# WHAT'S IN A NAME? GOODWILL IN EARLY PASSING-OFF CASES

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*In 1915 in the landmark House of Lords' case of* Spalding v Gamage, *Lord Parker of Waddington identified goodwill as an element of passing-off, but without invoking clear authority for this view. This article goes in search of this authority. As a basis for this search, it considers the meaning and nature of goodwill, with particular emphasis on its sources. Then it examines passing-off cases before* Spalding v Gamage, *dating back to the earliest, to determine whether harm to the sources of goodwill may be found. Considerable evidence for harm to these sources and thus to goodwill itself is found in these cases. Accordingly, Lord Parker of Waddington's identification, albeit equivocal, of goodwill as an element of passing-off may be seen as well-founded in the case law.*

## I INTRODUCTION

The modern tort of passing-off is said to comprise three elements, namely misrepresentation, damage, and goodwill.[1] In the House of Lords' case of *Erven Warnink BV v J Townsend & Sons (Hull) Ltd*[2] Lord Diplock identified the following five characteristics, including these elements, which must be present for a valid cause of action for passing-off:

> (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 ... will probably do so.[3]

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1 See Christopher Wadlow, *The Law of Passing-off* (3rd ed, 2004) 6. Wadlow notes that these three elements are sometimes referred to as the 'classical trinity' of passing-off and that variations to them are possible, such as the substitution of reputation for goodwill. See, eg, *Consorzio del Prosciutto di Parma v Marks & Spencer plc* (1989) 16 IPR 117, 123–4 (Morritt J).

2 [1979] AC 731 ('*Erven Warnink*').

3 Ibid 742. Moreover, in *Reckitt and Colman Products Ltd v Borden Inc* (1990) 17 IPR 1, both Lord Oliver of Aylmerton and Lord Jauncey of Tullichettle restated the three classical elements as constituting an action for passing-off.

Passing-off has produced a significant body of case law, particularly since it was apparently first recognised by that name in 1842.[4] However, the 'classical' form of the modern tort requiring property in the nature of goodwill to be the subject of damage is claimed to be a development dating from 1915 in the House of Lords' case of *A G Spalding & Bros v A W Gamage Ltd*.[5] As Lord Diplock noted in his speech in *Erven Warnink* concerning the earlier House of Lords' case of *Reddaway & Co v Banham & Co*:[6]

> Although it was a landmark case in deciding that the use by a trader of a term which accurately described the composition of his own goods might nevertheless amount to the tort of passing off if that term were understood in the market in which the goods were sold to denote the goods of a rival trader, *Reddaway v Banham* did not extend the nature of the particular kind of misrepresentation which gives rise to a right of action in passing off beyond what I have called the classic form of misrepresenting one's own goods as the goods of someone else nor did it provide any rational basis for an extension.
>
> This was left to be provided by Lord Parker of Waddington in [*Spalding v Gamage*]. In a speech which received the approval of the other members of this House, he identified the right the invasion of which is the subject of passing-off actions as being the property in the business or goodwill likely to be injured by the misrepresentation.[7]

Similar views concerning Lord Parker of Waddington's contribution have been expressed by the Privy Council in *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd*[8] and by Lord Jauncey of Tullichettle in *Reckitt and Colman Products Ltd v Borden Inc*[9] where he said that the precise rights to be protected were 'finally resolved' in *Spalding v Gamage*. Moreover, Lord Diplock himself had also expressed such a view in *Star Industrial Company Limited v Yap Kwee Kor*.[10]

But where did goodwill as an element of passing-off seemingly suddenly spring from? And can support be found for its recognition as an element in *Spalding v Gamage*? This article examines the place of goodwill in the development of passing-off and, as such, takes an historical perspective with a focus on the

4 Wadlow, above n 1, 12 suggests that the term 'passing-off' comes from *Perry v Truefitt* (1842) 6 Beav 66; 49 ER 749. In fact, in that case the term 'pass off' was used, but only in the headnote. Expressions such as using or adopting the name of another were used in the report itself. However, it is interesting to note that in the same year in *Crawshay v Thompson* (1842) 4 Man & G 357; 134 ER 146 both 'pass off' and 'passing off' specifically were used on several occasions by both counsel and the judges. It seems, therefore, that this latter case has a stronger claim to having provided the name for this tort. Furthermore, Dawson reveals an even earlier use of the term 'passing off' in a legal context, but not in a case report, concerning a trade mark dispute dating from 1740: see Norma Dawson, 'English Trade Mark Law in the Eighteenth Century: *Blanchard v Hill* Revisited – Another "*Case of Monopolies*"?' (2003) 24 *Journal of Legal History* 111.

5 (1915) 84 LJ Ch 449 ('*Spalding v Gamage*').

6 [1896] AC 199 ('*Reddaway v Banham*').

7 [1979] AC 731, 741.

8 [1980] 2 NSWLR 851.

9 (1990) 17 IPR 1.

10 (1975) 1b IPR 582, 592–3.

United Kingdom. First, it addresses the meaning and nature of goodwill with particular reference to its sources, which are those properties and aspects of a business which generate goodwill. Then a selection of important passing-off cases preceding *Spalding v Gamage* is reviewed to determine whether damage to the sources of goodwill may be detected in these cases. Where there is damage to the sources of goodwill there is necessarily damage to the goodwill itself. Thus the article examines these cases to determine whether a concern for the protection of goodwill, by way of protecting its sources, may be discerned in these earlier actions. Evidence of protecting the sources of goodwill from damage will justify, it is argued, the identification of goodwill as an element of passing-off.

## II GOODWILL EMERGES

### A Spalding v Gamage

In *Spalding v Gamage* the defendants advertised for sale footballs of a superseded rubber type which had been manufactured by the plaintiffs. However, it was found by the House of Lords that the advertisements were likely to deceive customers into thinking that they were purchasing a new type of football manufactured by the plaintiffs and, furthermore, for a bargain price. Having found that misrepresentation existed in the advertisements, Lord Parker of Waddington said that 'the misrepresentation so established was, in my opinion, of such a nature as to give rise to a strong probability of actual damage to the plaintiffs in both their retail and wholesale trades'.[11] But there is no mention of damage to goodwill in this statement, which effectively represents his Lordship's decision. It appears that he had slipped back, perhaps unconsciously, to an earlier less explicit conception of the passing-off action.

Earlier in his speech, however, Lord Parker of Waddington had made what has been taken as the 'landmark' pronouncement concerning goodwill in passing-off, stating:

> There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing-off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question – property in what? Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v Banham* expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view.[12]

11 (1915) 84 LJ Ch 449, 453.

12 Ibid 450.

This is all that Lord Parker of Waddington had to say about the place of goodwill in the action and, on the face of it, it is a rather curious statement inviting close scrutiny. First, he suggested that there was considerable diversity of opinion regarding the nature of the right invaded, but did not refer to any sources of this diversity of opinion. Secondly, he invoked the more general opinion that the right was a right of property, again without any authority. Thirdly, he set up a debate between authorities on the one hand saying it was property in the mark, name or get-up of the plaintiff and authorities on the other hand saying it was property in the 'business or goodwill' of the plaintiff. Then he invoked Lord Herschell's dissension from the former view, thus seemingly by default accepting the latter view involving property in the business or goodwill, with the qualification 'if the right invaded is a right of property at all'. This qualification reveals that Lord Parker of Waddington was somewhat equivocal about the need for property. Much appears to ride on this equivocal view of property and its place in passing-off; it hardly amounts to a compelling case for goodwill as the property subject to damage in such an action. This is especially so in view of the fact that Lord Parker of Waddington did not identify the authorities he invoked in the above passage. Nonetheless, as a result of this mention of goodwill, and then only as an alternative to business, *Spalding v Gamage* has been accepted as the landmark case on goodwill as an element of passing-off.

## B Burberrys v Cording

However, there may be found an earlier and more explicit statement of the place of goodwill in a passing-off action in 1909 in *Burberrys v J C Cording & Co Ltd*,[13] a statement made by Lord Parker of Waddington himself sitting as Parker J at the time. This case concerned an action by the plaintiffs to restrain the defendants from using a certain word to describe the coats they made, a word the plaintiffs claimed was distinctive of these coats. Parker J stated:

> The principles of law applicable to a case of this sort are well known. ... 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 goodwill which will be injured by its use. If the use of a word or name be restrained, it can only be on the ground that such use involves a misrepresentation, and that such misrepresentation has injured, or is calculated to injure another in his trade or business.[14]

Here there is not the equivocation found in *Spalding v Gamage*. Parker J simply and directly identified the property to be protected as 'property in the trade or goodwill', and postulated, moreover, that the applicable principles of law were well known. This suggests that it was well known that goodwill formed an element of passing-off – a notable observation given that goodwill was not explicitly referred

13 (1909) 26 RPC 693.

14 Ibid 701.

to in earlier cases. Furthermore, it should be noted that Parker J only referred to goodwill as an alternative to trade or business and did not refer to goodwill at all in the second reference to 'trade or business'. But, to this day, goodwill is still generally cited as an alternative to business or trade,[15] apparently without affecting its recognition as an element.

