

**MATTER OR MIRAGE?: THE PUBLIC POLICY RATIONALE FOR  
SECTION 9 OF THE FAIR TRADING ACT 1986 (N.Z.)**

by

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### Abstract

The two main points of this thesis are; first, that section 9 of the Fair Trading Act 1986 (New Zealand) has a particular public policy rationale; and, secondly, that, because of drafting inadequacies and of improper approach by the courts, that rationale is not being properly advanced.

The first of the writer's theses is that the Act is inadequately drafted. The public policy rationale is identified and seen to be four-fold. The two principal elements are; one, to advance efficiency in the marketplace; and, two, protect consumers, especially those who are less able to protect themselves from the effects of misleading or deceptive conduct. It is determined that efficiency and consumer protection are not always consistent goals but that they are in this particular context of provision of information. It is seen that there are at least three deficiencies in the Act that inhibit promotion of those two limbs of the policy rationale.

The writer's second thesis is that the courts have failed to recognise and give effect to the policy rationale for section 9 and have, instead, imported principles developed under the tort of passing off. The public policy rationale for passing off is examined. It is concluded that it primarily owes both its existence and its scope to the interests of traders. The approach of the courts in New Zealand, and those in Australia under their virtually identical section 52 of the Trade Practices Act, is examined and it is seen that passing off principles are imported in at least five areas.

The practical effects of the deficiencies in the legislation and in the approach of the courts are identified by a law and economics analysis and by considering nine possible variations of a hypothetical fact example. The result is confirmation that the drafting inadequacies and the approach of the courts together cause reduction of efficiency and disadvantaging of consumers.

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In 1986, the Labour Government of New Zealand passed the Fair Trading Act of that year, section 9 of which provides that:

"No person shall, in trade, engage in conduct that is misleading or deceptive or likely to mislead or deceive."<sup>1</sup>

Breach of section 9 entitles any party who has suffered loss or damage to bring an action and / or to be compensated for it, whether a party to a proceeding or not.

One kind of misleading or deceptive conduct arises when a trader passes its goods off as being those of another. Until the Act came into effect, that conduct was regulated by the tort of passing off, an action available only to the infringed trader.

This thesis identifies the public policy rationale for section 9 and examines whether it gives effect to that rationale, adequately or at all in passing off type cases. The writer has two hypotheses: one, that section 9 and the Act are deficient in some respects and therefore require amendment; and, two, that the courts have failed to give effect to the policy rationale for section 9 and have, instead, applied principles developed in the tort

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<sup>1</sup> Sections 10, 11 and 12 of the Act contain more specific prohibitions on misleading or deceptive conduct in relation to goods, services and employment respectively. Section 14 is a similar provision in relation to dispositions of land. Section 10 would apply to the fact example used in chapter five, which will not, however, make reference to any of sections 10 to 12 or 14, simply because conduct prohibited by any of them will also be prohibited by section 9.

of passing off. The effect of those two factors is that the rationale for section 9 is not advanced as well as it might be.

After this introduction, the thesis has six chapters. The first hypothesis is addressed in chapters one, two and five. In chapter one, the public policy rationale for section 9 is identified, by reference to three classes of document: one, the United States and Australian legislation on which the Fair Trading Act and section 9 were generally modelled; two, the New Zealand legislation that preceded the Fair Trading Act; and, three, the policy and other documents that preceded passing of the Act. Those documents show that there are a number of limbs to the public policy rationale, including to cure defects in the previous legislation; fulfill obligations under the New Zealand - Australia Closer Economic Relations Trade Agreement; create a more efficient market; and protect consumers. The latter two are the principal limbs of the policy rationale for section 9.

In chapter two, there is a theoretical consideration of the extent to which section 9 is appropriate for advancement of the policy rationale identified in chapter one. In section one, there is consideration of the issue whether the two principal limbs of the policy rationale, promotion of efficiency and protection of consumers, are even consistent or capable of being advanced simultaneously. It is concluded that, in this particular context, they are and they can be. In section two, the issue of whether and to what extent it is desirable to regulate for efficiency and consumer protection is considered. It is concluded that it is desirable to regulate but that the Act does not go far enough and

should be amended in several respects.

The second hypothesis, that the courts have confused the policy rationales for passing off and for section 9, is addressed in chapters three, four and five. The rationale for the tort is identified in chapter three. That is done by reference to case law in England, where the tort originated, and in New Zealand. It is seen that the existence of the tort is based on the principle that nobody has the right to represent his goods as being the goods of somebody else. It is assumed such representations damage the goodwill of the plaintiff's business and the policy of the action is to prevent / compensate for that damage. There is also consideration of the factors that influence the scope of the tort. It is concluded that, although that scope is, to a modest extent, affected by the interests of consumers, the primary focus is, again, protection of traders. It is also concluded that, because the two actions are based upon different public policy rationales, the courts should take different approaches to them.

In chapter four, there is an examination of the approach taken by the courts to cases under section 9, which shows that, rather than developing new concepts and standards in cases under the section, the courts have imported principles developed in passing off. There is also significant reference to Australian decisions on section 52 of their Trade Practices Act, principally because; one, that Act has been in effect longer and a more substantial jurisprudence has been generated; and, two, the New Zealand courts have indicated that the Australian decisions are and will be of assistance to the New Zealand courts, which have followed most of the general principles generated in Australia.

Examination of the cases shows that the courts in both countries have expressly recognised the consumer protection flavour of section 9 but have failed to give effect to it. The importation of passing off principles happens primarily in five areas; each is considered separately.

In chapter five, practical aspects of the deficiencies identified in chapters two and four are evaluated, by considering the effect of section 9 on four classes of consumer, using nine variations of a fact example. It shows that the deficiencies in the Act and in the approach of the courts are particularly telling for one class of consumer, namely those who are less able to tell the difference between a genuine product and an imitation of it, and between a higher quality product and a lower quality one.

Chapter six contains a summary of the conclusions and recommendations reached in the chapters preceeding it, which can be summarised that the Act should be amended in at least three respects, and the courts should alter their approach to cases brought under section 9, in at least nine respects.

*IDENTIFICATION OF THE PUBLIC POLICY*

*RATIONALE FOR SECTION 9 OF THE FAIR TRADING ACT 1986*

*INTRODUCTION*

In this chapter, the public policy rationale for section 9 of the Fair Trading Act is identified, by reference to historical and other factors in three jurisdictions: New Zealand, Australia and the United States of America.

Documents created by the New Zealand Government and by interested parties<sup>1</sup> suggests that two limbs of the policy rationale were: one, to cure defects in the New Zealand legislation that prevailed prior to the Act being passed; and, two, to fulfill obligations pursuant to trade agreements, entered into by New Zealand and Australia, and, in particular, obligations to harmonise economic policies and practices. Those limbs are considered in parts A and B.

Historical factors in Australia and the United States are significant because section 9 of

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<sup>1</sup> It was hoped that would include the 58 submissions and 12 supplementary submissions made by interested parties to the Commerce and Marketing Select Committee of the House of Representatives, and the report of that Committee. Unfortunately, the Parliamentary library does not allow photocopying of the former and the latter consists of a copy of the Bill with barely legible, handwritten amendments which are of no assistance as far as identifying policy matters is concerned. The writer obtained a copy of the submission and supplementary submission made by the Consumer Council of New Zealand, direct from that body.

the Fair Trading Act was modelled on section 52 of the Trade Practices Act 1974 (Australia), which was itself heavily influenced by section 5 of the Federal Trade Commission Act 1914 (U.S.). Those historical factors, in conjunction with other material, suggest that two further limbs of the policy rationale for section 9 are: three, to advance efficiency in the market-place; and, four, protect the economic interests of consumers. Those limbs are considered in parts C and D and it is seen that the section is aimed at removing two significant barriers to those objectives, namely concentrations of economic power and unfair or deceptive acts or practices.

#### *A. CURE DEFECTS IN THE PREVIOUS LEGISLATION*

Prior to the Fair Trading Act, the law in New Zealand relating to trade practices was contained in a number of statutes, principally the Merchandise Marks Act 1954, the Trade Practices Act 1958 and the Consumer Information Act 1969.

The Trade Practices Act established a Trade Practices and Price Commission,<sup>2</sup> whose functions included to "inquire into trade practices with a view to determining whether any such practices were contrary to the public interest."<sup>3</sup> The 'public interest' was defined

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<sup>2</sup> Section 3.

<sup>3</sup> Sections 8(a) and 16.

in terms of its consequences<sup>4</sup> and included unreasonable increases in prices<sup>5</sup> or profits,<sup>6</sup> the unreasonable limitation of competition<sup>7</sup> or limitation or prevention of supply of goods to consumers.<sup>8</sup> The Commission had power to make orders directing discontinuance or non-repetition of offending practices.<sup>9</sup>

The Merchandise Marks Act dealt with applications of trade descriptions to goods, including number, quantity, weight, quality, place or country of production and mode of manufacture.<sup>10</sup> Under section 10, it was an offence to apply any:

"figures, words, or marks, or arrangement or combination thereof, whether including a trade mark or not, as are likely to lead persons to believe that the goods are the manufacture or merchandise of some person other than the person whose manufacture or merchandise they really are."

Penalties for infringement included a fine, imprisonment and forfeiture of property in relation to which the offence was committed.<sup>11</sup>

The Consumer Information Act was to make provision for informative labelling and

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<sup>4</sup> Section 20.

<sup>5</sup> Section 20 (b).

<sup>6</sup> Section 20 (c).

<sup>7</sup> Section 20 (d).

<sup>8</sup> Section 20 (e).

<sup>9</sup> Section 19.

<sup>10</sup> Section 2.

<sup>11</sup> Section 18.

marking of goods and to prevent deceptive or misleading practices<sup>12</sup> in relation to quantity<sup>13</sup> or price<sup>14</sup> of goods or quantity of ingredients of goods.<sup>15</sup>

In addition to the Trade Practices Price Commission, enforcement of consumer protection legislation was carried out by the Consumer Council and the Consumers' Institute, both established under the Consumer Council Act 1966. The Council was a policy-making body, charged with protecting and promoting the interests of consumers "by whatever means appear to be expedient" and to "encourage the improvement and development of industry and commerce".<sup>16</sup> The Institute carried out the day to day activities, including receiving and acting on complaints from consumers, holding discussions and reaching agreements with traders and helping them draft contracts and other documents designed to place the consumer and the trader in positions of equal strength, conducting comparative product tests and monitoring the practical effects of consumer legislation.<sup>17</sup>

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<sup>12</sup> Long title.

<sup>13</sup> Section 4.

<sup>14</sup> Section 10.

<sup>15</sup> Section 5, but only in relation to certain goods or classes of goods, as specified by regulation.

<sup>16</sup> Section 16.

