Ltd* v *Dye*[28] proprietors of the famous French restaurant "Maxim's" restrained the defendant from operating a restaurant under the same name in England, even though the plaintiff had never conducted business in England. The argument was also rejected in Australia in *Fletcher Challenge Ltd* v *Fletcher Challenge Pty Ltd.*[29] The

[21] [1960] SR (NSW) 576.
[22] [1981] 1 NSWLR 196.
[23] [1972] RPC 838.
[24] *Ibid.*
[25] [1977] RPC 275.
[26] *Alain Bernardin et Compagnie* v *Pavilion Properties Ltd* [1967] RPC 581.
[27] *Ibid* 588 (italics added).
[28] [1977] 1 WLR 1155, discussed in a case note in (1978) 52 ALJ 99.
[29] [1981] 1 NSWLR 196, 205.

approach which now appears to be taken by courts to this issue is to look to the extent of the plaintiff's business reputation within the jurisdiction, at the relevant time. This reputation need not arise out of having conducted a business within the jurisdiction, it may have been built up by advertisements or simply by "word of mouth" (as in *Maxim's* case[30]). If the nature of the reputation is of such significance that it would be jeopardised by the defendant's misrepresentation, it should be protected.

The final characteristic mentioned by Lord Diplock to some extent overlaps with the fourth characteristic in that, if the action is a *quia timet* action, both characteristics are present if there is a reasonable probability of damage to the plaintiff's goodwill. Notwithstanding this, in all cases it is important to separate the two issues. Even if the plaintiff is able to prove that the defendant has made a misrepresentation having the effect of eroding the plaintiff's business reputation, the court will not grant relief unless it considers that, on an objective analysis, such erosion was a foreseeable consequence. Cases relating to territorial limits of reputation and the desirability of existing common fields of activity referred to above illustrate this proposition. Furthermore, notwithstanding the reasonable foreseeability of injury to business reputation, no remedy (apart from a *quia timet* injunction) will be granted if actual damage cannot be shown, which should not be too difficult with astute evidence gathering. If actual or probable damage was not required, the passing off action may be seen as protecting not business reputation but interests in a mark, name or "get-up" which a person chose to adopt:

> apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. . . . If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property, to protect which it is granted, is not property in the word or name, but property in the trade or good-will which will be injured by its use.[31]

3 SECTION 52

If a corporation, in trade or commerce, engages in conduct that is misleading or deceptive or that is likely to mislead or deceive, it will be in breach of s 52 of the Trade Practices Act 1974 (Cth) and subject to a civil action, though not, by virtue of s 79(1), to a criminal prosecution. It is immediately apparent that the wording of s 52 is more simple than the formulation of the characteristics of the tort of passing off. If the defendant corporation's activities are perceived to be threatening the plaintiff's business reputation, and those activities constitute (1) conduct within the meaning of the Act, and are (2) misleading or deceptive or likely to mislead or deceive, then an action under s 52 is made out.

In relation to the first limb, the type of activity which may be considered "conduct" is very wide. Not only are positive acts caught, but intentionally to refrain from doing an act or to make it known that an act will not be done may also amount to "conduct".[32] There is nothing in the context of

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[30] [1977] 1 WLR 1155.
[31] *Burberrys* v *J C Cording & Co Ld* (1909) 26 RPC 693, 701 *per* Parker J.
[32] S 4(2) of the Act.

s 52 to limit "conduct" to express representations and statements. Adoption of a particular product "get-up" may, for example, be enjoined.[33]

Must the conduct be a misrepresentation, as with the tort of passing off? There has been considerable controversy in relation to this issue stemming from the *Big Mac* litigation,[34] it being argued that it is sufficient for the purposes of s 52 if the conduct may contribute to confusion or uncertainty in the minds of the relevant members of the public. This argument has been rejected by the High Court of Australia.[35]

> Irrespective of whether conduct produces or is likely to produce confusion or misconception, it cannot, for the purposes of s 52, be characterized as misleading or deceptive unless it contains or conveys, in all the circumstances of the case, a misrepresentation. . . . [W]hether or not conduct amounts to a misrepresentation is a question of fact to be decided by considering what is said and done against the background of all surrounding circumstances.[36]

