

CASE NOTES

MOORGATE TOBACCO CO. LTD V. PHILIP MORRIS LTD & ANOR¹

In the recent case of *Moorgate Tobacco Co. Ltd v. Philip Morris Ltd & Anor* the High Court of Australia confronted two of the most significant and controversial questions of current intellectual property law.

The judgment, delivered by Deane J., with whom Gibbs C.J., Mason and Wilson JJ. concurred, embodied a consideration of what will amount to prior use of a trade mark sufficient to sustain a claim to proprietorship, but also explicitly addressed the wider issue of the jurisdictional basis of the action for breach of confidence and the question of whether a general tort of unfair competition has evolved in Anglo-Australian law.

The High Court expressed support for the view that the equitable action of breach of confidence is founded on an obligation of conscience arising from the circumstances in which the information was communicated, explicitly rejecting the alternative proprietary analysis of the action.

The decision is, however, most notable for its unanimous repudiation of a generalised action of unfair competition and its unqualified re-affirmation of the famous Dixonian conception of intellectual property in the case of *Victoria Park Racing & Recreation Grounds Co. Ltd v. Taylor*² nearly half a century ago. In confirming that notion of 'piece-meal' protection for 'all the intangible elements of value' whilst approving the expansion of the constituent discrete categories, the High Court judgment is characterised by a traditionally conservative approach to judicial creativity in relation to novel proprietary rights. Equally cautious is its rejection of the judiciary as an appropriate arbiter of what will amount to unfair competition in the context of a free enterprise system predicated on the positive value of competition between traders.

The High Court considered that the introduction of an unwieldy, generalised action would have the mischievous consequence of inspiring 'judicial indulgence of idiosyncratic notions of what is fair'.³ Flexible adaptation of the existing forms of action, coupled with appropriate legislative input, was endorsed as the more appropriate mechanism for the regulation of competition in Australian law.

The unanimous and unequivocal pronouncements by the High Court on these issues must preclude the emergence of a new tort of unfair competition in Australia, for the immediate future at least, and similarly, may constitute an impediment to those developments in breach of confidence suggested by a proprietary analysis of the action.

The Facts

The appellant was registered proprietor in Australia of the 'KENT' and 'MICRONITE' trade marks in relation to cigarettes and tobacco products. On taking the assignment of the trade marks, the appellant had also succeeded to rights under a licence agreement pursuant to which its predecessor in title, Loew's, had licensed the manufacture and sale of 'KENT' cigarettes in Australia. Some years prior to the assignment to the appellant, Philip Morris (the respondent) had succeeded to the rights of the original licensee. The respondent manufactured and sold 'KENT' cigarettes under licence and also sold other tobacco products, including cigarettes under the 'MARLBORO' trade mark.

Two years prior to the expiry of the original licence agreement, Loew's, which had developed a reduced tar and nicotine content cigarette for the United States and European markets under the line

¹ (1984) A.I.P.C. 90-141.

² (1937) 58 C.L.R. 479.

³ *Jacobs v. Robitaille* (1976) 406 F. Supp. 1145, 1151, cited by Deane J. in *Moorgate Tobacco Co. Ltd v. Philip Morris* (1984) A.I.P.C. 90-141, 39, 002.

extension brand names 'KENT GOLDEN LIGHTS' and 'KENT SPECIAL MILD' respectively, commenced negotiations with the object of inducing the respondent to enter a further licence agreement for the sale and manufacture of the reduced tar product in Australia.

During the course of these negotiations it was concluded that the respondent, which was already marketing its own low tar cigarette 'MARLBORO LIGHTS' without success, would undertake a marketing plan, and depending on its outcome, would obtain the appropriate licence on completion. The line extension trade marks 'KENT GOLDEN LIGHTS' and 'KENT SPECIAL MILD' were inconclusively canvassed as alternative names, should the licence agreement be finalised.

The negotiations ultimately proved abortive, mainly due to the licensor's assignment of the 'KENT' trade mark and associated rights to the appellant, a major trade competitor of the respondent. The appellant planned to develop the 'KENT' business in Australia directly.

On learning of the appellant's acquisition of the licensor's trade marks and rights, the respondent successfully applied for registration of the trade mark 'GOLDEN LIGHTS' and shortly thereafter, commenced marketing of cigarettes under the trade mark 'MARLBORO GOLDEN LIGHTS'. It should be noted that the word 'golden' was in common usage as a component of trade marks for tobacco products and that the respondent itself already owned the trade mark 'MARLBORO LIGHTS'. Nevertheless, the combination of 'golden' and 'lights' had been devised by the licensor.

Its registration of 'GOLDEN LIGHTS' not only secured the mark for the respondent, but also precluded use of the marks 'GOLDEN LIGHTS' or 'KENT GOLDEN LIGHTS' by the appellant.