<sup>17</sup> Consumer Council, *Annual Reports for the Years Ended 31 December 1977 and 31 December 1978, 1978 and 1979*, Government Printer, pp. 12-14 and pp. 4 and 15 respectively. For a comparison of the New Zealand Consumer Council with similar bodies in other jurisdictions refer Martin and Smith, *The Consumer Interest*, 1968, The Pall Mall Press Ltd., London, chp. 15. Much of the policy-related work formerly done by the Council is now done by the Ministry of Consumer Affairs, established on 1 July 1985. The Ministry's mission is to develop consistent and co-ordinated consumer policy, provide consumer support measures and, in so doing, create an informed marketplace. From 1 January 1989, the Consumers' Institute has functioned as a privately managed, national consumer association, with government funding being made available only for specific programmes and only where they can be undertaken most efficiently by the Institute: *Consumer Policy in OECD Countries*, 1985-1986 and 1987-1988, 1987 and 1989, OECD, Paris, p. 140 and p. 182 respectively.



The Merchandise Marks Act and the Consumer Information Act were both repealed by the Fair Trading Act because they proved unsatisfactory as consumer legislation. Particular deficiencies identified at the time included that they provided "little guidance to traders about their obligations, and no redress to consumers affected by offending conduct."<sup>18</sup>

The 1977 Working Party on consumer policy advised the Government that there was a need for reform of the legislation relating to trade practices and consumer protection.<sup>19</sup> A number of defects in the prior legislation were identified, including a lack of clear enforceable standards of trading conduct, a need for readily accessible remedies and a need for effective consumer safety provisions.

#### ***B. COMPLY WITH OBLIGATIONS UNDER ECONOMIC RELATIONS AGREEMENT WITH AUSTRALIA***

The New Zealand - Australia Closer Economic Relations Trade Agreement (CER) came into force on 1 January 1983. Article 21 provided for harmonisation of customs, powers and procedures in the two countries and for a review of the agreement in 1988 to

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<sup>18</sup> *Parliamentary Debates*, vol. 472, p. 2499, 1 July 1986.

<sup>19</sup> Brown and Grant, *The Law of Intellectual Property in New Zealand*, 1989, Butterworths, Wellington, para. 7.2. For a discussion of the relationship between section 9 and the common law, as opposed to its relationship to the prior legislation, refer E.K. Paton, *A Comparison Between Section 9 of the Fair Trading Act 1986 and the Common Law* [1988-1991] 6 A.U.L.R. 14.

consider the harmonisation of government economic policies and practices.<sup>20</sup>

In introducing the Fair Trading Bill, the Minister of Consumer Affairs said that the inclusion in it of certain unfair practices:

"[W]ill bring the country's trading law into line with that applying in Australia, recognising the desirability of progressively harmonising market-place laws between our two countries."<sup>21</sup>

The courts have recognised that policy of harmonisation when interpreting the statute and held that "consistency in the application of the legislation in the CER countries should clearly be aimed at so far as reasonably practicable"<sup>22</sup> and that the Australian authorities would be an important guide to interpretation of the New Zealand Act.<sup>23</sup>

### ***C. CREATE A MORE EFFICIENT MARKET***

The forebears of the New Zealand Fair Trading Act are the U.S. Federal Trade

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<sup>20</sup> A Memorandum on the Harmonisation of Business Law between the two countries was signed in 1988.

<sup>21</sup> *Parliamentary Debates*, vol. 467, p. 7885, 7 November 1985. Refer generally Department of Trade and Industry *Fair Trading Act Explanatory Booklet*, 1985, Government Printer, Wellington; Brown and Grant, *supra*, note 19, para. 7.2.

<sup>22</sup> *Taylor Bros. Ltd. v Taylors Group Ltd.* [1988] 2 NZLR 1, per Cooke P. at p. 39 (C.A.).

<sup>23</sup> *Ibid*, per McGechan J. at p. 26 and per Cooke P. at p. 39. Note also the comment of Cooke P. in *Comite Interprofessionel du Vin de Champagne v Wineworths Ltd.* [1992] 2 N.Z.L.R. 327 (the 'Champagne' case) at p. 331 that, while integration is desirable to protect the legitimate interests of Australian traders, "the protection of illegitimate interests is another matter."

Commission Act<sup>24</sup> and the Australian Trade Practices Act 1974. Section 9 of the New Zealand Act was modelled on section 52 of the Australian Act, which may not have been modelled on, but was certainly influenced by, section 5 of the U.S. Act. Those two provisions were enacted primarily to advance efficiency in the marketplace.

### ***1. U.S. Federal Trade Commission Act (the "FTC Act")***

The history of the FTC Act is closely connected with that of the Sherman Anti-Trust Act, the two Acts being passed by the same Congress.<sup>25</sup> Under the Sherman Act, the Department of Justice was charged with attacking; one, combinations and conspiracies in restraint of trade; and, two, monopolisation and attempts to monopolise.<sup>26</sup> The Act was passed in response to a perceived threat arising from concentration of business and economic power in the hands of a few businesses during and after the Civil War.<sup>27</sup> It was considered impractical and unenforceable from the start<sup>28</sup> and was shortly thereafter circumscribed by the courts, who held that it was not every restraint of trade that was caught by the Act but only 'unreasonable' restraints.<sup>29</sup> A result was the

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<sup>24</sup> 15 U.S.C. 45 (1914).

<sup>25</sup> G. Rublee, *The Original Plan and Early History of the Federal Trade Commission* (1926) 11 Proceedings of the Academy of Political Science (N.Y.) 666.

<sup>26</sup> E.R. Baker and D.J. Baum, *Section 5 of the Federal Trade Commission Act: A Continuing Process of Redefinition* (1962) 7 Vill. L.R. 517, 520.

<sup>27</sup> R.M. Dietrich, *The Federal Trade Commission and Consumer Protection* [1973] 1 A.B.L.R. 204, 206-207.

<sup>28</sup> Baker and Baum, *supra*, note 26.

<sup>29</sup> *Standard Oil Co. of New York v United States* 221 U.S. 1 (1911).

passing of the FTC Act in 1914.<sup>30</sup> Its purpose, therefore, was to remedy dissatisfaction over enforcement of the Sherman Act, to address Congress' concerns over economic concentration and monopolisation and to counter the inefficiencies that arise from the same. It is clear that the FTC Act was not aimed at deceptive or dishonest practices in trade and that Congress never had that issue in mind.<sup>31</sup> Section 5 was the key provision of the Act, providing that:

"Unfair methods of competition in commerce are hereby declared unlawful."<sup>32</sup>

## ***2. The Australian Trade Practices Act 1974 (the "Trade Practices Act")***

The history of federal regulation of trade practices in Australia, prior to 1974, was not a very happy one.<sup>33</sup> The Australian Industries Preservation Act 1906, modelled on the

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<sup>30</sup> A detailed account of events leading up to passing of the Act can be found at Baker and Baum, *supra*, note 26.

<sup>31</sup> G. Rublee, *supra*, note 25 at p. 117; Note, *Corrective Advertising Orders of the Federal Trade Commission* [1971] 85 Harv. L.R. 477, 479; I.M. Millstein, *The Federal Trade Commission and False Advertising* [1964] 64 Colum. L.R. 439, 450. For a summary and analysis of the Senate debates, refer G.H.Montague, *Unfair Methods of Competition* [1915] 25 Yale L.J. 20.

<sup>32</sup> As originally drafted, the section did not contain the words "methods of", which were added because of concerns that the original wording would be construed narrowly by the courts, to mean only passing off; refer Baker and Baum, *supra* note 26, pp. 528 and following.

<sup>33</sup> Like the FTC Act, the TP Act regulates only interstate, and not intrastate, trade. In Australia, there are state laws relating to matters also dealt with in Part V of the TP Act, but it is generally considered that their impact has been negligible, mainly due to poor enforcement. Only the federal law will be discussed here, for four reasons; one, the state laws are piecemeal and not uniform - there are various statutes dealing with consumer credit, weights and measures, health and safety, food, trading stamps, false and misleading advertising, door to door sales and unordered goods and services. Those statutes generally create offences but do not provide for civil remedies or for private rights of action. Queensland (1989), New South Wales (1987), Victoria (1985) and Western Australia (1987) have also passed Fair Trading Acts which are in similar form to the federal Act and regulate intrastate trade; two, Australia is a single

U.S. Sherman Act, was given a very narrow interpretation by the courts, fell into disuse and was repealed in 1965.<sup>34</sup> It was replaced by the Trade Practices Act 1965 which, like the FTC Act, was intended to address restrictive trade practices and monopolisation.<sup>35</sup> Its success in that regard is debatable and it was soon discovered not to address adequately all the practices by which trade could be restricted;<sup>36</sup> free, efficient, competition interfered with; small businesses discriminated against and consumers exploited.<sup>37</sup>

While protection of consumers from unfair practices was clearly large in the collective mind of the legislature, the Bill had another important purpose in relation to the control of inflation. A 1971 OECD recommendation on action against inflation in the field of competition policy<sup>38</sup> was followed by a report tabled in Parliament by the Commissioner of Trade Practices to the effect that restrictive trade practices inhibit effective

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market and the TP Act recognises that and is part of a change of emphasis from state to federal control of trading practices, with a view to achieving greater uniformity; three, as noted, the record of enforcement of state laws has been poor; and, fourth and most important, the New Zealand Fair Trading Act is modelled on the TP Act and not on any state legislation. For a discussion of the issues arising from the overlap of state and federal jurisdictions in this area refer J.L. Goldring and L.W. Maher, *Consumer Protection Law in Australia*, 2d ed. 1983, Butterworths, Sydney, chp. 2 and paras. 1040-1042; CCH *Guidebook to Australian Trade Practices Law*, 2d ed. 1979, CCH Australia Ltd., North Ryde, N.S.W., para. 112; Donald and Heydon, *1 Trade Practices Law*, 1978, The Law Book Co. Ltd., Sydney, para. 1.2; Pengilley and Ransom, *Federal Deceptive Practices and Misleading Advertising Law: Judgments, Materials and Policy*, 1987, Legal Books Pty. Ltd., Sydney, pp. xxvii-xxxii.

<sup>34</sup> Donald and Heydon, *ibid*, p.5.

<sup>35</sup> A matter addressed by a Committee of Economic Enquiry in 1965.

<sup>36</sup> Donald & Heydon, *supra*, note 33, pp. 7-9.

<sup>37</sup> *House of Representatives Parliamentary Debates*, vol. 18-20, p. 2733, 25 October 1973.

<sup>38</sup> *Idem*.

competition and make control of inflation more difficult.<sup>39</sup>

Whereas the Australian Trade Practices Act deals with both restrictive trade practices and consumer protection, each is addressed in separate Acts in New Zealand, the former in the Commerce Act 1986.<sup>40</sup> The Fair Trading Bill was said to be a "companion or counterpart" to the Commerce Act:

"Whereas the Commerce Bill promotes workable and effective competition in the markets of New Zealand by controlling restrictive trade practices and anti-competitive mergers and takeovers, the Fair Trading Bill is designed to enable consumers to take advantage of the increased competition by making sure that they receive accurate information that allows them to make rational choices about the goods and services available."<sup>41</sup>

The Fair Trading Act and the Commerce Act are both administered by the Commerce Commission.