What must be the nature of the defendant's misrepresentation in the context of an attack on the plaintiff's business reputation? Must it be aimed at appropriating for the defendant's own advantage the plaintiff's goodwill as in a passing off case? It is in this respect that s 52 must be clearly distinguished from the common law of passing off. The law of passing off requires not only the harm, that is, a damaged business reputation, but also a misrepresentation, the foreseeable effect of which is an appropriation or misuse of that reputation. Section 52, being free from the shackles of a law designed specifically to protect business reputation, is satisfied with the damaged business reputation and the misrepresentation. Accordingly, s 52 will provide relief not only where the defendant has misappropriated the plaintiff's reputation, but also where it has undermined or discredited that reputation, for example, by misrepresenting the quality of the plaintiff's goods or services. In short, s 52 has achieved what the Trade Descriptions Act 1968 (UK) failed to do.

> The principle that for a plaintiff to have a remedy in passing-off, the misstatement must be likely to be taken as referring to him in a manner that will cause him probable loss has served to prevent the broadening of this common law principle into a general civil remedy against the giving of false trade descriptions. Lately and belatedly the legislature has intervened to improve the scope and the administration of the criminal law relating to trade descriptions. But the precursors of the Trade Descriptions Act 1968 were held not to give rise to civil remedies for breach of statutory duty and there is probably no sufficient ground for supposing that the new Act has made any change.[37]

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[33] As in *Brock* v *Terrace Times Pty Ltd* (1982) 40 ALR 97 and *Parkdale Custom Built Furniture Pty Ltd* v *Puxu Pty Ltd* (1982) 42 ALR 1.

[34] *McWilliam's Wines Pty Ltd* v *McDonald's System of Australia Pty Ltd* (1980) 33 ALR 394. See generally M J R Huntington and A L Limbury, "Some Observations and Recent Developments in Trade Practices" (1981) 55 ALJ 472, 472-484.

[35] *Parkdale Custom Built Furniture Pty Ltd* v *Puxu Pty Ltd* (1982) 42 ALR 1, 6 *per* Gibbs CJ, 15 *per* Mason J, 27-28 *per* Brennan J.

[36] *Taco Company of Australia Inc* v *Taco Bell Pty Ltd* (1982) 42 ALR 177, 202 *per* Deane and Fitzgerald JJ.

[37] W R Cornish, "Unfair Competition? A Progress Report" (1972-1973) 12 The Journal of the Society of Public Teachers of Law 126, 138.

As with passing off, the falsity of the representation is doubtful when the plaintiff's complaint relates to character merchandising and the use of real names and descriptive words. These difficulties are best examined in the context of the example fact situations posed later in this article.

A final note in relation to the first limb of s 52 is as to the meaning of "in trade or commerce". Is there any difference between this phrase and "in the course of trade" in the context of passing off? It appears not, and that a meaning wider than "in the course of a business" is also taken as to the s 52 requirement:

> The terms "trade" and "commerce" are not terms of art. They are expressions of fact and terms of common knowledge. While the particular instances that may fall within them will depend upon the varying phrases [sic] of development of trade, commerce and commercial communication, the terms are clearly of the widest import. . . .[38]

The second limb of s 52 requires clarification. First, it should not be thought that the meaning of the words "misleading" and "deceptive" imports the notion of fraud:

> Those words are on any view tautologous. One meaning which the words "mislead" and "deceive" share in common is "to lead into error". If the word "deceptive" in s 52 stood alone, it would be a question whether it was used in a bad sense, with a connotation of craft overreaching, but "misleading" carries no such flavour, and the use of that word appears to render "deceptive" redundant.[39]

Secondly, to whom must the conduct be misleading or deceptive or likely to mislead or deceive? The formulation of the law of passing off previously examined requires that the misrepresentation be made to the defendant's prospective customers or ultimate consumers of goods or services supplied by him. The same position has been taken in the context of an action to protect business reputation under s 52:

> It seems clear enough that consideration must be given to the *class of consumers likely to be affected by the conduct*.... the section must... be regarded as contemplating the effect of the conduct on reasonable members of the class. The heavy burdens which the section creates cannot have been intended to be imposed for the benefit of persons who fail to take reasonable care of their own interests.[40]

The wording of the second limb of s 52 makes it clear that the determination under it, as with passing off, is an objective one. It need not be established that the defendant intended its conduct to have the stated effect,[41] and accordingly, liability may ensue even though it had acted honestly and reasonably. Unlike passing off, however, actual or (in a *quia timet* action) probable damage to business reputation is not an element of the cause of action. This feature is significant in two respects. First, as noted, it deter-

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38 *Re Ku-ring-gai Co-Operative Building Society (No 12) Ltd* (1978) 36 FLR 134, 167.