The appellant had unsuccessfully sought to prevent registration and claimed damages before Helsham C.J. at first instance, and the New South Wales Court of Appeal, on the bases of breach of contract, breach of fiduciary duty or breach of confidence and, most innovatively, on the basis of tortious unfair competition.

The High Court dismissed all the appellant's arguments. In the course of his judgment, Deane J. offered a substantial analysis of what will constitute prior use for the purposes of proprietorship of a trade mark, made important pronouncements on the basis of the action for breach of confidence and firmly repudiated the much debated possibility of a new tort of unfair competition in Australian law.

Prior use and proprietorship of a trade mark

The appellant's argument that the respondent's registration of 'GOLDEN LIGHTS' constituted a breach of an express term of the licence agreement requiring the licensee to respect its 'trade mark rights' was contingent upon a finding that Loew's had been 'proprietor' of the relevant trade mark within the terms of s. 40(1) of the *Trade Marks Act 1955* (Cth) on the basis of prior use.

While pointing out that slight use will suffice in order to protect an overseas owner and user of a mark against a threatened registration by another party, Deane J. reiterated that, even assuming that such minimal uses were sufficient to establish proprietorship (as distinct from challenging a claim to local authorship), it must nevertheless be used in Australia as a trade mark — that is, use of the mark in relation to goods so as to indicate a connection in the course of trade between those goods and the claimant.

In the case at hand, the appellant sought to rely on several sample cigarette packages and advertising material displaying the mark, which were delivered to Australia in the course of negotiations with the licensee. While accepting that an actual dealing in goods is not required, so that an offer for sale under the mark of imported goods which had not yet arrived in Australia, or use of the mark in an advertisement may suffice, Deane J. concluded that actual trade, or an offer to trade, or an existing intention to offer or supply the goods in trade, was necessary. The appellant's delivery of the packets and materials was merely part of the preliminary negotiations on which any eventual decision to use the mark in trade depended. As such, no trade or existing intention to trade in goods bearing the mark was established. Accordingly, the argument based on proprietorship supported by prior use failed. Equally unsuccessful was an argument that the licence agreement incorporated an implied term that the licensee would refrain from hindering the licensor's development of any proposed line extension of the 'KENT' trade mark. Deane J. pointed out that such an undertaking would have the absurd result of precluding the respondent from taking action to prevent line extensions which threatened its own established trade marks.

Breach of fiduciary duty and breach of confidence

Deane J. held that the respondent was not in a fiduciary relationship with the licensor as a result of agency, partnership or an undertaking to prepare a market plan on the latter's behalf.

The appellant accordingly argued that independently of any fiduciary relationship, it was entitled to relief on the basis of breach of confidence. Deane J. found that the marketing details supplied did not have the necessary element of confidence about them, but were merely in the nature of an 'arms length' communication to a potential licensee, known to be dealing in a competing product; nor was there any indication that either party viewed the information as confidential. In the course of his discussion of this issue, Deane J. expressed support for the view that the action for breach of confidence is founded 'in the notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained'.⁴ He explicitly stated that the action was not based on a proprietary right. As all other judges expressed concurrence, Deane J.'s *dictum* constitutes a strong, though not substantially argued rejection by the High Court of the theory that the action for breach of confidence is directed at the protection of a kind of property in the confidential information itself. As important consequences hinge on support for either theory — for example, the liability of innocent third party purchasers and protection for 'stolen' information are less readily reconcilable with the 'good conscience' construction of the action⁵ — it is regrettable that such a significant conclusion was not more expansively argued.

Unfair competition

The final and most radical argument of the appellant was founded on the tort of unfair competition, the elements of the action allegedly being that the respondent 'had acted unfairly to the disadvantage of the appellant'.⁶

Deane J. confronted squarely the vexed question of whether a new and general cause of action protecting a trader from unfair competition generally or from the misappropriation of information in which he has a quasi-proprietary right, has emerged in Australian law. He concluded that 'unfair competition does not, in itself, provide a sufficient basis for relief under the law of this country'.⁷

In a sustained attack on the assumptions underpinning the famous *International News Service v. Associated Press*,⁸ his Honour interpreted that case as a judicial Pandora's box. The majority view that unfair competition was in itself an actionable wrong, and that a quasi-property attached to information for business purposes, which would be protected against misappropriation, had not incorporated specific indications of the elements of the general wrong. Subsequent attempts at refinement had, in Deane J.'s view, rarely exceeded 'high-sounding and uninformative generalizations', so that even in the United States, judicial resistance to 'a body of law that lacks in judicial definition and scope' had been encountered.⁹

Disapproving of the operation of the doctrine in United States jurisdictions, his Honour also rebutted the views of those who discern in the House of Lords decision of *Erven Warnink v. Townend & Sons (Hull)*¹⁰ the emergence of an analogous tort. He pointed out that Lord Diplock's judgment, frequently identified as authority for the possibility, had stressed the positive value of competition and the inescapable rigours of the market place.