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<sup>39</sup> Ibid, p. 2912, 7 November 1973.

<sup>40</sup> Possibly to avoid the thorny issue that arises when both are dealt with in the same Act, namely how to reconcile the competing policy considerations for the two. For a discussion of that issue in relation to the Australian Act, refer *Parkdale Custom Built Furniture Pty. Ltd. v Puxu Pty. Ltd.* (1981-82) 149 C.L.R. 191 (H.C.Aust.), per Mason J. at pp. 204-205.

<sup>41</sup> *Parliamentary Debates*, vol. 467, p. 7896, 7 November 1985. While concentration of ownership benefits the consumer in harnessing technological advance to large scale production and results in higher productivity and higher incomes, it also leads to monopolisation and restrictive trade practices. Since World War II, Governments in many developed nations have enacted legislation to address that issue.

#### ***D. PROTECT CONSUMERS***

Notwithstanding the legislative intent,<sup>42</sup> the U.S. Federal Trade Commission attacked false advertising from the outset.<sup>43</sup> Its ability to do so suffered a setback in the form of the decision in *FTC v Raladam Co.*,<sup>44</sup> in which a unanimous Supreme Court held that false advertisements could be prohibited by the FTC only where they affected competitors of the respondent, regardless of deception of the public. In response, Congress passed the Wheeler-Lea Act,<sup>45</sup> amending section 5 to provide that:

"Unfair methods of competition in commerce, *and unfair or deceptive acts or practices in commerce*, are hereby declared unlawful."<sup>46</sup>

A result of the Wheeler-Lea amendment was that, from the time of its enactment, the Commission could centre its attention on protection of consumers from deception.<sup>47</sup> Evidence that such was intended can be seen, for example, in the fact that the new

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<sup>42</sup> *Supra*, note 31 and text.

<sup>43</sup> Refer Millstein, *supra*, note 31, p. 451.

<sup>44</sup> 283 U.S. 643 (1931).

<sup>45</sup> 52 Stat. 114 (1938) U.S.C. 52 (1958).

<sup>46</sup> Writer's emphasis. The Wheeler-Lea Act also added broader powers of enforcement; in particular it gave the Commission power to seek interim injunctions, created criminal penalties and set a time limit of sixty days for respondents to seek review of cease and desist orders; Legislation Note, *The Federal Trade Commission Act of 1938* [1939] 39 Colum. L.R. 259; M. Handler, *The Control of False Advertising Under the Wheeler-Lea Act* [1939] 6 Law and Contemporary Problems 91; E.W. Kintner, *Federal Trade Commission Regulation of Advertising* [1966] 64 Mich. L.R. 1269, 1277.

<sup>47</sup> That being a subset of consumer protection generally: "[A]ll that state and private activity, which is designed to protect shoppers against defective goods, physical injury, deception, unfair terms in contracts and undue pressure stemming from aggressive salesmanship": D. Swann, *Competition and Consumer Protection*, 1979, Penguin Books, Harmondsworth, England, p. 267.

injunctive remedy was available only when the Commission had reason to believe that an injunction would be "to the interest of the public."<sup>48</sup> The words 'unfair' and 'deceptive' were both intended to have wide meanings and to be flexible to meet new conditions and perceptions.<sup>49</sup> Deception has been held to include using another's name as one's own<sup>50</sup> and falsely representing that a product has a certain origin,<sup>51</sup> thus covering the scope of passing off.

R.M. Dietrich, General Counsel for the U.S. Federal Trade Commission, assisted with drafting of the Australian Act<sup>52</sup> and section 52, in particular, is said to be modelled on section 5 of the FTC Act.<sup>53</sup> Section 52 provides that:

"A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive."

The relationship between sections 5 and 52 was considered in *Hornsby Building Information Centre Pty. Ltd. v Sydney Building Information Centre Ltd.*<sup>54</sup> Stephen J held

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<sup>48</sup> Section 13. To begin with, injunctions under section 13 were available only for breaches of section 12, which prohibits false advertising in relation to food, drugs, devices or cosmetics. By a rider to the Trans-Alaska Pipeline Authorization Act (15 U.S.C. 53(b)) the power of the Commission to obtain injunctions was extended to all subject matters under its jurisdiction.

<sup>49</sup> Hearings on S. 3744 before the House Committee on Interstate and Foreign Commerce, 74th Congress, 2d. Session 14, 79-80, 85-86, 88-91.

<sup>50</sup> E.g. *Standard Brands, Inc. v Smidler*, 151 F.2d. 34 (2d. Cir. 1945).

<sup>51</sup> E.g. *El Moro Cigar Co. v FTC*, 107 F. 2d. 429 (4th Cir. 1939).

<sup>52</sup> R.M. Dietrich, *supra* note 27.

<sup>53</sup> For example, Goldring and Maher, *supra*, note 33, para. 708.

<sup>54</sup> [1977-1978] 140 C.L.R. 216 (H.C.Aust.).



that the two sections were "significantly different both in form and in origin" because the U.S. provision, when first enacted, was exclusively concerned with "unfair methods of competition in commerce" and was not concerned with "unfair or deceptive acts or practices in commerce" until amended in 1938. He further held that:

"Section 52 of our Act is on the contrary exclusively concerned with consumer protection. It says nothing about unfair acts or practices but devotes itself to the prohibition of conduct which misleads or deceives."<sup>55</sup>

With respect, the writer disagrees that the section was exclusively concerned with consumer protection. It is clear from the background to the enactment that section 52 was also aimed at reducing inefficiency. 'Unfairness' was deliberately left out of section 52, it being the opinion of the Trade Practices Review Committee that it would, in Australian conditions, result in "a considerable degree of uncertainty in commercial transactions."<sup>56</sup>

In 1976, the Trade Practices Act was reviewed by the Swanson Committee, which formed a view that there continued to be an imbalance of bargaining power between sellers and buyers, to the benefit of the former, and recommended a number of amendments to strengthen the consumer protection provisions.<sup>57</sup> Many of the Committee's

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<sup>55</sup> Ibid, p.226.

<sup>56</sup> Trade Practices Review Committee, *Report to the Minister of Business and Consumer Affairs*, August 1976, Australian Government Publication Service, Canberra.

<sup>57</sup> The Committee was also of the view that uncertainties of interpretation were causing some difficulties and could be inhibiting innovation; refer CCH *Guidebook to Australian Trade Practices Law*, *supra*, note 33; Brown and Grant, *supra*, note 19, para. 7.2.

recommendations were effected by the Trade Practices Amendment Act 1977, including substitution of a wider definition of "consumer",<sup>58</sup> removal of the imprisonment penalty, creation of wider powers for the grant of injunctions<sup>59</sup> and power to order affirmative disclosure or corrective advertising, subject to a maximum expenditure.<sup>60</sup>

It was part of the election platform of the 1984 New Zealand Labour Government to "initiate consumer law reform" and to "ensure the outlawing of inhibiting or misleading advertising, wasteful or deceptive packaging, and worthless guarantees and the enforcement of fair product safety and information provisions."<sup>61</sup> The Fair Trading Act sought to establish a fairer balance between traders and consumers, particularly those on lower incomes and for whom English was not a first language.<sup>62</sup> As far as this element of the public policy rationale is concerned, section 9 was primarily aimed at protecting consumers from misleading and deceptive advertising,<sup>63</sup> an area in which the Australian Act has provided its chief benefits.<sup>64</sup>

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<sup>58</sup> Section 4B. The term was deliberately left undefined in the New Zealand Act because the Government wanted the Act to be as broad as possible and did not want to restrict the courts by "unnecessarily tight definitions": *Parliamentary Debates*, vol. 474, p. 4548, 23 September 1986. In its submission on the Bill, the Consumer Council expressed concern that no definition of consumer was included: *Consumer Council Submission on the Fair Trading Bill*, 6 December 1985, paras. 3.1 - 3.4.

<sup>59</sup> Section 80.

<sup>60</sup> Section 80A.

<sup>61</sup> *Parliamentary Debates*, vol. 472, p. 2499, 1 July 1986.

<sup>62</sup> *Ibid*, vol. 467, p. 7888, 7 November 1985.

<sup>63</sup> Ministry of Consumer Affairs, *Guide to the Fair Trading Act 1986*, p.3.

<sup>64</sup> W. Pengilly, *The New Zealand Fair Trading Act, The likely impact of the law and commercial conduct in light of Australian experience* (1987) N.Z.L.J. 59, 67.

It has been said that section 9 is one of the pivotal provisions of the Act.<sup>65</sup> It has been held that it is consumer protection legislation and "...must be construed in a way that enables it to achieve its purposes",<sup>66</sup> and that the effect of the section is that "...members of the public have a right not to be misled about with whom they are dealing".<sup>67</sup>

A suggestion that a plaintiff must show that the conduct complained of has a quantifiable impact on the interests of consumers has been expressly rejected, the Court of Appeal holding that such attempts to "...add a gloss to the Act..." should be discouraged and that one must always return to the ordinary words of the section and apply them to the facts.<sup>68</sup> Casey J. expressed a similar view in *Mills v United Building Society*:

"The simple language...of section 9 is clear and unambiguous and, at least for the resolution of a straightforward case such as this, requires neither interpretation nor qualification beyond observing that the Act is intended to operate in a society which expects that in general, honest people may buy and sell what they please."<sup>69</sup>

In *Taylor Bros. Ltd. v Taylors Group Ltd.*, the Court of Appeal held that:

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<sup>65</sup> Brown and Grant, *supra*, note 19, para. 7.8.

<sup>66</sup> *Goldsbro v Walker* [1993] 1 NZLR 394 (H.C.), per Hardie-Boys J. at p. 406.

<sup>67</sup> *Taylor Bros. Ltd.*, *supra*, note 22, per Cooke P. at p.40; *Trust Bank Auckland Ltd. v ASB Bank Ltd.* [1989] 3 NZLR 385, per Cooke P. at 389; *Allied Liquor Merchants Ltd. v Independent Liquor (N.Z.) Ltd.*, unreported, High Court, Auckland, 20 December 1989, CP 2614/89, Gault J.

<sup>68</sup> *Taylor Bros Ltd.*, *ibid*, p. 40. A similar view was expressed in *Levi Strauss v Kimbyr Investments* [1994] 1 NZLR 332 (H.C.), per Williams J. at p. 382, in relation to the argument that only point of sale confusion would attract liability. It was held that the protection of the Act is available to potential, as well as actual, purchasers.

<sup>69</sup> [1988] 2 NZLR 392, per Casey J. at p. 413.