## III THE MEANING AND NATURE OF GOODWILL

Lord Macnaghten provided the classic definition of goodwill in *IRC v Muller and Co's Margarine Ltd*:[16]

> It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may predominate here and another element there.[17]

Thus Lord Macnaghten defined goodwill essentially as that 'attractive force which brings in custom', while at the same time recognising that it is 'composed of a variety of elements'. Some of these elements were identified by Lord Lindley in the same case as 'situation, name and reputation, connection, introduction to old customers, and agreed absence from competition'.[18] From these pronouncements on goodwill it may be seen that it is closely connected with custom and hence trade or business, and with elements such as names, marks and reputation. In a detailed analysis in *FCT v Murry*,[19] the High Court of Australia pointed out that the authorities[20] reveal that goodwill consists of three different aspects: *property*, *sources*, and *value*.

### A *Goodwill as Property*

Notwithstanding its elusive and intangible nature, it is well settled that goodwill is property. For example, goodwill had been recognised as property by the time

15 For example, Lord Diplock's five characteristics of a valid passing-off action from *Erven Warnink* included a reference to 'business or goodwill', with goodwill still only an alternative to business.

16 [1901] AC 217 ('*Muller*').

17 Ibid 223–4.

18 Ibid 235.

19 (1998) 193 CLR 605 ('*Murry*').

20 The High Court referred specifically to the definitions of goodwill enunciated in *Muller* (Lord Lindley and Lord Macnaghten) and *Haberle Crystal Springs Brewing Co v Clarke* (1929) 30 F 2d 219 (Swan J).

of *Potter v Commissioner of Inland Revenue*[21] in the middle of the 19th century, and other 19th century cases which held that goodwill was property include *Commissioner of Inland Revenue v Angus & Co*[22] and *The West London Syndicate Limited v Commissioner of Inland Revenue*.[23] Thus, as Lord Macnaghten stated in *Muller*:

> It is very difficult ... to say that goodwill is not property. Goodwill is bought and sold every day. It may be acquired ... in any of the different ways in which property is usually acquired. When a man has got it he may keep it as his own. He may vindicate his exclusive right to it if necessary by process of law. He may dispose of it if he will – of course under the conditions attaching to property of that nature.[24]

The High Court in *Murry* elaborated on the idea of goodwill as property in stating:

> Goodwill is correctly identified as property ... because it is the legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it. It is a right or privilege that is inseparable from the conduct of the business.[25]

Accordingly, goodwill is an item of property inseparable from the business to which it attaches. It is the right to benefit from that attractive force which brings in custom. Furthermore, it is an item of property that is one indivisible whole,[26] notwithstanding that it may be seen as being composed of elements or having a range of different sources as noted below. On the authority of *Muller* and earlier cases, goodwill had clearly been recognised as property, often very valuable property, of a business before the time of *Spalding v Gamage*.

## B *Sources of Goodwill*

As the High Court in *Murry* observed in response to cases such as *Muller*, it had been common to describe goodwill as being composed of elements. However, in what may be seen as a more perceptive and accurate assessment of the nature of goodwill, the High Court saw it as having sources rather than elements. In the words of the Court:

> [G]oodwill is a quality or attribute that derives *inter alia* from using or applying other assets of the business. Much goodwill, for example, derives from the use

21 (1854) 10 Ex 147; 156 ER 392. In this case, it was observed that 'very frequently the goodwill of a business or profession ... is made the subject of sale, though there is nothing tangible to it ... it is a valuable thing belonging to [the vendor], and which he may sell to another for pecuniary consideration': 157; 396 (Pollock CB).

22 (1889) 23 QBD 579.

23 [1898] 2 QB 507.

24 [1901] AC 217, 223.

25 (1998) 193 CLR 605, 615.

26 See, eg, *Muller* [1901] AC 217, 224 (Lord Macnaghten) and *Geraghty v Minter* (1979) 142 CLR 177, 193 (Stephen J).

> of trade marks or a particular site or from selling at competitive prices. But it makes no sense to describe goodwill in such cases as composed of trade marks, land or price, as the case may be. Furthermore, many of the matters that assisted in creating the present goodwill of a business may no longer exist. It is therefore more accurate to refer to goodwill as having sources than it is to refer to it as being composed of elements.[27]

Nonetheless, the High Court did not see itself as providing a new definition of goodwill in making this observation. Rather, it invoked Lord Lindley in *Muller* in supporting its view by asserting that 'Lord Lindley referred to goodwill as adding value to a business "by reason of" situation, name and reputation, and other matters and not because goodwill was composed of such elements'.[28] Thus the High Court recognised, importantly, that the so-called 'elements' of goodwill were in fact the sources of that goodwill.

Some key sources of goodwill have, in fact, provided names for categories or types of goodwill: notably, *personal* goodwill, *site* goodwill, *name* goodwill, and *monopoly* goodwill.[29] Personal goodwill arises from the personal characteristics of a person or persons associated with the business. Site goodwill relates to the site or location of the business. Name goodwill arises from the name or reputation associated with a business, in which trade marks and brands may play important parts. Finally, monopoly goodwill recognises goodwill arising from a monopoly conferred on the business by exclusive rights from statutory licences and patents, for example. However, as noted by the High Court in *Murry*,[30] while these categories may be helpful descriptions of goodwill used in particular contexts, care must be taken to avoid seeing these descriptions as separate items of goodwill. Goodwill remains one whole item of property. Rather, these descriptions reflect major *sources* of the goodwill in terms of the High Court's view in *Murry*.

The mid-19th century case of *Churton v Douglas*[31] provided what might be taken as the first general definition of goodwill in the English jurisdiction, including references to what may be seen as important sources of the goodwill. Wood V-C approached the concept thus:

> Goodwill, I apprehend, must mean every advantage – affirmative advantage, if I may so express it ... – that has been acquired by the ... firm by carrying on its business, everything connected with the premises, or the name of the firm, and everything connected with or carrying with it the benefit of the business.[32]

27 (1998) 193 CLR 605, 615.

28 (1998) 193 CLR 605, 615. As already noted, these elements were identified by Lord Lindley in *Muller* as 'situation, name and reputation, connection, introduction to old customers, and agreed absence from competition': [1901] AC 217, 235.

29 For example, in *FCT v Krakos Investments Pty Ltd,* Hill J identified these four categories of goodwill from the authorities: (1995) 61 FCR 489, [57].

30 (1998) 193 CLR 605.

31 (1859) 28 LJ Ch 841.

32 Ibid 845.

Then Wood V-C went on to say in respect of names and trademarks:

> The name of a firm is a very important part of the goodwill. ... There are cases every day in this court with regard to the use of the name of a particular firm, connected generally, no doubt, with the question of trade-marks. ... The firm stamps its name on the articles. It stamps the name of the firm which is carrying on its business on its articles as a proof that they emanate from that firm, and it becomes the known firm, to which applications are made.[33]

Consequently, from this early point, it may be seen that names and trade marks, inter alia, were viewed as important sources of goodwill.

In *Murry,* the High Court identified the sources of goodwill as many and varied.[34] But in essence the sources are those things that attract custom and generate business. Consequently, aspects of business such as custom,[35] trade, profits, reputation, names and marks may readily be seen as sources of goodwill and, as addressed in this article, these were terms commonly used to refer to the subject of damage in passing-off cases in the period before *Spalding v Gamage.* As will be revealed in this article, there is plentiful reference to injurious effects to these aspects of business in these cases. It necessarily follows, therefore, that damage to these sources constituted damage to goodwill. This is central to the argument in this article: that goodwill was indeed the property damaged in earlier passing-off cases, although not made explicit in the judgments.

### C *Value of Goodwill*

As property and an asset of a business, goodwill has value to that business. Again to cite *Murry*, '[g]oodwill has value because it can be bought and sold as part of a business and its loss or impairment can be compensated for by an action for damages'.[36] Of course, loss or impairment of goodwill is an element of passing-off and a basis for remedy. The valuation of goodwill is based on the profitability of a business, thus anything adversely affecting profits will reduce the value of goodwill and the value of the business. Business profits have been used as a basis for calculating the value of goodwill from at least early in the 19th century. For example, in 1825 in *Cook v Collingridge*[37] Lord Eldon LC advanced the view that goodwill should be valued on the basis of the 'last three or fours years' profits'[38]

33 Ibid.

34 See *Murry* (1998) 193 CLR 605, 615 where the High Court reflected on the typical sources of goodwill.

35 The term 'custom' was used in some early cases more directly as a synonym for goodwill. In *Churton v Douglas* (1859) 28 LJ Ch 841, 846 Wood V-C said emphatically that custom was what was meant by goodwill. References to custom as effectively a synonym for goodwill may be found in early cases before the term goodwill had entered general legal parlance: see, eg, *Broad v Jollyfe* (1620) Cro Jac 596; 79 ER 509 and *Mitchel v Reynolds* (1711) 1 P Wms 181; 24 ER 347.

36 (1998) 193 CLR 605, 615.

37 (1825) 27 Beav 456; 54 ER 180.