39 *Parkdale Custom Built Furniture Pty Ltd* v *Puxu Pty Ltd* (1982) 42 ALR 1, 6 *per* Gibbs CJ.

40 *Ibid* (italics added).

41 *Ibid* 5.

mines the type of misrepresentation proscribed. The law of passing off requires damage to goodwill as a foreseeable consequence of the misrepresentation. Any misrepresentation is sufficient under s 52. Secondly, it raises the issue of the extent to which s 52 protects trade marks and designs which have not or cannot be registered under the appropriate Commonwealth legislation—an issue which is outside the scope of this article. Apart from these two considerations, the absence of a damage requirement is not likely to be an important factor in choosing between s 52 and passing off. It will always be in the plaintiff's interests, insofar as remedies under the Act are concerned, to establish actual or probable damage to its business reputation.

The final comment to be made in relation to the second limb of s 52 is as to whether it is desirable for a plaintiff, who complains that its business reputation is being undermined by the defendant's actions, to show that the parties are in direct business competition. It has been argued that if the plaintiff cannot establish this in a passing off action it will be difficult for it to show that a jeopardy to its goodwill is a probable consequence of the defendant's actions. Are the courts similarly reluctant to find that the defendant's conduct has misled or deceived or is likely to mislead or deceive if direct business competition between the parties does not exist? Decided cases reveal that they are. Where the parties are not engaged in a common field of activity the misrepresentation alleged by the plaintiff will usually be that because of the defendant's name, mark or "get-up" there is some connection between them. Even tested from the point of view of prospective customers of the defendant, who are "not particularly intelligent or well informed, but perhaps of somewhat less than average intelligence and background knowledge",[42] this allegation is difficult to substantiate, particularly where the relevant fields of activity are quite disparate. For example, in *McWilliam's Wines Pty Ltd* v *McDonald's System of Australia Pty Ltd*[43] the respondent, which had adopted the name "Big Mac" for one of its hamburger types, failed to restrain the plaintiff using that name in relation to its wine, notwithstanding the general association betwen wine and food. Similarly in *Lego Australia Pty Ltd* v *Pauls (Merchants) Pty Ltd*[44] the appellant vendor of "Lego" building blocks for children's toys was found to have no actionable claim against the manufacturer of "Lego" irrigation equipment. The respondent's adoption of the name, viewed objectively, could not be seen as conveying any representation of a connection between the parties.

Where the absence of direct competition stems from the parties not carrying on business within geographical proximity to each other, the difficulty to be surmounted by the plaintiff is similar to that in a passing off case. Prospective customers of the defendant may not have even heard of the plaintiff. Furthermore, if they have, they must be misled or deceived by the defendant, not merely confused as to whose products, for example, they might be purchasing. Unless the plaintiff can establish that the reputation

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[42] *Annand & Thompson Pty Ltd* v *Trade Practices Commission* (1979) 25 ALR 91, 102 *per* Franki J.

[43] (1980) 33 ALR 394.

[44] [1982] ATPR 43,799.

is so great in the defendant's territory that the defendant's customers believe that they are dealing, directly or indirectly, with the plaintiff, the action under s 52 will fail. It was on this ground that the Full Court of the Federal Court refused to grant an injunction at the suit of the United States "Taco Bell" food chain against the respondent proprietor of a Mexican food restaurant in Sydney called "Taco Bell's Casa".[45] The absence of any reputation in the appellant in Sydney prior to the respondent's use of the name prevented a finding that the respondent had caused any misconception as to a connection between the parties. It was also this consideration which led Toohey J in *Motorcharge Pty Ltd* v *Motorcard Pty Ltd*[46] to limit the injunction granted to the applicant to Western Australia. The business reputation established in respect of the "Motorcharge" petrol purchasing credit facilities did not extend to Victoria, where the respondent established similar facilities under the name "Motorcard".