"As to when conduct is to be characterised as misleading or deceptive, judicial exegesis can do little at a general level to expand upon the ordinary words of the section; and obviously it cannot be allowed to supersede them. In the end one must always return to them and apply them to the particular facts."<sup>70</sup>

In *Taco Company of Australia Inc. v Taco Bell Pty. Ltd.*,<sup>71</sup> the Federal Court of Australia held that conduct will only be misleading or deceptive if it conveys a misrepresentation and that whether it does so "[I]s a question of fact to be decided by considering what is said and done against the background of all surrounding circumstances".<sup>72</sup> The Australian courts appear to have resiled from that position to a degree and the Federal Court has since held that it is at least arguable that the conveying of a representation is not a necessary condition for establishment of a claim under section 52.<sup>73</sup>

The New Zealand courts have not required plaintiffs to point to a misrepresentation to be successful in a claim under section 9. Instead, they require plaintiffs to establish a causative link between any misapprehension on the part of the public and the defendant's conduct.<sup>74</sup>

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<sup>70</sup> *Supra*, note 22, per Cooke P at pp. 39-40. The Shorter Oxford dictionary defines 'mislead' as "to lead astray in conduct; to lead into error" and 'deceive' as "to cause to believe what is false; to lead into error, delude".

<sup>71</sup> (1982) 42 ALR 177, 202

<sup>72</sup> See also D.A. Rice, *Toward a Theory and Legal Standard of Consumer Unfairness* [1984] 5 Journal of Law & Commerce, 111.

<sup>73</sup> *Hunt Contracting Co. Pty. Ltd. v Roebuck Resources NL* (1992) 110 A.L.R. 183, per French J. at p. 188; *State Government Insurance Corporation v Government Insurance of New South Wales* (1991) 101 A.L.R. 259, per French J. at p. 311.

<sup>74</sup> c.f. *Cerebos Greggs Ltd. v Unilever New Zealand Ltd.*, unreported, High Court, Auckland, 3 June 1994, CL 71/93, Fisher J.

It does not matter that no consumer is involved in the transaction; the Act applies equally to corporations dealing with one another in trade or commerce.<sup>75</sup> A rival trader may enforce section 9 and is the usual applicant.<sup>76</sup>

Finally, it is clear that, in terms of section 43(1) and (2),<sup>77</sup> the court has a discretion whether or not to make any orders even where it has found contravention of section 9. The discretion is to be exercised to give effect to the policy of the Act. Matters such as the culpability of third parties, the gross carelessness of the consumer, and the minor role of the contravenor of section 9 may persuade the court that justice does not require the contravenor to bear the full loss sustained by the consumer.<sup>78</sup> In *Tot Toys v Mitchell*<sup>79</sup> it was held that the defendant's 'technical' breaches of the Act were outweighed by the interests of consumers and competition, so that the plaintiff's application for an injunction was refused. The court cautioned that it would be an 'exceptional' case in which a remedy would be denied on that ground.<sup>80</sup>

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<sup>75</sup> *Artifakts Design Group Ltd. v N P Rigg Ltd.* [1993] 1 NZLR 196, 223-224.

<sup>76</sup> *Phelps v Western Mining Corporation Ltd.* (1978) ATPR 40-077; *Hornsby Building Information Centre Pty. Ltd. v Sydney Building Information Centre Ltd.*, *supra*, note 54, at pp. 396-397; *World Series Cricket Pty Ltd. v Parish* (1977) 16 A.L.R. 181, 203; *Taylor Bros. Ltd.*, *supra*, note 22, at p. 39; the *Champagne* case, *supra*, note 23, per Cooke P. at 333.

<sup>77</sup> Both of which provide that the court *may* make the orders set out there.

<sup>78</sup> *Goldsbro v Walker*, *supra*, note 66, per Richardson J. at p. 404.

<sup>79</sup> [1993] 1 NZLR 325.

<sup>80</sup> *Ibid*, p.370.

### *E. SUMMARY*

There is not a single public policy rationale for section 9; rather, there is a mix of rationales which may or may not be complimentary.

As far as curing defects in the previous legislation is concerned, the Fair Trading Act rationalises, and potentially gives affected consumers direct rights of redress. Whether those additional rights are meaningful is one of the issues addressed in chapters two and five. Whether the Act adds certainty is, perhaps, open to debate, because of an absence of definition of terms including 'consumer' and 'trade' and because the boundaries of what conduct is 'misleading' or 'deceptive' are left to the courts to decide. The words have ordinary meanings, however, and it will usually be a matter of common sense whether or not the goods, name, mark or other indicia of one trader is deceptively similar to that of another. Further, the decisions of the Australian courts under section 52 of that country's Trade Practices Act have been and will continue to be of significant assistance.<sup>81</sup>

To the extent that competition law and trade law go hand in hand, the Fair Trading Act complements the Commerce Act and together the two Acts represent compliance with New Zealand's CER obligations and bring New Zealand trade practices law into line with Federal Australian trade practices law. They were designed to promote effective

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<sup>81</sup> While lack of such definition is, in theory, not problematic, there remain the potential for problems when the courts supply definitions. The problems that arise from inappropriate definitions are discussed in chapter four.

competition and an efficient market and to enable consumers to take advantage of that, with a focus on both domestic and Trans-Tasman markets.<sup>82</sup>

The extent to which section 9 has the potential for advancing efficiency and for protecting consumers is considered in chapter two. The extent to which the courts have, in fact, recognised and given effect to those limbs of the policy rationale is considered in chapter four.

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<sup>82</sup> The body of water between New Zealand and Australia is called the Tasman Sea.

*THEORETICAL EVALUATION  
OF THE PUBLIC POLICY RATIONALE*

*INTRODUCTION*

In chapter one, it was established that the two principal limbs of the public policy rationale for section 9 are to promote efficiency and to protect consumers. In this chapter, there is consideration of the extent to which section 9 is an appropriate means of advancing those twin goals.

In part A, the issue of whether those goals are even complementary is addressed and it is concluded that they are.

In part B, the issue addressed is whether regulation is the best means of promoting those goals. Because 'efficiency' in this context means economic efficiency, that evaluation is carried out including by a law and economics analysis. Unlike most law and economics analysis, the issue considered is not simply whether section 9 actions result in efficient allocation of resources but, rather, whether they have the economic effects the public policy rationale promoted. The focus is the economic effects for a group of society, namely consumers, rather than for society as a whole, although efficiency and net social welfare do figure in the public policy rationale. That raises the issue of distribution, on



which more is said in chapter five.

The writer concludes that, while there is debate over whether and to what extent regulation in the market place aids efficiency and is therefore desirable, the arguments in favour of regulating for consumer protection are persuasive. As a result of the theoretical discussion, some potential deficiencies in section 9 and the Act are identified, namely that; one, the Act lacks adequate deterrence to infringing traders; two, lacks remedies accessible to consumers; and, three, fails to protect less capable consumers - arguably those the legislature had in mind when passing the Act.

In Part C, suggestions are made on how the Act should be amended to give better effect to the public policy rationale. Principal among the suggested amendments are; first, for the courts to be required to take the interests of consumers into account in actions brought by traders<sup>1</sup>; secondly, for the disputes tribunals to be given jurisdiction to hear and determine actions pursuant to section 9; and, thirdly, for criminal penalties to be imposed in cases where the defendant had no reasonable basis for a belief that its conduct would not amount to passing off.

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<sup>1</sup> Which is discussed further in chapters four and five.

### ***A. EFFICIENCY AND CONSUMER PROTECTION: CONSISTENT?***

This Part contains a discussion of the extent to which the consumer protection and efficiency limbs of the rationale for section 9 are consistent, if at all. In economic terms, protection of consumers is a matter of distribution, because that protection will effect a redistribution to consumers from the traders who would otherwise have profited from their purchasing errors. Distribution is a matter traditionally excluded from law and economics, which has concerned itself only with net social welfare. It is concerned with maximisation of net social utility and disregards the way in which that utility is distributed among members or groups in society, unless that has an impact on efficiency.<sup>2</sup> That suggests two things: one, that promotion of efficiency does not necessarily require protection of consumers; and, two, that protection of consumers does not necessarily promote efficiency. In sum, there is not an inevitable connection between the two.

The approach of disregarding distribution has been questioned recently, on the basis that the results of an approach based purely on efficiency may well offend many notions of social justice: "A move toward the economically optimum may well be a move away from the socially optimum as many would understand the term."<sup>3</sup>

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<sup>2</sup> The writer is aware that it has been argued, principally by Richard Posner, that the two concepts, economic efficiency and utilitarianism, are not synonymous but the writer finds the arguments made to support that view unconvincing: refer S. Rose, *Law and Economics: Paradigm, Politics or Philosophy*, in N. Mercuro (ed.), 1989, Kluwer Academic Publishers, Boston, 233, 242; A.J. Duggan, *The Economics of Consumer Protection: A Critique of the Chicago School Case Against Intervention*, 1982, Adelaide Law Review Association, University of Adelaide, pp. 6, 97-98.

<sup>3</sup> E. Mackaay, *Economics of Information and Law*, 1980, Groupe de Recherche de Consommation, University of Montreal, p. 26; refer also P.H. Aranson in J.M. Graf von der Schulenburg & G Skogh (eds.), *Law and Economics and the Law of Economic Regulation*, 1986, Kluwer Academic Publishers, Higham, Massachusetts, p. 39.

Further, an efficient market is one in which resources continually gravitate to higher value uses. A perfectly efficient market (if there is such a thing) is one in which all resources have gravitated to their most highly valued use, such that no person can be made better off without making another person worse off. Market efficiency is enhanced as more information and more accurate information gets into the market place and information is, therefore, a key to an efficient market.<sup>4</sup> Because buyers need reliable product information to make informed purchasing decisions, lack of information will result in poorly informed buyers who are not able to make rational, informed purchasing decisions. They will buy products they would not have bought if fully informed, will not buy products they otherwise would have and may pay more for products than they otherwise would have. Lack of informed buyers will, in turn, result in less incentive for sellers to compete on price and quality and less incentive for them to innovate. A result will be that some resources will move to uses not more highly valued and the market will not work efficiently.

That link between consumer protection and efficiency is, however, subject to the proviso that the information generated must be the right kind of information, that is, information that reduces the possibility of consumers being misled or deceived about the source, or any attribute, of a product. It also gives rise to an issue as to how much information should be generated. As with any other resource, information comes at a cost. That cost must be weighed against the cost, to consumers and to society generally, of having consumers misled and deceived. As far as the efficiency rationale is concerned, one

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<sup>4</sup> E. Thomas Sullivan & Brian A. Marks, *The FTC's Deceptive Advertising Policy: A Legal and Economic Analysis* [1986] 64 Oregon L.R. 593, 620.

ought to seek the generation of only that volume of information that imposes a cost less than or equal to the cost imposed by not regulating for the provision of information.

Because the consistency between efficiency and consumer protection is limited in the way described, the issue of how the required information should be generated is problematic. Participants in the discussion of the issues that arise can, broadly, be labelled as those who favour regulation and those who do not.

## ***B. TO REGULATE OR TO NOT REGULATE***

### ***Introduction***

In this part, there is addressed the issue of whether or not market forces alone will generate the information required to ensure efficient operation of the market and adequate protection of consumers or whether, alternatively, it is necessary and efficient to regulate. In section one, there is a summary of the arguments for and against regulation. Much of the debate centres around the extent to which existing competitor remedies and consumer remedies are effective. Those remedies are examined, in sections two and three, and the writer concludes that they do not go far enough. That leads to consideration of the potential role of a regulatory body, in section four. In section five, the matters already raised are considered in relation to section 9.