38 Ibid 459; 182.

of the business. Later in 1858 in *Austen v Boys*[39] Lord Chelmsford LC pronounced as a general proposition that 'in determining [goodwill's] value the profits are necessarily taken into account, and it is usually estimated at so many years' purchase upon the amount of those profits'.[40] In line with these views, Charles Allan in his pioneering work on the law of goodwill published in 1889 noted that '[t]he usual basis of valuation is the average net profits made during the few years preceding the sale'.[41] Consequently, damage to trade and profits would invariably mean damage to goodwill, and this was certainly recognised in the 19th century.

### D *The Concept of Goodwill before* Spalding v Gamage

It is clear that by the time of *Spalding v Gamage* in 1915 the concept of goodwill, and its relationship with the business, had developed into essentially its modern form. The House of Lords case of *Muller* in 1901 amply demonstrates this. As a consequence, it may be taken that the nature and the composition of goodwill, arising from sources or elements, were well understood at that time. Furthermore, the effect of business profits on its value was also well understood. Thus it may reasonably be inferred that there existed a well-formed judicial appreciation of the nature of goodwill and its sources by this time.

## IV 'BUSINESS OR GOODWILL'

In *Spalding v Gamage* Lord Parker of Waddington identified the property to be protected from damage as 'property in the business or goodwill likely to be injured by the misrepresentation'.[42] Thus the element identified in that case, and also generally in later cases, was not goodwill alone but rather the compound notion of 'business or goodwill'. Taken at face value, this presents a conceptual problem because business is not property. As noted earlier, it is well settled that goodwill is property of a business. However, a business itself is not property, although of course it typically involves the use of various property, including goodwill. On the nature of business, the majority of the High Court said in *Murry*: 'A business is not a thing or things. It is a course of conduct carried on for the purpose of profit and involves notions of continuity and repetition of actions.'[43]

Hence the High Court saw business as a course of conduct, rather than property, as it had previously done in *Hope v Bathurst City Council*.[44] Similarly, in *Truax v Corrigan*,[45] Holmes J had the following to say about the nature of a business:

39 (1858) 27 LJ Ch 714.

40 Ibid 718.

41 Charles Allan, *The Law relating to Goodwill* (1st ed, 1889) 84.

42 (1915) 84 LJ Ch 449, 450.

43 (1998) 193 CLR 605, 626 (Gaudron, McHugh, Gummow and Hayne JJ).

44 (1980) 144 CLR 1.

45 257 US 312 (1921).

> An established business no doubt may have pecuniary value and commonly is protected by law against various unjustified injuries. But you cannot give it definiteness of contour by calling it a thing. It is a course of conduct and like other conduct is subject to substantial modification according to time and circumstance both in itself and in regard to what shall justify doing it a harm.[46]

Nonetheless, is it possible to give business a meaning flexible enough to be able to treat it as a species of property for the purposes of passing-off? Strictly speaking, it would seem that the answer is no. For example, in *Smith v Anderson*[47] Jessel MR attributed a flexible meaning to business, saying it was 'a word of extensive use and indefinite signification',[48] but nowhere in that case did he indicate that a business in itself was a species of property.[49]

However, if it is property which must be protected in passing-off, how does business as opposed to goodwill fit into the action, given that it is not property? Sense may be made of the element when it is expressed as 'the property in the goodwill of the business' in line with the approach taken in *Draper v Trist*,[50] where Goddard LJ identified the plaintiff's right of property as 'the right to the goodwill of his business'.[51] But this tidy resolution of the issue is not generally evident in the case law. In fact, in a number of the earlier cases there was no explicit concern for damage to property at all.

Nevertheless, where the protection was directed to property in the business, it may be argued that it boiled down to goodwill as the essence of business. In *Star Industrial Company Limited v Yap Kwee Kor*,[52] Lord Diplock put the position succinctly:

> A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-off one person's goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached.[53]

These comments on the relationship of goodwill to business essentially echo those of Lord Lindley in *Muller* where he said that '[g]oodwill regarded as property has no meaning except in connection with some trade, business or calling. … [G]oodwill is inseparable from the business to which it adds value'.[54] Therefore, in the light of this relationship, damage done to a business amounts to damage done

46 Ibid 342–3.

47 (1880) 15 Ch D 247.

48 Ibid 258.

49 It is interesting to note that business was said to be a species of personal property in *Primelife (Glendale Hostel) Pty Ltd v Commissioner of State Revenue* (2004) 9 VR 665, a stamp duties case. However, this view must be seen as inconsistent with established authority.

50 [1939] 3 All ER 513.

51 Ibid 526.

52 (1975) 1b IPR 582.

53 Ibid 592.

54 [1901] AC 217, 235.

to its goodwill, and vice versa. And such a relationship effectively resolves any conceptual problems arising from the fact that business in itself is not property. This clears the way for an examination of the place of property in the form of goodwill in the early case law.

## V ELEMENTS OF EARLY PASSING-OFF CASES

### A *The Need for Fraud*

The elements of passing-off in the early cases preceding *Spalding v Gamage* were not firmly established. Misrepresentation or deception has from the beginning been 'the very gist of the conception of passing off'.[55] However, the misrepresentation was routinely required to be fraudulent in nature until 1838 when fraud was held not to be an issue in equity by the Lord Chancellor in *Millington v Fox*.[56] This was naturally followed in another equity case, *Perry v Truefitt* in 1842,[57] where Lord Langdale MR noted that the deception in a passing-off action did not need to be intentional.[58] However, notwithstanding these early views, fraudulent deception remained the form of misrepresentation required for an action to succeed, at least at law, in cases until the end of the 19th century.[59] Thus fraud was still playing a part in passing-off as late as 1896 in *Reddaway v Banham* in the House of Lords wherein Lord Herschell stated that a person 'has a right to insist that [a trade mark] shall not be used ... if such a use would be an instrument of fraud'.[60] Nonetheless, it was recognised in *Spalding v Gamage* that fraud was not necessary, and this is clearly the modern view as observed by Lord Oliver of Aylmerton in *Reckitt and Colman Products Ltd v Borden Inc*.[61]

55 *Draper v Trist* [1939] 3 All ER 513, 518 (Green MR).

56 (1838) 3 My & Cr 338; 40 ER 956. Lockhart J of the Federal Court of Australia recognised the significance of this case in *Conagra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 308 where he proposed that: 'It has been clear since 1838, when *Millington v Fox* ... was decided, that equity does not require proof of an intention to deceive as a necessary ingredient in the cause of action.'

57 (1842) 6 Beav 66; 49 ER 749.

58 A fraudulent misrepresentation might still add evidentiary weight to an action, of course. This appeared to be the case in *Franks v Weaver* (1847) 10 Beav 297; 50 ER 596 where Lord Langdale MR himself found that the misrepresentation in question was fraudulent, but without stating that the fraud was necessary. In the later equity case of *Dixon v Fawcus* (1861) 3 El & El 537; 121 ER 544, it was also held that fraud was not required for an action to succeed, indicating that fraud had ceased to be a requirement in equity.

59 In fact, fraudulent misrepresentation was considered a requirement in Australia as late as 1929 by the High Court in *Turner v General Motors (Australia) Pty Ltd* (1929) 42 CLR 352 in light of Isaacs J's view that '[t]he court interferes solely for the purpose of protecting the owner of a trade or business from a fraudulent invasion of that business by somebody else': 362. For a discussion of the historical differences between equity and law in passing-off and a reconciliation between them, see William Morison, 'Unfair Competition and "Passing-off": The Flexibility of a Formula' (1956) 2 *Sydney Law Review* 50. Lord Parker of Waddington in *Spalding v Gamage* also made mention of the different approaches between equity and law, with only the latter requiring fraud: see (1915) 84 LJ Ch 449, 449–50.

60 Ibid 215.

61 [1990] 1 WLR 491, 498–9.

### B *The Need for Property*

Regardless of the question of fraud in early passing-off cases, it is the question of the presence of property that is of greater importance to this article. It will be argued that a concern for protection of property, in essence goodwill, may be detected in cases preceding *Spalding v Gamage*. The protection of property of a business is at the heart of an action for passing-off, explicitly so in its usual modern form. Moreover, it is clear that it was also at the heart of many earlier cases, particularly those in equity. Lord Eldon LC stated the fundamental position in *Macaulay v Shackell*[62] where he said that '[a] court of equity has no criminal jurisdiction, but it lends its assistance to a man who has … a right of property'.[63] The intention to protect property in passing-off actions in the courts of equity was made clear by Malins V-C in *Springhead Spinning Company v Riley*[64] where he said:

> The jurisdiction of this Court is to protect property, and it will interfere by injunction to stay any proceedings, whether connected with crime or not, which go to the immediate, or tend to the ultimate, destruction of property, or to make it less valuable or comfortable for use or occupation. It will interfere to prevent the destruction of property …[65]

Thus the need for property in some form was evident from an early stage in the courts of equity,[66] although it was not so evident in the courts of law at that time. Nonetheless, property, effectively in the form of goodwill as argued in this article, may be detected as an element in many of these cases, including those in the courts of law. And, as discussed later, evidence of harm to goodwill stretching back to the late 16th century may be detected.

However, notwithstanding the general lack of an explicit need for damage to property, it is obvious that a plaintiff would need to have perceived some damage to his reputation or business to justify taking action, as would be the case now. Thus in *Reddaway v Banham* Lord Herschell referred to property as something appropriated or infringed by the defendant, which therefore was part of or evidence of the deception or misrepresentation.[67] Damage to property, therefore, may be inferred from the case reports, with such damage often taking the form of loss of business and profits. While business and profits were not property in themselves, damage to them still amounted to damage to the goodwill of the business.