The law relating to passing off and s 52 has now been canvassed. It remains to apply both to several fact situations which have commonly arisen, in order to support the proposition that the only significant respect in which the substantive law of s 52 affords greater protection to business reputation than the law of passing off is in its proscription of a greater range of misrepresentations.

4 EXAMPLE FACT SITUATIONS

A manufactures machinery which bears a distinctive logo. This logo has been associated with A's product for many years. B commences to use a very similar logo in relation to similar machinery manufactured by it.

This is the classic passing off situation. B's adoption of the logo carries with it a representation to its prospective customers either that the machinery it is selling is manufactured by A, or that it is manufacturing equipment on A's behalf.

This amounts to wrongful appropriation of A's goodwill for the purposes of a passing off action and to conduct which is likely to mislead or deceive for the purpose of s 52.[47]

A manufactures a standard consumer product which is of a certain colour, shape and size and which has certain notable, though not particularly original, features. Seeing that A's product has been very successful, B produces and markets a similar product. A comparison of each product leads to the strong inference that B must have copied some of the features incorporated by A.

Unless A can establish that some of the features incorporated by it are distinctive of its products, that is, that consumers of the product identify those features as being associated with A, then A will not succeed against B either under s 52 or in establishing that B has passed off A's product. In neither action could it be established that the adoption of a similar "get-up" by A amounted to a misrepresentation. The only misrepresentation upon

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[45] *Taco Company of Australia Inc* v *Taco Bell Pty Ltd* (1982) 42 ALR 177.
[46] (1982) 42 ALR 136.
[47] A similar fact situation was considered in *Rolls-Royce Motors Ltd* v *DIA (Engineering) Pty Ltd* (1981) 50 FLR 340.

which A could rely in the circumstances is an innuendo that B was in fact selling A's goods. In the absence of any feature distinctive of A's products, an argument to this effect is not open to A.[48] A similar result would arise if the plagiarism was not of a product "get-up" but of a successful advertising campaign which did not seek to establish any particular association with the original advertiser.

B has decided to enter a market in which A has been quite successful. It decides to push A aside by a series of false statements either as to the advantages or superior nature of its own business operations, or as to the disadvantages or inferior nature of A's business.

Passing off is not the appropriate cause of action for A to pursue. Although there has been a misrepresentation by B and although A's goodwill is or is likely to be eroded, a foreseeable consequence of the misrepresentation is not that the public would associate the parties' business operations. On the contrary. It is clear that B's plan of attack is to promote its own operations at the expense of A.

The misrepresentation by B would, however, be actionable under s 52. The misleading or deception of prospective customers of B relates to the quality of nature of the goods or services provided by B. This is sufficient under s 52.

An interesting example of a situation in which s 52 was used to protect the plaintiff's business reputation in circumstances where the defendant could not be seen as having passed off the plaintiff's goodwill was *Mundine* v *Layton Taylor Promotions Pty Ltd.*[49] In this case the plaintiff, who was the reigning professional heavyweight boxing champion of Australia, recognised by the Australian Boxing Federation, obtained an order restraining the defendant from calling the boxing bout it was promoting a "Heavyweight Boxing Championship of Australia". This conduct misrepresented that the bout was for the professional heavyweight title and that it had the approval of the Australian Boxing Federation.

A operates a successful business in Brisbane and within the Brisbane metropolitan area has become quite "famous". Because of the distinctive nature of its operations many people in New South Wales and Victoria (in particular, those people who have visited Brisbane as tourists) are familiar with the name and nature of A's business. B commences a business of the same name and nature in Melbourne.

It is unlikely that A would obtain an injunction restraining B from continuing its Melbourne operations pursuant to s 52 or to the law of passing off. In either case the misrepresentation upon which A would rely would be that the business opened by B is an extension of or connected with A's operations. As the recent *Taco Bell* case illustrates,[50] there is no such misrepresentation unless there is a firmly established business reputation in Melbourne. Merely because some of B's prospective customers might be confused or wonder whether there was any connection, it is no qualification for relief being given to A.