### 1. *The arguments*

Opponents of regulation argue that market and competitive forces result in the most efficient flow of information. They therefore also argue that regulating to provide information<sup>5</sup> is superfluous and diverts resources from their highest value use. This is part of the neo-classical school of economic theory that developed in the 1970's, principally at the University of Chicago.<sup>6</sup> According to neo-classical economic theory, all individuals are fully informed, rational maximisers of their own self interest and, accordingly, there is a process of free exchange which will lead to the most economically efficient allocation of resources in society, such that no person can be made better off without making another person worse off.<sup>7</sup> That allocation of resources is said to be Pareto optimal or Pareto efficient. For example, steel is used in production of both steam rollers and cars. According to the theory, the process of free exchange will result in the most efficient steam roller / car mix of production.<sup>8</sup>

The same argument can be made with respect to information. Since there is always a cost in providing information, the market will proceed, according to neo-classical theory, to the most efficient stage where the amount of information provided is that which the

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<sup>5</sup> Although there is a distinction between preventing traders disseminating information that of itself causes deception and forcing traders to disseminate information to prevent deception that would otherwise occur, those against regulation argue that market forces remedy both. Section 9 sometimes requires the former and sometimes the latter, depending on the factual circumstances.

<sup>6</sup> G. Minda, *The Law and Economics and Critical Legal Studies Movements in American Law* in N. Mercuro (ed.), *Law and Economics*, *supra*, note 2, pp. 87 and 111, note 3.

<sup>7</sup> Mackaay, *supra*, note 3, p. 24.

<sup>8</sup> Duggan, *supra*, note 2, p. 5.

market is prepared to divert from production of other resources. To the neo-classical theorist, forcing the production of information will reduce efficiency, mainly because it will prevent production of more highly valued resources and thus move the market away from a state of Pareto optimality, but also because it may or will increase consumerism beyond the level which market forces would dictate.

It is argued that the market gives rise to an efficient level of information because:

1. competitors of a producer making misleading claims about its product will, out of concern for their market shares, expose the untruths;
2. where consumers are misled, they have avenues of recourse without the need for regulatory action, including taking their future business elsewhere.

Those in favour of regulation challenge the validity of the assumptions; first, that all individuals in society are fully informed; secondly, that all individuals are rational maximisers; and, thirdly, that the market by itself proceeds to a state of Pareto optimality.<sup>9</sup> In the present context, it would be argued that the assumption that consumers are all fully informed is unsustainable in the face of the multitude of passing off actions in which plaintiffs have succeeded on the basis that consumers have been misled; that failure of the second assumption follows because, if consumers are frequently misled, then their self interests are not maximised; and that, given the untenability of those two assumptions, the third must fall as well.

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<sup>9</sup> H. Simon, *Economics, Bounded Rationality and the Cognitive Revolution*, 1992, Edward Elgar Publishing Ltd., Aldershot, England, pp. 186-189.

## 2. Competitors remedies

The argument that competitors of a producer making misleading claims will, out of concern for their market shares, expose untruths, is superficially attractive in the area of passing off type cases. No-one has a greater interest in exposing the deceptive trader than the trader whose product is being passed off and that is reflected in the fact that all reported section 9 cases involving passing off have been brought by the offended trader.

There will, however, be cases where the offended trader does not expose the offending trader nor bring any court action, such as when it does not become aware of the offending conduct,<sup>10</sup> where the infringement is of short duration, where the transaction costs of pursuing a court action outweigh any benefit to be obtained from it, or where a settlement is negotiated between the parties.<sup>11</sup>

Even where the trader does take action,<sup>12</sup> it is likely the focus will exclusively be on the interests of the traders who are parties to the action. As will be seen in chapters four

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<sup>10</sup> Quite likely if it occurs other than in relative proximity to the offended trader's area of operation.

<sup>11</sup> For a discussion of the economics of negotiating settlements, refer G Tullock, *Negotiated Settlement*, in J.M. Graf von der Schulenburg, *supra*, note 3, p.39.

<sup>12</sup> Competitors already have rights of action in passing off. The principal difference between passing off and section 9, as far as ingredients are concerned, is that the plaintiff must prove damage in the former but not in the latter. That difference may, however, be more apparent than real, given that in most circumstances the courts are now prepared to assume that damage flows from proved misrepresentation. In *Comite Interprofessionel du Vin de Champagne v Wineworths Group Ltd.* [1992] 2 NZLR 327 (the *Champagne* case), the Court of Appeal held that damage to goodwill can be inferred from a tendency to impair distinctiveness (pp. 332, 334).

and five, the interests of consumers are likely to be overlooked and the consumer protection rationale unfulfilled. The protection afforded consumers by virtue of the fact that competitors have remedies will therefore often be illusory.

### *3. Consumer remedies*

The argument that consumers have avenues of recourse including taking their business elsewhere, and that these will give rise to efficient levels of information, is also superficially attractive. The rational consumer will never seek to be absolutely informed about a product prior to purchase because information is a resource which is bought and sold in the same way as other commodities. The acquisition of information, as with most other commodities, is subject to the law of diminishing marginal utility and the value of the last piece obtained will be considerably less than the first.<sup>13</sup> The more resources a consumer devotes to acquiring information, the less she will have for the purchase of other items. The rational consumer will continue to search for information only up to the point where the cost of further searching is equal to the benefit which the next piece of information would bring.<sup>14</sup> For products that are not complex, or where the price of the product is low and is frequently purchased (so that prior experience is a source of information) and where the potential adverse consequences of a wrong choice are not

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<sup>13</sup> Duggan, *supra*, note 2, p. 29.

<sup>14</sup> For a discussion of a theory that consumers do not even search that much, refer E. Scott Moynes, *Decision Making For Consumers, An Introduction to Consumer Economics*, 1976, Macmillan Publishing Co., Inc., pp. 27-29.



high (so that the learning experience is not achieved at too great a cost) it may therefore be safe to let consumers obtain information for themselves.<sup>15</sup>

While the ability to take future custom elsewhere may be a satisfactory remedy in cases involving a relatively inexpensive product purchased relatively frequently, for other kinds of purchase the costs of the learning curve may be unacceptably high and the ability to put that education to use limited. It also assumes the consumer will become aware of the deception at some time subsequent to the purchase but that is not inevitable in passing off cases. Consumers may pursue actions, such as those under the Sale of Goods Act 1908, which provides consumers with rights of redress in cases of sale by description,<sup>16</sup> fitness for purpose,<sup>17</sup> and merchantable quality.<sup>18</sup> The first two remedies are unlikely ever to be of assistance to consumers deceived in passing off and the third only rarely - the infringing product will sometimes be of lower quality than the infringed one but not always and, when it is, not always so inferior as to constitute a breach of the Act.

Alternatively, a consumer may seek to have the contract set aside on the basis that she

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<sup>15</sup> This is the heart of caveat emptor - let the buyer beware - a doctrine which makes the buyer responsible for protecting herself and assumes she will do so by applying her intelligence and experience to the process of purchasing. In early times, the consumer may have been able to protect herself. Products were less sophisticated. They could be inspected before purchase. The manufacturer would be well known to the purchaser and readily accessible in the case of fault or deception: D. Swann, *Competition and Consumer Protection*, 1979, Penguin Books Ltd., Harmondsworth, England, p. 369, note 3.

<sup>16</sup> Section 15.

<sup>17</sup> Section 16(a).

<sup>18</sup> Section 16(b).

entered into it on the faith of the trader's representation that the product was the genuine article. That remedy will be unhelpful when the loss is small and the costs of pursuing an action outweigh the possible benefit. In fact, transaction costs will be a significant problem for consumers who suffer other than substantial losses and will probably preclude any individual bringing an action.<sup>19</sup>

When the number of affected parties is sufficiently large, a class action may be possible because the individual contributions to the cost of proceedings will be small enough that it will be economically advantageous to proceed as a group. For a plaintiff in a class action, there will be extra costs, including those in relation to locating and communicating with others affected and on making collective decisions including on prosecution of the claim and negotiation of any settlement. The two variables that are critical in relation to transaction costs of a class action, therefore, are the number of claimants and the size of the individual losses.<sup>20</sup>

There is an assumption in all of this that decisions are made solely on the basis of

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<sup>19</sup> Transaction costs are simply the costs of carrying out a transaction. In the case of a civil claim pursuant to section 9 of the Fair Trading Act, for example, the transaction costs are all those associated with bringing and proving the claim and enforcing any remedy awarded. For further discussion of transaction cost economics, refer E. Williamson, *Transaction-Cost Economics: The Governance of Contractual Relations* (1979) 22 *Journal of Law and Economics*, 223; O.E. Williamson, *Contract analysis: the transaction cost approach* in P. Burrows & Cento G. Veljanovski, *The Economic Approach to Law* 1981, Butterworth & Co. Publishers Ltd., London, chp. two; O.E. Williamson, *Transaction Cost Economics*, address to Yale Law School, 10 January 1986, Law & Economics Programme, Faculty of Law, University of Toronto; E. Mackaay, *supra*, note 3, p. 56 and for an examination of the economics of litigation, refer A. Hollander & E. Mackaay, *Are Judges Economists at Heart?*, 1981, Department de Science Economique et Centre de Recherche en Developement Economique, Universite de Montreal, pp. 13-21.

<sup>20</sup> That applies whether or not the individual losses are the same or even similar: when making an economic assessment of whether or not to proceed, the two variables to consider, other than the amount of the transaction costs, will be the number of claimants and the average loss.

whether or not the expected benefit(s) outweigh the expected transaction cost(s). That is an element of the neo-classical economic theory that all individuals are rational maximisers of their own self interest; that they will not, for example, bring a claim under section 9 unless the expected benefits outweigh the expected costs. Experience and common sense suggest that is a valid assumption in the context of whether or not to initiate court proceedings. Impulse buying is a well known phenomenon, impulse litigation is not.<sup>21</sup>

The foregoing discussion leads to the view that consumers who suffer small losses have no effective means of obtaining a remedy so that, in those circumstances, consumers will not be protected and the market will not work efficiently. If there are a sufficient number of such consumers, then a class action may be feasible. As will be seen in chapter five, where small losses are involved, the transaction costs will make a suit uneconomic, no matter how many consumers have been affected.<sup>22</sup>

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<sup>21</sup> There are exceptions to that, and it is not unheard of for plaintiffs to initiate and pursue litigation for the sake of principle but, to the extent that one is dealing in generalisations, the exceptions can safely be ignored. For judicial recognition of the reasonable foreseeability of impulse buying, refer *Griffin & Sons Ltd. v Regina (1988) Ltd.*, unreported, High Court, Dunedin, 01 August 1989, CP 72/89, Fraser J; (1989) 15 B.C.L. 1559.