Nevertheless, it should be noted that Lord Diplock subsequently developed that proposition, and pointed out that progressive regulation by Parliament since nineteenth century times of untrammelled *laissez-faire*, though primarily directed at consumer protection, should also function as a guide for judicial extension of causes of action to cover novel circumstances in disputes between traders. Thus, Lord Diplock did seem to contemplate some judicial creativity in the arbitration of unfair competition, with consumer-oriented legislation as an indicator, although he may have fallen short of advocating the judicial introduction of any generalised action.

⁴ (1984) A.I.P.C. 90-141, 38, 999.

⁵ See, for example, Ricketson, S., *The Law of Intellectual Property* (1984), 855-6.

⁶ (1984) A.I.P.C. 90-141, 39,000.

⁷ *Ibid.*

⁸ (1918) 248 U.S. 215.

⁹ (1984) A.I.P.C. 90-141, 39,002.

¹⁰ [1979] 2 All E.R. 927.

In contrast, Deane J. in *Moorgate Tobacco* tended to parallel the views of Dixon J. in *Victoria Park* and Brandeis J. in *International News Service*, in his reluctance to entertain much scope for judicial creativity in this context. While contemplating flexibility in construing the traditional actions, his Honour firmly concluded that the balance between equitable protection and untrammelled competition must be ordered by Parliament and predicated on the established limits of the traditional causes of action,¹¹ rather than importing consumer-oriented standards as a guide to expanding the existing avenues of intellectual property.

Similarly cautious is Deane J.'s unqualified affirmation of the concept of intellectual property so enduringly expressed in the classical Dixon *dictum*, as a series of separate protected interests which have all been formulated as public-interest inspired exceptions to the general principle that products of the intellect and human endeavour will otherwise pass freely into the public domain. Recognition of an action to protect a 'quasi-property' in information generally in the context of unfair competition would undoubtedly threaten the survival of this over-arching concept.

The perennial problem of achieving balance between the competing interest of the public in free access to information and ideas, and the protection of the creative or enterprising individual, now exists in the context of unprecedented growth in the traditional causes of action and intellectual property regimes. The High Court's refusal to entertain the introduction of an elusive species of quasi-property, defined largely by reference to circumstances of unfair competition, may be seen as predictable. Its decision nevertheless formally re-entrenches a rigid and peculiarly British concept of intellectual property, which will not facilitate assimilation to more flexible, natural-law inspired definitions operative in European jurisdictions.

JULIE DODDS*

R. W. G. MANAGEMENT LTD V. THE COMMISSIONER FOR CORPORATE AFFAIRS AND THE NATIONAL COMPANIES AND SECURITIES COMMISSION*

In his article 'Trading Trusts and Creditors' Rights'¹ Professor Ford expressed grave concern for the position of creditors dealing with trading trusts. He went so far as to say that 'the fruits of the union of the law of trusts and the law of limited liability trading companies is a commercial monstrosity. The scope for frustrating creditors is considerable'.² The theme of Professor Ford's article is that the decision to supply a company with goods and services may be influenced by the belief that assets controlled by a company belong to the company. One could add to this the fact that any supplier could reasonably expect to have recourse against the assets of the company in the event that it is unable to meet its obligations. As Professor Ford points out, where a company is a trustee the appearance of credit worthiness may be false.³ As Grbich observes the fact that a trust is not a legal entity and cannot sue or be sued is so obvious that it is often overlooked.⁴

The substantial move of business into trusts has been motivated by tax considerations. As Grbich puts it 'the game is evolving fast'.⁵ As the game evolves, the need to reconsider the position of creditors dealing with trading trusts becomes increasingly critical. This is particularly so in the case of the under capitalized corporate trustee. Grbich vividly depicts the plight of creditors who deal with so called '\$2 nominee trustee companies'. 'It is said that hanging helps focus the mind. There is nothing like a few wounded creditors foisted with bad debts incurred by a man of straw corporate trustee company to focus

¹¹ (1984) A.I.P.C. 90-141, 39,003.

* Lecturer in Law, University of Melbourne.

*Unreported judgment delivered 18 December 1984. Page references are to the transcript.

¹ (1981) 13 M.U.L.R. 1.

² *Ibid.* Grbich in Grbich, Y. F. R., Hutchins, J., Payes, D. and De Wijn, J. W., *Winding up Trusts* (1984) 183 refers to 'the modern mutation of the trust form'.

³ Ford, *op. cit.* 1.

⁴ Grbich, *op. cit.* 183.

⁵ *Ibid.*