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[48] Similar fact situations arose in *Parkdale Custom Built Furniture Pty Ltd* v *Puxu Pty Ltd* (1982) 42 ALR 1 and *Brock* v *Terrace Times Pty Ltd* (1982) 40 ALR 97.
[49] (1981) 51 FLR 73.
[50] *Taco Company of Australia Inc* v *Taco Bell Pty Ltd* (1982) 42 ALR 177.

Notwithstanding this, A could obtain an injunction limited to the Brisbane metropolitan area or, depending on evidence as to the reach of its reputation, to Queensland, as for example in *Motorcharge Pty Ltd* v *Motorcard Pty Ltd.*[51]

In an advertising campaign for a product which it has recently placed on the market, B utilizes the smiling photograph of A, a world-famous sporting personality. A does not wish her photograph to be used by B.

The misrepresentation made here by B is that it has A's sponsorship for its product. Such a false claim of sponsorship was held to amount to passing off in *Henderson* v *Radio Corporation Pty Ltd*[52] the facts of which refute any suggestion such as that advanced by Russell, who argued:

> To succeed in a passing off action a celebrity must be engaged, and indeed established, in a particular field of business before he can prevent others from using his name or likeness in relation to that type of business. For example, a cricketer could only complain if his name was used on a cricket bat . . . without his consent if he was already engaged in the manufacture or marketing of cricket bats. . . .[53]

The misrepresentation is also actionable under s 52 as being likely to lead potential consumers of the product into the error of believing that the product must be of good quality because it has been endorsed by A. Section 53 of the Act makes specific provision for false claims of sponsorship and it is on this section which A could focus her claim.

What would A's position be if she was not a celebrity but a person whose photograph was used to suggest a "satisfied consumer"? As this would still be a misleading or deceptive representation, the statutory remedies would be available. It would be unlikely, however, for an action in passing off to be similarly available. If the person whose photograph was used has no *business* reputation or goodwill, in the sense of a benefit and advantage of the good name, reputation and connection of a business,[54] then it is only his visual image which has been appropriated. The protection given by the law of passing off does not extend this far.

A is the proprietor of an Australia-wide supermarket chain and variety store known a "Smith's" which has a firmly established business reputation and which uses the brand name "Smith's" in relation to several of its grocery lines. Fred Smith opens a small suburban grocery and variety store under the name of "Smith's Groceries Pty Ltd" and uses the brand name of "Smith's" in relation to several similar grocery products sold by him.

At common law, A may restrain Smith from using the brand name which he has adopted, but cannot prevent him from operating under his chosen business name. The leading House of Lords decision of *Parker-Knoll Ltd* v *Knoll International Ltd*[55] drew a much criticised[56] distinction between

[51] (1982) 42 ALR 136.

[52] [1960] SR (NSW) 576.

[53] Peter Russell, "The Commercial Exploitation of Real Names" [1979] New Law Journal 791.

[54] *Commissioners of Inland Revenue* v *Muller Co's Margarine Ltd* [1901] AC 217, 223-224.

[55] [1962] RPC 265.

[56] See generally Gilbert Kodilinye, "Passing Off and the Use of Personal Names" (1975) 26 Northern Ireland Legal Quarterly 177.

trading under one's own name and *marketing goods* under one's own name. So long as he does not do anything more than to cause confusion with the business of another, and so long as he is acting honestly, a person is entitled to carry on a business in his own name. However, it is no answer by a defendant who so describes his goods as to mislead consumers into believing that they are the goods of another person, that he is using his own name.

A similar distinction has been upheld, without any critical analysis, in relation to s 52. In *Bradmill Industries Ltd* v *B & S Products Pty Ltd*,[57] the applicants, which used the name "Bradmill" in relation to their textile products, obtained an order restraining the respondents, which were owned and controlled by Mr Bart, from using the name "Bart-mills" in relation to their textile products. Lockhart J stated that:

> A man is entitled to carry on business under his own name; but he may be restrained from putting his name on his goods or from selling his goods under it if to do so would result in misleading or deceptive conduct. . . .[58]

The distinction between the two uses of personal names should not, in either context, form a rigid rule. Whilst it is relatively simple to find that a person is passing off his goods as those of another if he adopts the same or a similar name for them, it is more difficult to find that a business is similarly being passed off, especially where the name in question is a common one. Neither the *Parker-Knoll* case nor the *Bradmill* case rule out the likelihood that Smith would be restrained from using his business name in relation to a supermarket located in a suburban shopping centre next to a "Smith's" supermarket, instead of on the corner of two suburban streets.