<sup>22</sup> To date, there have been no class actions in New Zealand or Australia. Section 23 of the Federal Trade Commission Act provides for class actions but in quite heavily circumscribed conditions, including that each member of the class must have suffered an individual loss of at least \$10,000. Section 23 was introduced in 1966 and has been of little benefit to consumers.

#### **4. Regulatory body**

It is in that area that a regulatory body has significant potential benefit, because it may take action on behalf of all affected consumers. If used in conjunction with competitor and consumer remedies, it will be able to concentrate on cases in which consumers suffer losses too small to justify individual action and where the genuine trader does not pursue any action. The principal drawback of a regulatory agency is that there will be an inevitable time-lag involved with its receiving, investigating and acting upon a complaint. Traders involved in short-term passing off may remain unpunished. However, given sufficient resources, the delay should not be significantly greater than that involved if the consumer were to seek private legal advice and issue private proceedings.

Where consumers have suffered small losses, it will be inefficient to require an agency to attempt to communicate with and represent them all (where that is even possible). In that circumstance, an option is to impose a fine on the offending trader, a remedy that would:

- (a) be efficient and would advance net social welfare, although not having the optimal distributional results;
- (b) serve as a form of long-term consumer protection in that it would have a deterrent effect.<sup>23</sup>

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<sup>23</sup> P. Burrows & C.G. Veljanovski, *The Economic Approach to Law*, 1981, Butterworth & Co. Publishers Ltd., London, pp. 130-131.

It is not enough, however, that the remedy satisfy those two limbs of the public policy rationale; it must also satisfy the over-riding concern of fairness. In the United States, there are constitutional difficulties with enacting criminal penalties where there are not clearly defined standards of conduct.<sup>24</sup> It is considered that to impose criminal sanctions on a party who may have been unaware that she was infringing, that lack of awareness arising from imprecision in the language of the statute, would simply be unfair. The term 'deceptive' is considered to be not clearly defined<sup>25</sup> and that is why there are no criminal penalties for breach of section 5 of the FTC Act.

A similar concern would be justified in the New Zealand context. There is only one reported decision involving a defendant acting deliberately, with knowledge of the plaintiff's name, mark or indicia, and knowledge that its conduct might amount to passing off.<sup>26</sup> In all other cases except one<sup>27</sup> the defendant was aware of the relevant facts but believed its conduct would not amount to passing off. In about two-thirds of those cases, the defendant's belief was erroneous and the question is whether consumers should be required to bear the losses arising from the mistaken belief or whether, alternatively, the infringing trader should bear them.

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<sup>24</sup> G.E. & P.E. Rosden, 2 *The Law of Advertising*, 1984, Mathew Bender, New York, New York, para. 17.01[3].

<sup>25</sup> *Supra*, chapter one, part D.

<sup>26</sup> The *Champagne* case, *supra*, note 12, but while the defendant was aware its activities *might* amount to passing off, it was not *sure* that would be the case and it wanted to test the plaintiff's monopoly.

<sup>27</sup> *Frank M. Winstone (Merchants) Ltd. v Plix Products Ltd.* [1985] 1 NZLR 376 (C.A.): the evidence suggested the defendant was not aware of the plaintiff's product.

Points favouring consumers bearing the loss include that:

- (a) the losses are thereby spread throughout the community, in much the same way as if traders had to bear the risk and insure for it;
- (b) placing the risk on traders may stifle competition and therefore reduce efficiency;
- (c) placing the risk on traders may also have a negative impact on innovation. Although a product that is innovative cannot involve passing off of another product, it may involve passing off of features of that other product;
- (d) affected consumers cannot be directly compensated anyway, because the transaction costs of doing so are too high;
- (e) placing the risk on traders would probably cause them to raise prices, so consumers would effectively be funding their own remedy.

Points favouring the infringing trader bearing the loss include that a fine:

- (a) will advance net social welfare and indirectly compensate consumers;
- (b) can be used to fund consumer education, thus helping to prevent future losses and advancing efficiency;
- (c) may serve as a deterrent, thus also helping to prevent future losses and advancing efficiency.

On balance, in light of the foregoing points, it is the writer's view that a fine would only

serve the public policy rationale and only be fair in cases where the defendant had no reasonable basis for a belief that its conduct might not amount to passing off. That would allow application of the section 44 defences to criminal prosecutions under section 40, namely that the contravention was due to: (a) a reasonable mistake; (b) reasonable reliance on information supplied by another person (who must be named); (c) the act or default of another person (who must be named) or to an accident or to some other cause beyond the defendant's control *and* the defendant took reasonable precautions and exercised due diligence to avoid the contravention.<sup>28</sup>

### ***C. RECOMMENDATIONS***

Section 9 requires traders to disclose only accurate information as to the source of their products, so as to not deceive consumers. The principal economic effect of deception is to cause a redistribution of wealth from the deceived consumer to the deceptive trader. Distribution has sometimes been considered a matter outside the scope of law and economics, although that view is not as prevalent as it once was.

Whether one considers distribution or not, it is clear that lack of accurate information will adversely affect the economic interests of some consumers or some classes of

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<sup>28</sup> For judicial consideration of those defences, refer *Foodtown Supermarkets Ltd. v Commerce Commission* [1991] 1 NZLR 466; *Commerce Commission v Telecom Corporation of New Zealand Ltd.*, unreported, District Court, Wellington, 9 October 1990, Ongley J.; *Rheem v Commerce Commission*, unreported, High Court, Auckland, 29 July 1991, AP 166/91, Barker J.; (1991) B.C.L. 1974.

consumers, which will, in turn, adversely affect efficient operation of the market. To that extent, the two limbs of the public policy rationale are consistent.

The arguments for and against regulation to compel provision of accurate information have been canvassed. The arguments against centre on notions of efficiency and on the notion that market forces will provide either all required information or, alternatively, an efficient level of information. Where an efficient level of information is generated, some consumers will be deceived, but it is argued that will be an efficient level of deception and that deceived consumers will have remedies available without the need for regulation compelling disclosure of information. In plain words, it is argued that it is cheaper to cure than to prevent.

Against all of that, it is argued that pursuit of efficiency, without regard for its distributive effects, prejudices consumers or some classes of consumer, because they have no accessible remedy; that is, there is no cure. If, as seems to be the case, the remedies are ineffective, then it follows that deception will occur at a level greater than that which is efficient, resulting in an inefficient market as well as in lack of protection for consumers.

On balance, it is the writer's view that the remedies available to consumers are ineffective in a significant proportion of cases involving passing off and that the arguments in favour of regulation are persuasive.<sup>29</sup> It also follows from the discussion that, to be effective, ingredients of a regulation should:

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<sup>29</sup> That conclusion is borne out by the discussion in chapter five.



(a) require the interests of consumers to be taken into account in actions brought by traders. Those interests may be taken into account in section 9 cases,<sup>30</sup> but the Act does not require it and ought to be amended accordingly;

(b) include a mechanism to allow a regulatory body to take action, especially in cases where the individual losses to consumers are small. The Fair Trading Act satisfies that criterion;<sup>31</sup>

(c) contain a provision allowing imposition of a fine in cases where the defendant had no reasonable basis for a belief that its conduct would not amount to passing off. The Act lacks such a provision and should be amended accordingly;

(d) give standing to consumers, to allow them to take their own actions and provide an accessible forum. The former is achieved under the Act which does not, however, go far enough with respect to the latter.

In recognition of the high cost of court proceedings, jurisdiction was given to the Disputes Tribunals to hear disputes and make certain orders pursuant to section 43 of the Fair Trading Act. The Tribunals have jurisdiction in cases where the

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<sup>30</sup> Pursuant to section 41, the Commerce Commission or "any other person" may apply for an injunction. Pursuant to section 43, the court may grant relief to any person "whether or not that person is a party to the proceedings". The only qualification is that the person must have suffered, or be likely to suffer, loss or damage because of the infringing conduct. The courts have held that standing extends to rival traders and to members of the public even if they have no personal interest affected.

<sup>31</sup> Idem.

value of the property or amount of the loss or damage is not more than \$3000,<sup>32</sup> although the parties may agree in writing to extend jurisdiction up to \$5000. It costs approximately NZ\$10 to make a claim valued under \$1000 and \$20 for a claim of a larger amount. One of the principal advantages is that the parties are encouraged to appear for themselves and thus avoid the costs associated with engaging counsel.

The jurisdiction given to Disputes Tribunals does not, however, extend to contraventions of section 9. That exclusion is probably based on a view that decisions under the section involve questions of law that are beyond the abilities of the Tribunals to answer, in particular the question of when conduct is 'misleading' or 'deceptive'. Consumers may bring actions in the courts but transaction costs are significantly higher there, principally because of the need to engage counsel, and will in many cases be prohibitive. The fact that there are no cases involving consumer plaintiffs suggests that consumers simply do not take cases to the courts.

It appears, therefore, that many consumers are left without any meaningful method of obtaining direct relief. In the writer's view, it is better to have relatively unsophisticated Tribunals making decisions than to have consumers deprived of an accessible forum and the Act should be amended to give Disputes

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<sup>32</sup> Disputes Tribunal Act 1988, sec. 10(3).

Tribunals jurisdiction to hear and determine claims under section 9.<sup>33</sup>

This concludes the first stage of consideration of the writer's first hypothesis, that section 9 and the Act are deficient in some respects and therefore require amendment. The discussion resumes in chapter five, where practical effects of the deficiencies identified in this chapter, along with further deficiencies identified in chapter four, are evaluated. In chapters three and four, the discussion turns to the writer's second hypothesis.

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<sup>33</sup> It is acknowledged that, despite the relative accessibility, cheapness and speed of the disputes tribunal procedure, transaction costs would still be a problem for many small claims, but giving jurisdiction to the Disputes Tribunals would nonetheless be an improvement on the present situation.

**IDENTIFICATION OF THE PUBLIC POLICY  
RATIONALE FOR THE TORT OF PASSING OFF**

**INTRODUCTION**

The focus now turns to the writer's second hypothesis, that the courts have not given effect to the public policy rationale for section 9 and have, instead, imported and applied principles developed in the tort of passing off. It will be seen that not only is the Act inadequately constructed for advancement of the policy rationale, but, even if it were not, the courts have applied section 9 in a manner that itself thwarts such advancement.

In this chapter, the public policy rationale for passing off is identified. To that end, the development of passing off is reviewed, with a focus on the evil(s) it was designed to cure and on the requirements for successfully prosecuting the action.

Parts A and B address the origins and early development of the tort, and the seminal case of *Erven Warnink B.V. v J. Townend & Sons (Hull) Ltd.*,<sup>1</sup> respectively, and deal mostly with English cases, because that is where the tort originated. It will be seen that it developed out of the tort of deceit and is based on the principle that nobody has any right to represent his goods as being the goods of somebody else. It is assumed that such

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<sup>1</sup> [1979] A.C. 731 (H.L.) (the *Advocaat* case).

representations damage the goodwill of the plaintiff's business<sup>2</sup> and the action is designed to prevent / compensate for that damage.