An issue commonly at stake in early passing-off cases concerned the infringement of common law trade marks, which typically involved the use of a name or design

62 [1827] 1 Bligh NS 96; 4 ER 809.

63 Ibid 96; 820.

64 (1868) LR 6 Eq 551.

65 Ibid 558–9.

66 For example, *Millington v Fox* (1838) 1b IPR 321 involved the protection of a proprietary right in a common law trade mark.

67 Ibid 210.

to mark distinctively the goods as those of the manufacturer.[68] Whether property existed in common law trade marks was a contentious issue. For example, Page Wood V-C in 1857 in *The Collins Company v Brown*[69] denied there was property in a trade mark, saying that '[i]t is now settled law that there is no property whatever in a trade mark'.[70] However, later in 1868 in *Springhead Spinning Company v Riley*[71] Malins V-C took the contrary view in holding that trade marks were property for purposes of protection. Lord Diplock certainly considered that common law trade marks were property, but with certain limitations.[72] But, notwithstanding any doubt about property in common law trade marks, it was recognised in *The Collins Company v Brown* that there was still a right to use such a mark to identify a person's goods and to prevent others from using that mark in a fraudulent manner. Consequently, a right, even if not necessarily a property right, was still fundamental to the action.

## C *Rights other than Property*

An early example where rights other than property rights were protected may be found in the 1833 case of *Blofeld v Payne*.[73] In this case the plaintiff manufactured hones for sharpening blades and wrapped them in a distinctive envelope to distinguish them from other manufacturers' hones. The defendants used envelopes resembling the plaintiff's to wrap their hones, whereupon the plaintiff claimed that he had lost sales and had also suffered injury to his reputation because the defendants' hones were inferior. On appeal, Littledale J stated that '[t]he act of the defendants was fraud against the plaintiff; and if it occasioned him no specific damage, it was still, to a certain extent, an injury to his right'.[74] While it is unclear from this case just what right was injured, it appears that it was simply a right to be protected against fraud rather than a property right.[75] Similarly, in *Croft v*

68 In *General Electric Co Ltd (USA) v The General Electric Co Ltd* (1972) 1b IPR 543, 571 Lord Diplock explained the nature of common law trade marks thus: 'The use by manufacturers of distinctive marks on goods which they had made is of very ancient origin, but legal recognition of trade marks as a species of incorporeal property was first accorded by the Court of Chancery in the first half of the 19th century ... To be capable of being the subject matter of property a trade mark had to be distinctive, that is to say, it had to be recognisable by a purchaser of goods to which it was affixed as indicating that they were of the same origin as other goods which bore the same mark and whose quality had engendered goodwill. Property in a trade mark could therefore only be acquired by public use of it as such by the proprietor and was lost by disuse. The property was assignable, transmissible and divisible, but only along with the goodwill of the business in which it was used.'

69 (1857) 3 K & J 423; 69 ER 1174.

70 Ibid 426; 1176.

71 [1868] LR 6 Eq 551.

72 For Lord Diplock's explanation of common law trade marks, see *General Electric Co Ltd (USA) v The General Electric Co Ltd* (1972) 1b IPR 543, 571.

73 (1833) 4 B & Ad 410; 110 ER 509.

74 Ibid 411; 510.

75 This was noted by Lord Diplock in *Erven Warnink* [1979] AC 731, 740–1 where his Lordship observed that the earlier law as represented by *Reddaway v Banham* did not extend beyond the particular form of misrepresentation which gives rise to a right of action, with no invasion of property required.

*Day*[76] in 1843 the right was again identified as the right to be protected against fraud.[77] Moreover, as late as 1900 in *Magnolia Metal Company v Tandem Smelting Syndicate Ltd*[78] and *Payton & Co Ltd v Snelling, Lampard & Co Ltd*[79] the House of Lords felt comfortable in not considering any specific rights or property such as goodwill as the subject of the claimed passing-off infringements.

In light of these cases, it is evident that the protection of property rights in the early passing-off cases was not generally a specific requirement. Often, the right in question was no more than a right to be protected against fraudulent misrepresentation. Thus these cases differed in at least two respects from the usual modern form of the action where fraud is no longer necessary and property in business or goodwill must be damaged. Nonetheless, as argued in the next section, these passing-off actions typically involved the protection of the sources of goodwill.

## VI GOODWILL IN EARLY CASE LAW

As already discussed, the early passing-off cases tended to focus on misrepresentation, fraudulent or not, as the fundamental element, with other matters assuming various levels of importance in the judgments. Nonetheless, judgments implying concern for effectively protecting goodwill may be discerned from the earliest cases. In this regard, it has been argued that goodwill has its sources in custom and hence trade or business, including sales and profits, and in trade marks, names and reputation. And damaging these sources in turn damaged goodwill.

Accordingly, in this section the origins of the passing-off action are first examined with a view to detecting early evidence of damage to the sources of goodwill. Then a selection of later cases will be examined under a range of headings representing classifications of sources of goodwill to demonstrate their presence as the subject of damage in these cases. Evidence of damage to these sources, it is argued, provides support for the finding in *Spalding v Gamage* that goodwill was the property in the business damaged by the passing-off. Because goodwill typically may have more than one source, these classifications are necessarily somewhat arbitrary, but serve the purpose of examination. The first classification includes cases from the early period of 1584 to 1810 where the origins of passing-off may be found, together with concerns for the sources of goodwill. Trade marks in general constitute the second classification because infringement of trade marks was a common form of passing-off and trade marks are a common source of goodwill. Place names as a specific source of trade marks and trade names constitute the third classification. Fourthly, consideration is given to damage to business and profits which has a direct effect on goodwill. Finally, damage to personal reputation as a source of goodwill is discussed.

76 (1843) 7 Beav 84; 49 ER 994.

77 Ibid 88; 996.

78 (1900) 17 RPC 477.

79 [1901] AC 308.

## A *The Origins of Passing-Off*

As far back as 1618 in the case of *Southern v How*[80] there is a reference by Doderidge J of the King's Bench to what may be seen as a passing-off action in an even earlier case from the Elizabethan period.[81] The report states:

> Doderidge said, that 22 Eliz. an action upon the case was brought in the Common Pleas by a clothier, that whereas he had gained great reputation for his making of his cloth, by reason thereof he had great utterance to his great benefit and profit, and that he used to set his mark to his cloth, whereby it should be known to be his cloth: and another clothier perceiving it, used the same mark to his ill-made cloth on purpose to deceive him, and it was resolved that the action did well lie.[82]

This appears to be a classic case of passing-off, with the defendant practising a deception in using the plaintiff's common law trade mark to divert the plaintiff's trade to himself. In this case the plaintiff had gained a great reputation for his cloth and on that basis had built up a profitable business, which he sought to protect with his mark.[83] This case is again referred to by Doderidge J in *Dean v Steel*,[84] which was a case of defamation rather than deceit as in *Southern v How*.[85]

80 (1618) Popham 143; 79 ER 1243.

81 This case is cited as 22 Eliz. Sir John Baker reveals this case to be *JG v Samford* (1584) (unreported): Sir John Baker, *An Introduction to English Legal History* (4th ed, 2002) 459. Baker comments on inconsistencies found in the printed references to this case, but nonetheless reports that the manuscripts of the case show that it was the first action for infringing a trade mark. However, Baker states that it seems no judgment was given in the case. See also J H Baker and S F C Milsom, *Sources of English Legal History, Private Law to 1750* (1986) 615.

82 *Southern v How* (1618) Popham 143, 144; 79 ER 1243, 1244 ('*Southern v How*').

83 Two other reports of *Southern v How* may be found in *The English Reports*: (1618) Cro Jac 468; 79 ER 400 and 2 Rolle 26; 81 ER 635. The fact that there are three reports adds some confusion concerning the nature of the action in the Elizabethan case. For example, Wadlow, above n 1, 19, states that the former report has the clothier bringing and winning the case (contrary to the apparent reference to the customer), while the report cited above (Popham 143; 79 ER 1243) cites the customer as the plaintiff (he claims). While it is not entirely clear, it appears that the plaintiff is more likely to have been the clothier. These differences illustrate the fact that these old and limited nominate reports are not reliable, especially so in this case where the third report (2 Rolle 26; 81 ER 635) apparently denies that Doderidge J identified the plaintiff but speculates that it was the customer. However, Morison, above n 59, reminds us that it is made explicit in the report of another case from the same period, *Dean v Steel* (1626) Latch 188; 82 ER 339, where Doderidge J again brought the Elizabethan case to mind, that it was the clothier who was the plaintiff. Wadlow, above n 1, 19 questions the significance of this case, holding it to be an isolated one which does not appear to contribute much to the development of passing-off. Nonetheless, it may still be taken to be of significant historical interest, revealing an early basis for the later passing-off action. This was in fact recognised in a number of important 19th century cases. For example, it is referred to as an authority in *Crawshay v Thompson* (1842) 4 Man & G 357; 134 ER 146 and in *Burgess v Burgess* (1853) 3 De GM & G 896; 43 ER 351, a case which turned on a question of fraudulent misrepresentation, where Knight Bruce LJ remarked regarding such misrepresentation that '[t]he law on the subject is as old as *Southern v How* ...': 902; 353. Furthermore, Lord Halsbury LC recognised the Elizabethan case as the origin of passing-off in *Magnolia Metal Company v Tandem Smelting Syndicate Ltd* (1900) 17 RPC 477, 484.