In relation to the application of s 52 to the use of personal names, it must be noted that the section is aimed at corporations. Any lenience allowed by the law relates to the personal names of individuals. Accordingly, a company which incorporates under a fictitious name should not subsequently be able to claim the same lenience in the use of that name as a natural person.

A, a scriptwriter, is the creator of a fictitious character, "Z", which is the leading character in a popular television series. A has given his licence to B to use the name "Z" in relation to a certain product manufactured by it, which B proceeds to do. Owing to the popularity of the television series, and the apparent success of B's product, C commences to use the name "Z" in relation to its own product. C's product is of the same type as B's product.

A and B have engaged in "character merchandising"—the attempted commercial exploitation of fictitious names and characters. The law of passing off is notoriously deficient in protecting any rights which such a transaction seeks to create or transfer. For C to be liable in the tort, A and B must pinpoint some business reputation which has been exploited by C to sell its product. Cases such as *Wombles Ltd* v *Wombles Skips Ltd*[59] and *Tavener Rutledge Ltd* v *Trexapalm Ltd*[60] illustrate the difficulty of this. It is

[57] (1980) 53 FLR 385.
[58] *Ibid* 392.
[59] [1977] RPC 99.
[60] [1977] RPC 275.

very unlikely that potential consumers of C's product will purchase it because of some erroneous idea that A has licensed the use of its name. As Korn commented in relation to the *Tavener* case,[61] "suckers of Kojak lollipops do not care whether the lollipop is made with or without the merchandisers' blessing".[62] In so far as A is concerned, this argument is fatal. It could well be different if A was in the business of licensing the name and had adopted a practice of inserting quality control provisions in the licensing agreements. The argument might then be open that it is A's reputation for requiring good quality products which enhances sales.[63] B bears a lighter burden. If it can go beyond showing that the product sells well because of its decorative title and can establish that the public have come to associate the product of that name with B, then it will probably succeed.

A adopts a name for its business which is descriptive of the nature of the business. B, which conducts a similar, but not as successful, business, adopts a business name very similar to that of A.

Although not impossible, A has a very difficult task both under the law of passing off and under s 52. B's conduct can be seen as one of two things —either it is merely describing the nature of its business as is A, or it is misrepresenting to its prospective customers that its business is or is connected with that of A. It is only if a plaintiff can establish the latter "secondary meaning" of B's descriptive words that an action lies under the tort of passing off and s 52. In the *Australian Champagne* case,[64] for example, Franki J held that confusion had too long reigned in relation to the geographic distinctiveness of "champagne" and that the words "champagne" and "imported champagne" in their application to wine produced by the "methode champenoise" elsewhere than in France would not ordinarily have misled the relevant purchaser in Australia.[65] By way of contrast, it has been held that the word "Motorcharge" had gone beyond being merely descriptive of the applicant's petrol credit facilities and had become distinctive of its business.

Accordingly, whether A would succeed against B in the illustration given depends on the descriptive name in question and the extent to which prospective customers of B associate that name with a single entity.

5 REMEDIES AND JURISDICTION

Having made a comparative examination of the common law of passing off and s 52, a brief comment is required on whether there are any advantages relating either to procedure or to the remedies available under each cause of action respectively.

In relation to remedies, whilst damages and an injunction may be obtained for both a breach of s 52 and passing off, it would appear that an account

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61 *Ibid.*

62 A H Korn, "Character Merchandising" [1981] Journal of Business Law 432, 434.

63 *Tavener Rutledge Ltd* v *Trexapalm Ltd* [1977] RPC 275, 280-281 *per* Walton J.

64 *Comite Interprofessionel du Vin de Champagne* v *N L Burton Pty Ltd* (1981) 38 ALR 664.