In Part C, the scope of the tort in modern times is considered by reference to its three principal elements: goodwill, misrepresentation and damage. New Zealand cases feature, showing that the tort has a short but relatively substantial history there. As the law in New Zealand has developed, there has been less reliance on English authorities but the law in the two countries is substantially the same, with the only significant difference arising from the special economic relationship between New Zealand and Australia.

The cases in both jurisdictions emphasize that the issues to be addressed in an action for passing off are factual and each case will depend on its own unique facts. The tort is fluid and has continuously developed to meet new methods of making, selling and promoting goods and services. For that reason, it is difficult to provide a concise summary of the law and this chapter conveys an appreciation of the outer limits of the law of passing off in some of its more significant factual applications rather than a comprehensive statement of the law.<sup>3</sup>

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<sup>2</sup> Although that is not always the case: refer, for example, to *Dominion Rent A Car Ltd. v Budget Rent A Car Systems (1970) Ltd.* [1987] 2 NZLR 395 (C.A.). Damage is most likely to arise when the defendant's product is cheaper than the plaintiff's - the plaintiff will usually suffer loss of custom - or where the defendant's product is inferior in quality - the plaintiff will usually suffer loss of reputation.

<sup>3</sup> For which the reader would be admirably served by reference to Brown & Grant, *The Law of Intellectual Property in New Zealand*, 1989, Butterworths, Wellington, for a statement of the New Zealand law; C. Wadlow, *The Law of Passing Off*, 1990, Sweet & Maxwell, London, for a statement of the English law; and S. Ricketson, *The Law of Intellectual Property*, 1984, The Law Book Co., Melbourne, for a statement of the Australian law.

In Part D, there is consideration of the move in some jurisdictions to expand the tort of passing off into a more general tort of unfair competition. Part E contains a summary of the chapter, consideration of commentaries on the nature of the public policy rationale for the tort of passing off and expression of the writer's view that it exists for the benefit of traders but that the extent of that protection is circumscribed, to a modest extent, by the interests of consumers.

## ***A. ORIGINS AND EARLY DEVELOPMENT***

### ***1. In the beginning***

The tort of passing off dates back to at least 1618. It originated, together with a number of other torts,<sup>4</sup> out of the tort of deceit.<sup>5</sup> What is generally considered to be the first passing off case is unreported and unnamed. Its existence is known only by virtue of references to it in two subsequent cases, *Southern v How*<sup>6</sup> and *Dean v Steel*.<sup>7</sup> It appears to have been an action brought by a clothier, who had "great reputation for his making

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<sup>4</sup> Slander of title, slander of goods and injurious falsehood.

<sup>5</sup> Though it differs from the tort of deceit in that the plaintiff must prove not that he was deceived but that members of the public or trade were or are likely to be deceived by such false representations: D Young QC, *Passing Off: The Law and Practice Relating to the Imitation of Goods, Businesses and Professions*, 1985, Oyez Longman Publishing Ltd, London, p.1.

<sup>6</sup> (1618) Cro. Jac. 468.

<sup>7</sup> (1626) Lat. 188; 82 E.R. 39.

of his cloth", against another clothier who used the plaintiff's mark on his own "ill-made cloth on purpose to deceive him". It was held that "an action did well lie".<sup>8</sup>

There were a number of cases reported in the remainder of the eighteenth century, dealing with similar facts.<sup>9</sup> In them, passing off continued to be treated as a form of deceit for which proof of bad faith or an intention to deceive was necessary. The need to prove bad faith was gradually removed during the course of the nineteenth century and is no longer a requirement at all.<sup>10</sup>

## 2. *The first unambiguous case*

The first unambiguous passing off case appears to have been *Sykes v Sykes*.<sup>11</sup> The plaintiff made and sold shot-belts and powder flasks marked with the words "Sykes Patent". His goods were of high quality and enjoyed a "great reputation" with the

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<sup>8</sup> Although three different reports give different impressions as to who was the plaintiff and which party was successful, this seems to be the most logical version: Wadlow, *supra*, note 3, para. 1-06; Ricketson, *supra*, note 3, para. 24.2.

<sup>9</sup> *Blanchard v Hill* (1742) 26 E.R. 692; *Singleton v Bolton* (1783) 99 E.R. 661; *Webster v Webster* (1791) 36 E.R. 949; *Hogg v Kirby* (1803) 32 E.R. 336; *Byron (Lord) v Johnson* (1816) 35 E.R. 851; *Crutwell v Lye* (1810) 34 E.R. 129; *Canham v Jones* (1813) 35 E.R. 302.

<sup>10</sup> *Bourne v Swan & Edgar Ltd.* [1903] 1 Ch. D. 211 per Farwell J at p.223: "The first point is that it certainly is not now, and since Lord Cottenham's decision in *Millington v Fox* (1838) 3 My. & Cr. 338 never was in the old Court of Chancery or in the Chancery Division, necessary to prove fraud. It has been pointed out by many judges that the injury to the plaintiff is the same whatever the intentions of the defendant may have been..."

<sup>11</sup> (1824) 107 E.R. 834.

public.<sup>12</sup> The defendant adopted the same name on similar but inferior goods made by him, causing damage to the plaintiff's reputation and preventing him from selling a great quantity of his own goods. Though the retailers to whom the defendant sold knew the goods were not made by the plaintiff, they were sold to them for the purpose of resale to the public and with the intention that the public should believe they were the goods of the plaintiff. It was held that the defendant adopted the mark for inducing the public to suppose the articles were made by the plaintiff and that he should not be allowed to do so. The three critical elements of the action were said to be misrepresentation, goodwill and damage. They are still the three critical elements of the action today.

### 3. 'Classic' passing off

The decision of the House of Lords in *Reddaway v Banham* marked the next significant development of the tort, its importance being due to the statements of principle made by Lord Halsbury L.C. and Lord Herschell.<sup>13</sup>

The plaintiff had for some years made machine belting and sold it as 'Camel Hair Belting', a name which had come to mean in the trade the plaintiff's belting and nothing

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<sup>12</sup> *Idem*.

<sup>13</sup> *Reddaway (Frank) & Co. Ltd. v George Banham & Co. Ltd.* [1896] A.C. 199 (H.L.). One author has said that this is the time that "passing off came of age": Wadlow, *supra*, note 3, para. 1-09.



else, although it was usual for such belting to be made of camel hair.<sup>14</sup> The defendant began to sell belting, made of camel's hair, and stamped it 'Camel Hair Belting', so as to be likely to mislead purchasers into the belief that it was the plaintiff's belting, endeavouring thus to pass off his goods as the plaintiff's. In finding for the plaintiff, Lord Herschell L.C. stated the law as follows:

"For myself, I believe the principle of law may be very plainly stated, and that is, that nobody has any right to represent his goods as the goods of somebody else. How far the use of particular words, signs, or pictures does or does not come up to the proposition which I have enunciated in each particular case must always be a question of evidence, and the more simple the phraseology, the more like it is to a mere description of the item sold, the greater becomes the difficulty of proof; but if the proof establishes the fact the legal consequence appears to follow".<sup>15</sup>

His Lordship said that his initial view would have been that the description 'Camel Hair Belting' in relation to belting made of camel hair would have suggested a "difficulty of proof" but accepted the juries finding that the description denoted goods of the plaintiff and accepted also that the finding was supportable on the evidence.<sup>16</sup>

*Reddaway* and the cases which preceded it involved what has now become known as 'classic passing off', providing relief only where the misrepresentation involved use of the plaintiff's name, mark or get-up. From that base, the tort was gradually extended to provide relief against a much broader range of misrepresentations which could infringe

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<sup>14</sup> A finding of fact by the jury at first instance: per Lord Herschell at p. 201.

<sup>15</sup> *Idem*.

<sup>16</sup> *Ibid*, p. 205.

a trader's goodwill, including appearance of goods,<sup>17</sup> and goods made by the plaintiff.<sup>18</sup> The latter was established in *Spalding v Gamage*, which also reaffirmed, however, that the tort protects the "property in the business or goodwill likely to be injured by the representation" rather than any property in the goods themselves or feature of them.<sup>19</sup> The principal reason for that is that to grant the plaintiff some property in the name, mark or get up would be to encroach on the domains of copyright, trademark and patent law which are governed by statute. By restricting the tort in that way, the common law also favours free competition over the private interests of a trader in obtaining protection in a product design.<sup>20</sup>

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<sup>17</sup> *William Edge & Sons Ltd. v William Nicholls & Sons Ltd.* [1911] A.C. 693: the House of Lords considered the claim of a manufacturer of laundry blue, sold in a calico bag with a wooden stick attached to it. The defendants exactly imitated the plaintiff's product, save that they attached a label bearing their name. The House upheld the injunction granted at first instance (and overturned by the Court of Appeal) but, in doing so, appears to have been strongly influenced by the evidence that the plaintiff's product was mainly bought by uneducated persons who would not know the plaintiff's name and who would therefore be deceived notwithstanding that the defendant's name was attached to its product (pp. 704-705). The Court appears also to have been influenced by the fact that the defendants' product was an exact replica of the plaintiff's, and it was held that the defendants could have used a different form, shape or size so as not to be liable to deceive (p. 703). The fact that the plaintiff was granted protection of the get-up of its product must therefore be seen in light of; one, the class of consumer to whom the product was sold; and, two, the extent to which the defendant's product imitated the plaintiff's.

<sup>18</sup> *A G Spalding & Bros. v A. W. Gamage Ltd.* (1915) 32 R.P.C. 273: the plaintiff had sold a football, novel in that its cover was moulded instead of sewn. A large number proved unsatisfactory and were sold as waste rubber to a firm that resold them to the defendant. The plaintiff brought out a new ball with a sewn cover. The defendant advertised its footballs under the same description as the plaintiff's new balls. It said this was due to a mistake and apologised. Later advertisements did not repeat the mistake but did not rectify the mistake in the earlier advertisement either. The plaintiff successfully sought an injunction restraining the defendant from selling or advertising footballs, other than the new one, under the description given it by the plaintiff. Lord Parker referred to the principle, stated in *Reddaway v Banham*, *supra*, note 13, that nobody has any right to represent his goods as the goods of somebody else and said that it must: "[I]nvolve as a corollary the further proposition, that no one, who has in his hands the goods of another of a particular class or quality, has a right to represent those goods to be the goods of that other of a different quality or belonging to a different class" (p. 284).

<sup>19</sup> *Ibid*, p. 284. For a discussion of the prior theories on the nature of the interest protected refer Ricketson, *supra*, note 3, para. 24.4.

<sup>20</sup> M.B. Clark, *Passing Off and Unfair Competition - The Regulation of the Marketplace* [1990] 6 IPJ 1, 31.