84 (1626) Latch 188; 82 ER 339.

85 *Southern v How* involved an action to recover money paid by the plaintiff for what turned out to be counterfeit jewels – a case of fraud. It is stated at the beginning of the report of (1618) Cro Jac 468; 79 ER 400, inter alia, that '[d]eceitfully using the mark of a trader is actionable', an obvious reference to passing-off, regardless of the substance of the action for fraud in this case.

Consequently, Morison claims that this left the origins of passing-off somewhat ambiguous,[86] but nonetheless the clothier's case was taken to be authoritative in later 19th century cases. While fraudulent misrepresentation was obviously the basis of the action in the Elizabethan clothier's case,[87] it may readily be seen that the elements of business and goodwill were a consideration also. It may be inferred that the action was primarily sought to protect the plaintiff's business and therefore his goodwill, even though the concept of goodwill had not been formally developed at that time.[88]

*Blanchard v Hill* in 1742 was another early passing-off case wherein the plaintiff held a monopoly in the production of playing cards which he identified by way of a distinctive mark.[89] He complained that the defendant had used his mark to the prejudice of his business by taking away his customers. This might appear to be a clear-cut case, but Lord Hardwicke LC refused to grant an injunction against the defendant, reportedly stating that:

> Every particular trader has some particular mark or stamp; but I do not know any instance of granting an injunction here, to restrain one trader from using the same mark with another; and I think it would be of mischievous consequence to do it.[90]

On the face of it, this seems to be a strange position to take. However, it appears from the report that the Lord Chancellor took a stand against the monopolistic playing card charter which he deemed to be illegal and that may provide in large part the reason for this decision. Norma Dawson confirms this view in a detailed analysis of this case in its broader commercial context.[91] Nevertheless, regardless of its basis, this decision had very little impact on later cases.[92] John Adams reports that, in a period shortly after *Blanchard v Hill* from 1769 to 1783, Lord Mansfield dealt with six passing-off cases and states that his notebooks suggest that it had been settled at least by 1769 that the law would protect names and marks. In the

86 Morison, above n 59, 54.

87 This essentially remains the case in the modern conception of the action, as Greene MR noted in saying that deception 'is the very gist of the conception of passing off' in *Draper v Trist* [1939] 3 All ER 513, 518. Of course, it is no longer necessary that the deception or misrepresentation be fraudulent.

88 The first case law reference to goodwill by name may be found in *Gibblett v Read* (1743) 9 Mod 459; 88 ER 573.

89 (1742) 2 Atk 484; 26 ER 692 *('Blanchard v Hill')*.

90 Ibid 485; 693.

91 Dawson, above n 4, 134. In summary Dawson states: 'In Lord Hardwicke's analysis, to enforce Blanchard's "right" to the mark was to enforce the company's monopoly before its validity had been established at common law (and he clearly doubted whether an action at law would succeed). Both principle and precedent precluded injunctive relief.'

92 *Blanchard v Hill* was reported by John Atkyns who had a very poor reputation for accuracy. This may perhaps provide some explanation for its apparent lack of influence as a precedent. Sir Carleton Kemp Allen states that Atkyns was a member of a class of reporters of little value and whom Lord Mansfield forbade to be cited to him: Sir Carleton Kemp Allen, *Law in the Making* (7th ed, 1964). Furthermore, John William Wallace said of Atkyns, amongst others, '... presenting frequently a defective state of facts; that the arguments, both of counsel and court, are often far from lucid, and that even the decree is sometimes wrongly given': John William Wallace, *The Reporters* (4th ed, 1882) 511. More generally, Baker holds that the reports of the period 1650–1750 were mostly of an inferior nature, intended more for private use than for publication.

last of these cases, *Singleton v Bolton*,[93] the defendant had sold a medicine under the same name as that used by the plaintiff to sell his medicine.[94] The plaintiff had not obtained a patent for this product. Accordingly, Lord Mansfield found that the defendant had simply used the name and mark of the original inventor, as had the plaintiff, and therefore the plaintiff had no right of action. However, it would have been a different matter, according to his Lordship, if the defendant had sold his own medicine under the name or mark of the plaintiff, as that would have been fraud. The only other ground for an action, Lord Mansfield said, would have been to protect the property of the plaintiff, but since he did not have a patent there was no property to protect. Thus Lord Mansfield did not see this as a case of passing-off, but apparently one of legitimate business competition. Nonetheless, the hallmarks of a classic early passing-off action may be seen in the references to fraudulent deception and the protection of property as a ground for the action. Of course, the protection of such property would have amounted to protection of the business and its goodwill.

In *Hogg v Kirby*[95] in 1803 the defendants published a magazine under a title similar to that used by the plaintiff, holding out that it was a continuation of the plaintiff's magazine. Lord Eldon LC held that the defendants' actions were fraudulent and granted an injunction restraining the defendants from publishing the work as that of the plaintiff. However, Lord Eldon nonetheless gave consideration to the property to be protected, finding it to be 'literary property' or copyright. Furthermore, he held that the plaintiff had a right to have his sales of the magazine protected. Here, the protection of a critical magazine copyright and the sales of that magazine may be seen as the protection of the business and its goodwill. Fraud again featured in the later landmark 'goodwill' case of *Cruttwell v Lye*[96] in 1810 where Lord Eldon said that 'there can be no doubt, that this Court would interpose against that sort of fraud, which has been attempted by setting up the same trade, in the same place, under the same sign or name: the party giving himself out as the same person.'[97] But while fraud was obviously occupying the mind of Lord Eldon, it is clear that protection of property in the business was still his fundamental concern.

These early cases clearly indicate that the protection of business property from the depredations of misrepresentation was a fundamental element. Accordingly, it may be inferred from these cases that a nascent concept of goodwill arising from the protection of trade marks and business was at the heart of the actions.

93 (1783) 3 Dougl 293; 99 ER 661. In contrast to Atkyn's work, this is a report by Sylvester Douglas who is rated by Baker as a reporter of a high standard. Allen also rates him as a superior reporter of the period.

94 John Adams, 'Intellectual Property Cases in Lord Mansfield's Court Notebooks' (1987) 8 *Journal of Legal History* 18, 23.

95 (1803) 8 Ves Jun 215; 32 ER 336.

96 (1810) 17 Ves Jun 335; 34 ER 129 *('Crutwell v Lye')*.

97 Ibid 342; 132. *Cruttwell v Lye* provides the first definition of goodwill to be found in the case law. In this case Lord Eldon said: 'The good-will, which has been the subject of sale, is nothing more than the probability that the old customers will resort to the old place': 346; 134. This is what is commonly known as site or local goodwill, that is, goodwill arising from customers' familiarity with the site of the business and the activity it thus generates.

## B *The Place of Trade Marks*

Imitating or infringing a trade mark was a common form of misrepresentation in the developing days of passing-off. Thus in *Sykes v Sykes*[98] in 1824 the defendants had marked their inferior goods with words and marks very similar to those used by the plaintiff with the intention of deceiving the ultimate purchasers into thinking that the goods were those manufactured by the plaintiff. The plaintiff's declaration reveals that he had suffered both a loss of sales and injury to his reputation as a result of the defendants' activities. Accordingly there may be seen an obvious reference to damage to a business and its goodwill. While deceit was at the heart of the action, business and goodwill may readily be perceived as a basic element of it. It would seem unlikely that such an action would have been brought if the plaintiff had suffered no damage to his business.[99]

The important equity case of *Millington v Fox*[100] in 1838 required Lord Cottenham LC to consider a bill by the plaintiffs seeking an injunction to prevent the defendants from using common law trade marks and names associated with the plaintiffs' manufacture of steel. In this particular case, the defendants' use of the marks had been innocently undertaken as a result of their thinking that the marks and names were common descriptions in the steel industry, and not those of the plaintiffs whom they did not know. Consequently, the Lord Chancellor accepted that there was no fraudulent intention[101] by the defendants in using the marks, which he considered distinguished this case from the usual type. But he nonetheless granted the injunction because he held that 'there was sufficient in the case to shew that the Plaintiffs had a title to the marks in question; and they undoubtedly had a right to the assistance of a Court of Equity to enforce that title'.[102] Here the property at stake was identified as the plaintiffs' title to the trade marks, but it was argued by the plaintiffs that the defendants had been marking steel of inferior quality and thus had 'injured the repute of the Plaintiffs' manufacture'.[103] Such injury to business reputation would be expected to damage business and goodwill.

In 1842 in *Perry v Truefitt*[104] action was taken by the plaintiff to restrain the defendant from selling 'a greasy composition for the hair' under a name that closely resembled the name the plaintiff had been using to sell a similar hair product. The plaintiff claimed that the name had developed great value to him as a trade mark and its adoption by the defendant had deceived customers into buying

98 (1824) 3 B & C 541; 107 ER 834.