65 See also *Hornsby Building Information Centre Pty Ltd* v *Sydney Building Information Centre Ltd* (1978) 140 CLR 216.

of profits arising out of a breach of s 52 is not available. The relevant section, s 82:

> speaks of loss or damage, which would imply that the section contemplates some form of restitutio in integrum rather than an account of profits. . . . So, for example, if a defendant were to have passed-off its goods as the plaintiff's, but reaped profits from a larger market than has been lost by the plaintiff (perhaps through more or better advertising on the part of the defendant), the plaintiff may fail [under s 52] to recover the full extent of the defendant's profit (over and above the plaintiff's own loss).[66]

On the other side of the balance, the statutory remedy of injunction provided for in s 80 is not burdened by equitable rules or the requirement to prove damage or a reasonable probability of damage. Section 80 therefore is capable of permitting an injunction to restrain a breach of s 52 in circumstances in which a court would not grant an injunction to restrain a passing off. Furthermore there is a wide power to make various miscellaneous orders under the Act (s 87) and also, if such is sought by the Minister or the Trade Practices Commission, an order requiring disclosure of information or certain corrective advertising (s 80A).

In relation to jurisdiction, two points must be made. First, it is only if the defendant is a corporation that proceedings under s 52 are available. In the modern-day market environment this is unlikely to be a significant cross to be borne under the section. Secondly, s 52 actions must be brought in the Federal Court by virtue of the grant of exclusive jurisdiction in s 86. Passing off actions, if brought by themselves, must continue to be brought in the various State Supreme Courts. If there is a high degree of coincidence between the facts alleged in respect of both the passing off claim and the s 52 claim, then there is little doubt that the passing off claim is an "associated" claim for the purpose of s 32(1) of the Act,[67] and accordingly should be made in the same action as the s 52 claim.

> It is . . . plainly desirable that if it is proposed to bring proceedings both for contravention of s 52 of the Act and for passing-off in respect of substantially the same conduct, both claims shall be pursued in the Federal Court which alone has jurisdiction to deal with the claim for contravention of s 52. On the other hand, we consider that the Federal Court should not, as a matter of general discretion, proceed to decide additional claims where it is pointless so to do. There are plainly many cases where an associated claim for passing-off provides no basis for wider or more effective relief than the primary claim for contravention of s 52. . . . [However] there may well be cases in which there are legitimate reasons for pursuing a claim for passing-off in addition to a claim for contravention of s 52. It is, for example, conceivable that a claimant might be entitled to relief for passing-off, even though his primary claim for contravention of s 52 . . . fails. Alternatively, a

[66] Serge Galitsky, "Beyond Consumer Protection—Section 52 of the Trade Practices Act: Implication of Some Recent Cases" [1979] Australian Business L Rev 265, 269-270.

[67] *Cf Philip Morris Inc and Philip Morris Ltd* v *Adam P Brown Male Fashions Pty Ltd* (1981) 55 ALJR 120 and G E Fitzgerald, "Private Remedies under the Trade Practices Act Jurisdiction" (1981) 11 Qld Law Society Journal 229.

wider form of injunction or more extensive damages might, arguably, follow from success in the associated claim for passing off.[68]

6 CONCLUSION

The law of passing off has served well to remedy "misappropriations" of commercial business reputations. Section 52 has also proved to be an effective tool in this regard. Apart from considerations relating to forum and to the necessity to prove actual or probable damage, there are two main factors which should determine whether a businessman should pursue either or both a claim under s 52 or in passing off. First, the type of misrepresentation involved is crucial. Whilst s 52 encompasses all misrepresentations which amount to an actionable passing off, it goes further, and enables a businessman to enjoin misrepresentations which have the effect of causing him loss but which are not aimed at establishing some association between him and the defendant. Statements solely relating to the quality of the plaintiff's or defendant's product or services are the most notable type of misrepresentation in this context. The second consideration is that if an account of profits is sought, the appropriate claim is passing off.

Between them the actions considered in this article censure a wide range of conduct which threatens business reputation by false or misleading means. Neither action, however, can be used to stifle competitive activities which, although unfair, involve no misrepresentation or misleading of consumers.

[68] *Taco Company of Australia Inc* v *Taco Bell Pty Ltd* (1982) 42 ALR 177, 205-206 *per* Deane and Fitzgerald JJ.