99 However, in *Blofeld v Payne* (1833) 4 B & Ad 410; 110 ER 509, the plaintiff succeeded in his action without producing proof of harm to his business. It did seem, however, that he considered that he had suffered harm, which no doubt motivated him to proceed with his action.

100 (1838) 3 My & Cr 338; 40 ER 956 *('Millington v Fox')*.

101 As noted elsewhere in this article, the need for fraud in passing-off largely disappeared from equity following *Millington v Fox*, but the need for it lingered longer in the courts of law. The modern position is that fraud is no longer material, as noted by Lord Oliver of Aylmerton in *Reckitt and Colman Products Ltd v Borden Inc* [1990] 1 WLR 491.

102 (1838) 3 My & Cr 338, 352; 40 ER 956, 961.

103 Ibid 345; 959.

104 (1842) 6 Beav 66; 49 ER 749 *('Perry v Truefitt')*.

the defendant's product to the detriment of his business. Lord Langdale MR was of the opinion that, even at this early stage, the principle involved in a case such as this was 'very well understood'. He stated:

> A man is not to sell his goods under the pretence that they are the goods of another man; he cannot be permitted to practise such a deception, nor to use the means which contribute to that end. He cannot therefore be allowed to use names, marks, letters, or other *indicia*, by which he may induce purchasers to believe, that the goods which he is selling are the manufacture of another person. I own it does not seem to me that a man can acquire a property merely in a name or a mark; but whether he has or not a property in the name or mark, I have no doubt that another person has not a right to use that name or mark for the purposes of deception, and in order to attract to himself that course of trade, or that custom, which, without that improper act, would have flowed to the person who first used, or was alone in the habit of using the particular name or mark.[105]

Lord Langdale MR also added that the deception did not need to be intentional, but regardless of intention, 'a man … shall not be allowed to adopt the marks by which the goods of another are designated, if the effect of adopting them would be to prejudice the trade of such other person'.[106] In this case, it was the 'trade' or 'custom' of the plaintiff which was under consideration, and such terms are obvious sources of goodwill. Lord Langdale's reference to the prejudice to the trade of the plaintiff as the consequence of the passing-off can only mean damage to the value of the goodwill of the business.

Then in the same year as *Perry v Truefitt* there was also the case of *Crawshay v Thompson*[107] where the plaintiff was an iron manufacturer and exporter who marked his iron bars with a distinctive mark. This iron was claimed to be of a superior quality which gave rise to a good reputation and high demand. The defendant, according to the plaintiff's claim, had impressed his inferior iron with a mark similar in appearance to that of the defendant with the intention of injuring his sales and depriving him of significant profits. To emphasise his plight, the plaintiff claimed that his reputation and business had been injured. The plaintiff ended up being unsuccessful in his action, but again there can be clearly seen the presence of harm to business and hence goodwill as the basis of the claimed passing-off.

The question of whether common law trade marks constituted property, as already raised in this article, cropped up as an issue from time to time in the 19th century, with the balance of judicial opinion finding them to be property. For example, in the trade mark infringement case of *Edelsten v Edelsten*[108] in 1863, the plaintiff was a manufacturer of wire which had acquired a high reputation in the trade. The

105 Ibid 73; 752. However, in this case the judge declined to grant an injunction, finding in effect that the evidence for it was not compelling enough.

106 Ibid.

107 (1842) 4 Man & G 357; 134 ER 146.

108 (1863) 1 De G J & S 185; 46 ER 72.

defendant had adopted a similar trade mark in order to profit from the plaintiff's reputation as a manufacturer of superior wire for which he was able to charge a higher price. Lord Westbury LC stated that the question was whether the plaintiff had property in the trade mark such that the defendant's use of a similar mark would constitute an invasion of his property. He answered the question in the affirmative and upheld the injunction previously imposed on the defendant at trial.[109] In this case, as in others discussed in this article, the trade mark may readily be seen as an important source of goodwill of the business. The adoption of another's mark, with a consequent detriment to his profits, constitutes an invasion of that person's business goodwill.

The House of Lords certainly saw property in trade marks, as in the case of *Leather Company Co v American Leather Cloth Co*[110] where Lord Cranworth was of that view. This view is further illustrated by a later appeal to the House of Lords in *The Singer Manufacturing Company v Loog*[111] in 1882 where the plaintiff complained that the defendant had been using the trade name 'Singer' in connection with his sewing machines for the purpose of passing them off as the manufacture of the plaintiff. While the resolution of the case is of no consequence here, Lord Blackburn thought it settled on the authority of *Hall v Barrows*[112] that both trade marks and trade names were in a certain sense property and that the right to use them passed with the goodwill of the business. Thus Lord Blackburn was prepared to view common law trade marks as a form of property with rights to be protected.[113] But to the extent that marks and names constituted property they were annexed to goodwill, as later propounded by Lord Diplock in *General Electric Co v The General Electric Co Ltd*.[114] Consequently, once again, it may be seen that effectively goodwill was the property to be protected.

In his exposition of the history of trade marks in *GEC*, Lord Diplock stated that the right of property in a common law trade mark had special characteristics, including that 'it was an adjunct of the goodwill of a business and incapable of separate existence dissociated from that goodwill'.[115] This common law position was reflected in the *Trade Marks Registration Act 1875* (UK) which introduced a system of registration of trade marks to provide statutory protection for such marks. Section 2 of that Act provided, inter alia, that the trade mark when registered 'shall be assigned and transmitted only in connexion with the goodwill of the business'.

109 Ibid 204; 79.

110 (1865) 11 HL Cas 523; 11 ER 1435.

111 (1882) 8 App Cas 15.

112 (1863) 4 De GJ & Sm 150; 46 ER 873. In this case Lord Westbury LC saw a common law trade mark as 'a valuable property' of a business which 'may be properly sold' with the business.

113 However, there seemed to remain some questions whether there could be property in a strict sense in a common law trade mark. For instance, Lord Parker of Waddington in *Spalding v Gamage* entertained some doubt about the status of such trade marks as property. Nonetheless, as indicated in cases considered in this article, the courts of equity were generally prepared to see property rights in common law trade marks and sought to protect those rights, while the courts of law were more inclined to focus on fraud as the basis for a passing-off action.

114 (1972) 1b IPR 543 *('GEC')*.

115 Ibid 571.

Consequently, it is apparent that goodwill was seen to be inextricably bound up with trade marks which were commonly the subject of infringement in passing-off actions. If the property being protected comprised limited rights under common law to protect a trade mark, and that trade mark was connected with goodwill, then it may be argued that goodwill was also being protected by association. In fact, Lord Diplock recognised trade marks specifically as a source of goodwill in holding that goods bearing a particular mark 'engendered goodwill'.[116] And it appears from Lord Diplock's exposition, and the *Trade Marks Registration Act 1875* (UK), that the relationship between trade marks and goodwill was commonly recognised. Nevertheless, with perhaps one exception,[117] this is not directly evident from the passing-off cases themselves. If this somewhat simple relationship had been commonly recognised, it would be reasonable to expect that it would have been referred to in at least some of the cases before this Act came into effect.[118] But, instead, we have Lord Parker of Waddington advising us of the true situation at the relatively late stage of the early 20th century.

While the balance of judicial opinion supported property in common law trade marks, some doubts remained. As noted previously, a contrary view of common law trade marks as property, albeit an early one, may be found in *The Collins Company v Brown*[119] where Page Wood V-C was of the opinion that there was no property in the plaintiff's trade mark. However, the Vice-Chancellor still held that the deliberate passing-off of the plaintiff's trade mark by the defendant constituted fraud and therefore some form of remedy was available. Thus the plaintiff had a right to restrain others from using the trade mark for drawing customers away from its business to its detriment. In a case like this, however, the infringement of the trade mark may be seen as no more than evidence of passing-off. In retrospect, following *Spalding v Gamage*, the question of whether common law trade marks constituted property may be seen as a non-issue, because the property being protected from damage was effectively the goodwill in the business. In fact, doubts about property in trade marks influenced Lord Parker of Waddington's identification of goodwill

116 Ibid.

117 In *The Singer Manufacturing Company v Loog* (1882) 8 App Cas 15, as noted elsewhere in this article, Lord Blackburn considered that the right to use trade marks and trade names passed with the goodwill of a business.

118 However, the relationship between goodwill, trade marks and the business was addressed in *Shipwright v Clements* (1871) 19 WR 599, 600 where Malins V-C said: 'The sale of a business is a sale of the goodwill. It is not necessary that the word "goodwill" should be mentioned. ... In the sale of a business a trade mark passes whether specifically mentioned or not ' This was not a passing-off case, but in part concerned an action by the plaintiff to restrain the defendant from using a trade mark that he claimed had been assigned to him on the purchase of the business from the defendant. The plaintiff succeeded in view of the fact that the Vice-Chancellor saw the sale of an entire business as implying the sale also of both the goodwill and relevant trade marks of that business. Later, in *Levy v Walker* (1878) 10 Ch D 436, 449 the Court of Appeal dealt with the relationship between business, goodwill and a partnership business name. James LJ said that 'the sale of the goodwill and business conveyed the right to the use of the partnership name'.

119 (1857) 3 K & J 423; 69 ER 1174.

in *Spalding v Gamage* as the property harmed in passing-off.[120] In his landmark pronouncement, he preferred to see harm to property in the goodwill rather than in a trade mark or name as an element of the passing-off.

## C *Place Names*

The right to use a place name as a trade name or mark arose in *Seixo v Provezende*[121] in 1865 where the plaintiff was a port wine producer whose wine brand had acquired a great reputation. This wine was known as 'Crown Seixo', based on the name of the plaintiff, but a name claimed by the defendant to have a more general regional meaning also. Thus the defendant had adopted branding for his wine using names and marks similar to the plaintiff's, arguing that he had a right to do so in view of the regional nature of the name. However, Lord Cranworth LC held that the plaintiff was entitled to all the advantages of the 'celebrity' of his product, including the greater demand and the higher price paid for a superior product. And this was the case notwithstanding that the branding or mark allegedly related to a place name.

The question of rights associated with using a place name as a trade name also arose in the House of Lords' case of *Montgomery v Thompson*[122] in 1891 where the plaintiffs had for many years brewed ales known as 'Stone Ales' and 'Stone Ale', named after the town of Stone where they had owned the only brewery in the town. Then the defendant had set up a brewery at Stone, with the intention of using the name of the town to designate his ales too. As these names were not registered trade marks, the defendant argued that he had a right to use the name of the town. However, since the plaintiffs' ales had acquired an eminent reputation and were known by their names to consumers, the House of Lords affirmed the injunction imposed and upheld in the lower courts. The brand was very well-known and clearly associated with the plaintiffs' product in the minds of consumers, such that Lord Macnaghten made the memorable observation that '[t]hirsty folk want beer, not explanations'.[123] In other words, any attempt by the defendant to distinguish his ales while using the same name as the plaintiffs' would have been futile, with the consequent risk that consumers would have confused the products to the detriment of the plaintiffs' trade. Lord Macnaghten had earlier noted that the lower courts were satisfied that the defendant had opened his brewery in Stone 'simply with the object of stealing the plaintiffs' trade, and in the hope of reaping where he had not sown'.[124] Of course, reaping what is effectively the goodwill of others is a

120 Lord Parker of Waddington in *Spalding v Gamage* had the following to say on common law trade marks: 'the property, if any, of the so-called owner is in its nature transitory, and only exists so long as the mark is distinctive of his own goods in the eyes of the public or a class of the public. Indeed, the necessity of proving this distinctiveness in each case as a step in the proof of the false representation relied on was one of the evils sought to be remedied by the *Trade Marks Registration Act 1875* (UK), which confers a real right of property on the owner of a registered mark': 450–1.

121 (1865–1866) 1 Ch 192.

122 [1891] AC 217.

123 Ibid 225.

124 Ibid 223.

consistent theme in these early cases. Again, whether these particular unregistered trade marks were property or not was not an issue because the property damaged came down to goodwill resulting from the damage to trade.

## D *Damage to Business and Profits*

In *Croft v Day*[125] in 1843 the plaintiffs were the executors of the estate of a blacking manufacturer whose business they were carrying on. The defendant had been passing-off his blacking product as that of the plaintiffs by way of very similar bottling and labelling and by using the same business name.[126] Lord Langdale MR stated:

> [I]n my opinion, the right which any person may have to the protection of this court does not depend upon any exclusive right which he may be supposed to have to a particular name, or to a particular form of words. His right is to be protected against fraud, and fraud may be practised against him by means of a name, though the person practising it may have a perfect right to use that name, provided he does not accompany the use of it with such other circumstances as to effect a fraud upon others.[127]

In this particular case, Lord Langdale MR was of the opinion that the defendant had been acting in a way, including the use of a similar business name, 'as to deceive and defraud the public, and obtain for himself, at the expense of the Plaintiffs, an undue and improper advantage'.[128] Here we have a fraud practised on both the public, the customers presumably, and on the plaintiffs at the cost of their business and consequently its goodwill.

The relationship between deception and damage to business or goodwill came under consideration in the 1847 case of *John Rodgers and Others v Nowill and William Rodgers*[129] where Wilde CJ took account of injury to the plaintiffs by way of loss of profits as a consequence of the deception. His fellow judge, Coltman J, saw damage as a condition for a successful action in stating that 'an action

125 (1843) 7 Beav 84; 49 ER 994.

126 The use of the same business name was a sharp device on the part of the defendant who happened to be the nephew of the deceased manufacturer, with the same surname of Day. The previous business name had been 'Day and Martin', after the names of the original partners. Martin had later transferred his interest in the business to Day, but allowed his name to continue in the business. The defendant had contrived to enter into partnership with a person of the name of Martin and then claimed he had a right to use the business name of 'Day and Martin' also. However, as noted by Jacob LJ in *Reed Executive plc v Reed Business Information Ltd* [2004] EWCA Civ 159, the attempted use of a family name in this general manner is prevalent in the case law.

127 (1843) 7 Beav 84, 88; 49 ER 994, 996.

128 Ibid 90; 997.

129 (1847) 5 CB 109; 136 ER 816 ('*Rodgers and Nowill*'). A major text on trade marks cites *Rodgers v Nowill* as a prime example of a fundamental problem with seeking to protect common law trade marks against infringement: see T A Blanco White and Robin Jacob, *Kerly's Law of Trade Marks and Trade Names* (10th ed, 1972) 5. The authors report that the case lasted five years and cost the plaintiff £2,211 without giving him the security of protection against any subsequent infringer. This problem was one of the evils intended to be remedied by the introduction of the *Trade Marks Registration Act 1875* (UK).

is clearly maintainable by the party whose name is so fraudulently used, if any damage results to him from the false representation'.[130] Moreover, Maule J opined that 'such [deceptive] conduct towards a trader naturally imports damage'.[131] Thus there was a clear recognition of the place of damage to the business in this case, implying goodwill as an element. Goddard LJ in *Draper v Trist*[132] was of this view, saying 'I think that *Rogers v Nowill* shows that, once one has established passing-off, there is injury to goodwill'.[133]

In *Payton & Co Ltd v Snelling, Lampard & Co Ltd*[134] in 1900 the plaintiffs claimed that the defendants had passed off their coffee in tins with labels similar to those of the plaintiffs. The House of Lords affirmed the Court of Appeal's decision to dismiss the claim, with Lord Macnaghten saying of the defendants that he did not see any intention 'to steal the trade of the plaintiffs'.[135] This was a case which turned very much on the evidence presented, with much consideration given to the 'get-up' in the defendants' labels and their similarity to the plaintiffs'. Lord Macnaghten, with whom the other Lords agreed, seemingly felt comfortable in not considering any specific rights or property as the target of the claimed passing-off infringement, even at this relatively late time of 1900. But nevertheless protection of the plaintiffs' trade, and hence goodwill, was at the basis of the decision.

Again in 1900 in *Magnolia Metal Company v Tandem Smelting Syndicate Ltd*[136] the House of Lords may be found deliberating on a question of passing-off by way of the defendants' appropriation of the names used by the plaintiffs for their products. Lord Halsbury LC found this to be 'a very well known and familiar form of action ... well recognised ... certainly for the last 250 years'[137] arising from *Southern v How* where the Elizabethan clothier's case was cited. It is notable that the Lord Chancellor saw this ancient case as authority for a right of action where there is an infringement of the reputation which a person has in the goods of his manufacture. Beyond identifying this right, however, he did not concern himself with the harm done to property in any direct or explicit sense. Nevertheless, the reference to business reputation, as argued elsewhere in this article, may be taken as a reference to an important source of profits and of goodwill.

## E *Personal Reputation*

Goodwill arises from business activities and is inseparable from the business, while still being recognised as property in its own right. This raises a question about passing-off where personal reputation and name are at the heart of business

130 *Rodgers v Nowill* (1847) 5 CB 109, 126–7; 136 ER 816, 822.

131 Ibid 127; 822.

132 [1939] 3 All ER 513.

133 Ibid 527.

134 [1901] AC 308, 309.

135 Ibid 634.

136 (1900) 17 RPC 477.

137 Ibid 483.

operations.[138] For example, it is common practice for well-known people or 'celebrities' to lend their names and reputations to others in sponsoring or endorsing their goods or services, as part of a practice often referred to broadly as 'character merchandising'.[139] Do such persons have sufficient standing to bring a passing-off action to restrain the false representation by others that their goods or services are sponsored by the plaintiff? In other words, do persons in this type of situation have goodwill which may suffer damage in order to support an action for passing-off? Wadlow answers that:

> [T]he concepts of trader and goodwill are very widely interpreted so as to cover virtually every economic activity. The action for passing-off is therefore open to the liberal professions, entertainers, artists, writers and almost anyone who can be said to derive an income from the provision of goods or services.[140]

Moreover, in *Erven Warnink* Lord Diplock observed that 'the concept of goodwill is in law a broad one',[141] thus opening the way for a flexible approach in the context of passing-off. Similarly, Gummow J stated that 'the tort is still firmly tied to protection ... of business or commercial goodwill, however flexible the concept of goodwill may be'.[142] Authority for such a flexible approach may be found in the relatively modern Australian case of *Henderson v Radio Corporation Pty Ltd*.[143] In this case the defendant had placed a photograph of a well-known professional

138 In this particular context, personal reputation needs to be distinguished from that form of goodwill which may be described as personal goodwill. This is goodwill that it is attached to a business and arises from the personal characteristics of a person associated with that business, as noted earlier. But personal reputation such as that enjoyed by celebrities is not itself goodwill because it is a personal characteristic or quality which is not transferable as property. However, as argued in this article, personal reputation may be an important source of personal goodwill. Personal goodwill, as distinct from personal reputation, may be conveyed as property with the business on sale, and in a practical sense by way of the person in question introducing and recommending customers to the purchaser of the business. The recognition of personal goodwill, however, was a contentious issue in the early period of its development as a legal concept during the 19th century, until general acceptance at the end of that century: see Ian Tregoning, 'Lord Eldon's Goodwill' (2004) 15 *King's College Law Journal* 93, 97–100.

139 However, it may be argued that the term 'character merchandising' is more appropriately applicable to fictional characters where clearly there is property in the name or the image. See Jill McKeough, 'Character Merchandising: Legal Protection in Today's Marketplace' (1984) *University of New South Wales Law Journal* 97 for a discussion of the property protection which may be afforded to fictional characters and images. Personal 'celebrity' endorsements, on the other hand, rely on the reputation of a real person and thus may be placed in a different category. Hence, these may be referred to as personal endorsements or sponsorships. See Andrew Terry, 'Exploiting Celebrity: Character Merchandising and Unfair Trading' (1989) 12 *University of New South Wales Law Journal* 204, 204 fn 1 for a reference to this distinction.

140 Wadlow, above n 1, 7.

141 [1979] AC 731, 741.

142 W M C Gummow, 'Carrying On Passing Off' (1974) *Sydney Law Review* 224, 226.

143 [1960] NSWR 279 (*'Henderson'*). The Full Court of the New South Wales Supreme Court upheld the grant of an injunction against the defendant. Manning J stated: 'The result of the defendant's action was to give the defendant the benefit of the plaintiffs' recommendation and the value of such recommendation and to deprive the plaintiffs of the fee or remuneration they would have earned if they had been asked for their authority to do what was done': 292. In addition, Evatt CJ and Myers J said that 'the wrongful appropriation of another's professional or business reputation is an injury in itself': 285. Therefore, the action was successful on the basis of the loss of fees suffered by the plaintiffs from the passing off of their endorsement by the defendant. This bears a close resemblance to the early cases referred to in this article where a loss of profits was at the basis of the action.

ballroom dancing couple on the cover of a record which was marketed primarily for use by dancing teachers. This amounted to an endorsement by use of the plaintiffs' image, which was done by the defendant without the plaintiffs' permission and without any payment to them. In Australia, at least, it is clear that the modern form of the tort accommodates character merchandising and personal endorsements as evidenced by cases such as *Henderson* and *Hogan v Koala Dundee Pty Limited*.[144] A person who wrongfully appropriates another person's name or reputation for commercial purposes lays himself open to an action for passing-off. To this end, the case law in Australia tends to indicate that a person's reputation may be treated as property for the purposes of passing-off.[145] Whether personal reputation is strictly property may be open to debate, but it is still something of value which may be exploited commercially. However, in keeping with the theme of this article, personal reputation may in fact be viewed as a source of goodwill, thus rendering redundant the question of whether personal reputation is property. This view is based on the premise that the activity of providing endorsements may be taken as a business. Therefore, as a business, it will have goodwill attached to it. In such a business, personal reputation may be seen as the major, if not the sole, source of the goodwill. In terms of the categories of goodwill introduced earlier, this type of goodwill may be categorised as *name* goodwill. The unauthorised appropriation of a person's name amounts to an assault on his goodwill in this analysis. Consequently, this constitutes damage to the goodwill of the person, either by damage directly to his reputation or by the loss of fees income. Both have a deleterious effect on the sources of goodwill.

The issue of appropriating a personal reputation to the detriment of that person is not new as evidenced by *Archbold v Sweet*[146] in 1832. In this case the plaintiff had sold the copyright of his greatly esteemed law textbook to the defendant who then published another edition of it, indicating on the title page that it had been edited by the plaintiff, which it had not. This edition, unfortunately, was a sloppy piece of work that contained many errors and as a result the plaintiff claimed that his credit as an author had been injured by these mistakes. The jury found for the plaintiff. Even earlier in 1816 in *Lord Byron v Johnston*[147] there may be found another example of the passing-off of literary work to the detriment of the plaintiff's reputation. The defendant had published a volume of poems, falsely claiming them to have been written by Lord Byron who successfully moved for an injunction to restrain the defendant.

In 1848 in *Clark v Freeman*[148] the plaintiff, an eminent physician, sought an injunction to restrain the defendant from selling patent medicines by falsely advertising them as sanctioned and prescribed by the plaintiff. This, the plaintiff claimed, was injurious to his professional reputation and consequently calculated to diminish his professional income. Lord Langdale MR saw the position thus:

144 (1988) 20 FCR 314 ('*Hogan*').

145 See, eg, *Hogan* and discussion in Terry, above n 139.

146 (1832) 5 Car & P 219; 174 ER 55.

147 (1816) 2 Mer 29; 35 ER 851.

148 (1848) 11 Beav 112; 50 ER 759 (*'Clark v Freeman'*).

> My notion is, that the Court can interfere in cases of mischief being done to property by the fraudulent misuse of the name of another, by which his profits are diminished. Where the legal right is established the Court usually interferes. ... If ... you find that an injury is thereby done to the Plaintiff's property, or to his means of subsistence or of gaining a livelihood, I will not say that in such a case the Court might not interfere by injunction ...[149]

Lord Langdale refused an injunction in this case, however, finding that the action was actually one of libel for which he held there was no remedy in a court of equity. This decision was later deemed to be erroneous,[150] but notwithstanding that, the Master of the Rolls clearly still saw injury to the plaintiff's capacity to make profits as an element of a successful passing-off action.

These early cases reveal clear signs of the courts' willingness to protect valuable personal reputations, as was also the case in *Henderson* which may be seen as a direct descendant of these cases. Consequently, it is apparent that the law of passing-off has not changed substantially since these early times when it comes to the protection of personal reputation and the opportunity to exploit it commercially. As argued already, harm to personal reputation of a commercial nature constitutes harm to a source of goodwill. Furthermore, as also argued in this article, many of the early cases dealt with the protection of goodwill by the protection of its sources, but there was not the constraint of needing specifically to identify property as the subject of the passing-off. Moreover, if business rather than goodwill were to be treated as the subject then that term, representing general commercial activity, would be flexible enough to accommodate the broad range of situations where plaintiffs may suffer harm to their income-earning potential as a consequence of passing-off. In fact, business as an alternative to goodwill has generally been referred to as the primary subject of harm in cases both before and after *Spalding v Gamage*. And the nature of business, as distinct from goodwill per se, has the flexibility to accommodate harm to income-earning capacity in a broader sense. Nonetheless, it may be seen that any harm to business will inevitably harm its goodwill and vice versa, given the inseparable relationship between the two concepts.

## VII CONCLUSION

The cases preceding *Spalding v Gamage* reveal a general concern for protecting against damage to property, and to business more broadly, as the basis of the passing-off action. Indeed, in respect of the early equity cases in particular, protection of property was held to be a fundamental consideration. Moreover, it is obvious that protection against damage to the plaintiff's business in one form or another was a key concern at law also. Typically, this damage involved the

149 Ibid 117–8; 761.

150 In *Springhead Spinning Company v Riley* (1868) LR 6 Eq 551 it was suggested on the authority of *Maxwell v Hogg* (1867) 2 Ch 307 that *Clark v Freeman* could have been decided in favour of the plaintiff on the grounds that he had property in his own name. Whether a name in this sense is property is questionable, but the need for property of some sort was evident even in this period.

sources of goodwill, including infringements of trade marks and names, damage to business and personal reputation, and the loss of trade and profits. Consequently, damage to these sources necessarily constituted damage to the goodwill itself.

Furthermore, support for the presence of goodwill, in substance if not in name, in the earlier cases may be distilled from the comments of Lord Diplock in *GEC* concerning the necessary relationship between common law trade marks and the goodwill which they engendered.[151] This relationship was reflected in the first piece of legislation to protect trade marks, the *Trade Marks Registration Act 1875* (UK). Of interest is the lack of explicit recognition of this relationship in the cases leading up to the introduction of this Act. However, as argued in this article, a relationship between trade marks as a source of goodwill and goodwill itself may still be discerned from these cases.

The question of the rights involved in the early passing-off cases was a persistent issue, ranging in emphasis from the simple right to take action in the face of fraudulent misrepresentation through to the specific protection of rights in property. Nevertheless, it has been revealed that protection of the sources of goodwill in the forms of marks, names, reputation, trade and profits, and of the businesses they serve, is a consistent theme in these cases. Thus Lord Parker of Waddington's nomination, albeit equivocal, of goodwill as the property to be protected was well-founded, because there is clear evidence of concern for the protection of the sources of goodwill in cases stretching right back to the Elizabethan clothier's case in the 16th century.

151 (1972) 1b IPR 543, 555.