#### 4. *The common field of activity rule*

Following *Spalding v Gamage*, the expansion of the tort was greatly limited by the decision in *McCulloch v Lewis A. May (Produce Distributors) Ltd.*<sup>21</sup>, in which the plaintiff was a broadcaster known as 'Uncle Mac'; the defendant the manufacturer of a breakfast cereal called 'Uncle Mac's Puffed Wheat'. Wynn-Parry J. canvassed previous authorities and took the view that all the cases in which the court had intervened had a common factor, namely that there was a common field of activity, in which, however remotely, both the plaintiff and the defendant were engaged. He held that it was the presence of that factor that grounded the jurisdiction of the court.<sup>22</sup> The plaintiff's claim in passing off failed on the basis there was no common field of activity in which the parties were engaged. The rationale was that unless the parties were in the same line of business, there would be no possibility of confusion of the public as to any connection between the plaintiff and the defendant.<sup>23</sup>

The strength of the common field of activity rule was diluted in the *Advocaat* case<sup>24</sup> and effectively washed away in *Lego System A/S v Lego Lemelstrich Ltd.*<sup>25</sup> In the latter, the

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<sup>21</sup> [1947] 2 All E.R. 845.

<sup>22</sup> *Ibid.*, p. 851.

<sup>23</sup> That the case stood for that principle was made clear in *Annabel's (Berkerly Square) Ltd. v G. Shock* [1972] R.P.C. 838, 844. Refer also *Wombles Ltd. v Wombles Skips Ltd.* [1975] F.S.R. 488 (the *Wombles* case), *Lyngstad v Annabas Products Ltd.* [1977] F.S.R. 62 (the *ABBA* case) and *Tavener Rutledge v Trexapalm Ltd.* [1975] F.S.R. 479 (the *Kojak* case).

<sup>24</sup> *Supra*, note 1.

<sup>25</sup> [1983] F.S.R. 155 (the English *Lego* case). That approach was followed in *Mirage Studios v Counter-Feat Clothing Ltd.* [1991] F.S.R. 145 (the *Ninja Turtles* case).

builder of the famous Lego building blocks obtained an injunction restraining the defendant from selling coloured plastic irrigation equipment under the Lego name. Falconer J. held that 'common field of activity' is not a term of art but merely a shorthand term for saying there is a need for a real possibility of confusion and that, on the facts, there was a real risk that a substantial number of persons among the relevant section of the public would believe there was a business connection between the plaintiff and defendant.<sup>26</sup> The rule may still have some validity in relation to extra-territoriality issues, where it may preclude a foreign plaintiff from obtaining relief where it does not carry on business in the country.<sup>27</sup>

In New Zealand, the more similar the businesses of the plaintiff and defendant, the easier it will be for the plaintiff to show confusion. In *Taylor Bros. Ltd. v Taylor Group Ltd.*, McGechan J. identified two streams of English authority - one that treated the need for a common field of activity as conclusive and one that did not. He took the view that he was committed to neither approach and "without hesitation" adopted the latter:

"Approaches which regard the existence of a so called common field of activity as decisive, and its absence as an insurpassable barrier, with respect mistake sign for substance. The question to be determined is whether an activity on the part of the defendant may mislead potential customers into thinking the activity is that of the plaintiff."<sup>28</sup>

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<sup>26</sup> Ibid, pp. 187-188.

<sup>27</sup> *Infra*, part C.1(c); *Athletes' Foot Marketing Associates v Cobra Sports Ltd.* [1980] R.P.C. 343.

<sup>28</sup> [1988] 2 NZLR 1, 20. His Honour went on to say that there is less risk of confusion where the two fields of business are totally unrelated but that the existence or otherwise of a common field of activity is no more than a pointer toward probable presence or absence of confusion.

In the Court of Appeal, Cooke P. approved that approach but cautioned that the principle, that a name may be distinctive in a geographical area, could not apply to give a party a practical monopoly of a relatively commonplace name in a field where the name is not distinctive:

"Taylors Wellington could not, we think, restrain the use in Wellington of the name Taylors for, say, foodstuffs. It must always be a question of fact and degree."<sup>29</sup>

#### ***B. THE ADVOCAT CASE***<sup>30</sup>

Up until about 1960, misdescription of goods or misuse of a descriptive term was considered to be outside the scope of the tort. From that date, a number of cases challenged that view. The first was *Bollinger v Costa Brava Wine Co. Ltd.*,<sup>31</sup> in which it was held that the producers of Champagne were entitled to restrain the defendants from describing and selling wine, not produced in the Champagne region of France, as 'Spanish Champagne'. That case was followed by others involving Sherry,<sup>32</sup> Harris

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<sup>29</sup> Ibid, per Cooke P. at p.38. His Honour referred to the English *Lego* decision as "...perhaps an extreme case."

<sup>30</sup> *Supra*, note 1.

<sup>31</sup> [1960] Ch. 262.

<sup>32</sup> *Vine Products Ltd. v Mackenzie & Co, Ltd.* [1969] R.P.C. 1.

Tweed<sup>33</sup> and Scotch Whisky<sup>34</sup> and culminated in the decision of the House of Lords in the *Advocaat* case.<sup>35</sup> In that, seminal, Commonwealth case on passing off Lords Diplock and Fraser reviewed and rationalised the previous authorities and formulated general statements of principle that remain the cornerstones of the action.

The Dutch plaintiff made Advocaat and exported it to and sold it in Britain. It was made of egg yolk, sugar and a spirit called Brandewijn. It acquired a substantial reputation in Britain as a distinct and recognisable drink. The defendants started making and selling a drink called "Keeling's Old English Advocaat".<sup>36</sup> It was made of dried egg powder and cyprus sherry. It could not be shown it was mistaken for the plaintiff's Advocaat, but it captured a large part of the plaintiff's English market. The plaintiff brought an action alleging passing off and sought an injunction restraining the defendants (1) from selling or offering for sale any product under the Advocaat name unless it consisted of spirit and eggs and did not include wine; and (2) from misrepresenting that a mixture of wine and eggs is Advocaat.

The case differed from 'classic' passing off cases because; first, the plaintiff had no cause of action in its classic form of a trader representing his goods as the goods of somebody else, since they could not prove any purchaser of the defendant's drink was misled or likely to be misled into confusing it with the plaintiff's drink or even to think it was

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<sup>33</sup> *Argyllshire Weavers Ltd. v A. Macaulay Tweeds Ltd.* [1964] R.P.C. 477.

<sup>34</sup> *Walker (John) & Sons Ltd. v Henry Ost & Co. Ltd.* [1970] 1 W.L.R. 917.

<sup>35</sup> *Supra*, note 1.

<sup>36</sup> At a price significantly lower than the plaintiff's.

Dutch Advocaat of any make;<sup>37</sup> and, secondly, the plaintiffs were traders claiming that the actions of the defendants interfered with their shared goodwill. The passing off complained of was tied to the product generally, not to the plaintiffs' product specifically, so the question was whether the House should approve the extended concept applied in the *Champagne, Sherry and Scotch Whisky* cases.

Lords Diplock and Fraser delivered speeches on behalf of a unanimous House.<sup>38</sup> Lord Diplock held that the previous authorities:

"[M]ake it possible to identify five characteristics which must be present in order to create 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<sup>39</sup> of another trader (in the sense that this is a

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<sup>37</sup> *Supra* note 1, per Lord Diplock at p. 739 and per Lord Fraser at p. 750.

<sup>38</sup> The fact that both of them did so produced some confusion as to what was the ratio of the case but the more popular approach is to apply the five point test formulated by Lord Diplock. While it focuses on the actions of the defendant, Lord Fraser's formulation focused on what the plaintiff had to prove to be successful:

"It is essential for the plaintiff in a passing off action to show at least the following facts:-(1) that his business consists of, or includes, selling in England the class of goods to which the particular trade name applies; (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods; (3) that because of the reputation of the goods, there is goodwill attached to the name; (4) that he, the plaintiff, as a member of the class of those who sell the goods is the owner of goodwill in England which is of substantial value; (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendant selling goods which are falsely described by the trade name to which the goodwill is attached. Provided these conditions are satisfied, as they are in the present case, I consider that the plaintiff is entitled to protect himself by a passing off action."

Lord Fraser's formulation is more closely tied to the facts of the case while Lord Diplock's is of more general application and it is perhaps for that reason that Lord Diplock's has been applied more often.

<sup>39</sup> Which His Lordship described as a broad concept and cited with approval Lord MacNaghten in *Inland Revenue Commissioners v Muller & Co's. Margarine Ltd.* [1901] A.C. 217, 222-224: "It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which

reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so."<sup>40</sup>

His Lordship was at pains to point out that each case would depend on its own facts<sup>41</sup> and that while all passing off actions present those characteristics, all factual situations presenting them would not necessarily give rise to a cause of action for passing off.<sup>42</sup> He further held that the case before the House presented the five characteristics, that there was no ground of public policy requiring the with-holding of a remedy<sup>43</sup> and that the injunction overturned by the Court of Appeal should be restored. Lord Fraser reached the same view.

Lord Diplock's test is now the one most commonly applied in New Zealand. Other tests to have been applied include a combination of the tests of Lords Diplock and Fraser,<sup>44</sup>

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brings in custom." *Supra*, note 1, p. 741.

<sup>40</sup> Ibid, p. 742.

<sup>41</sup> Ibid, p. 748.

<sup>42</sup> Ibid, p. 742. In particular, he held that: "[I]n an economic system which has relied on competition to keep prices down and to improve products there may be practical reasons why it should have been the policy of the common law not to run the risk of hampering competition by providing civil remedies to everyone competing in the market who has suffered damage to his business or goodwill in consequence of inaccurate statements of whatever kind that may be made by rival traders about their own wares."

<sup>43</sup> Relying principally on what he saw as a progressive intervention by Parliament in the interests of consumers by imposing by statute a higher standard of conduct of commercial candour on traders than had previously applied and holding that: "[D]evelopment of the common law...ought to proceed on a parallel rather than a diverging course"; *ibid*, at p. 743. For a discussion on that aspect of the case, refer J.G. Starke Q.C., *Trade names - Passing off action - Right to exclusive use of trade description - Impact of legislation on principles applicable* [1980] 54 A.L.J. 745.

<sup>44</sup> Although Todd *The Law of Torts in New Zealand*, 1991, Sydney, The Law Book Company, p. 607 suggests that the tests of Lords Diplock and Fraser "[A]re to be viewed as a complimentary whole" and although in effect many of the cases apply a synthesis of the two, it is infrequent that a court will approve and apply both sets of tests. Rather, the cases reflect a selection of one or the other or, alternatively, one



the three point test propounded by Powell J. in *Fletcher Challenge Ltd. v Fletcher Challenge Pty. Ltd.*<sup>45</sup>, the three point test propounded by Ricketson,<sup>46</sup> the test from *Reckitt & Colman Products Ltd. v Borden Inc.*,<sup>47</sup> or a combination of some of them. Whatever test is applied does not affect the position previously stated, namely that the three ingredients required to be satisfied to successfully prosecute an action for passing off are misrepresentation, goodwill and damage and, to that extent, the laws in England and New Zealand are the same.

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of the other tests referred to in this Part. Exceptions to that include *Klissers Farmhouse Bakeries Ltd. v Harvest Bakeries Ltd.* [1985] 2 NZLR 143, 146 where, in the High Court, Davison CJ set out with approval both sets of test and, in the Court of Appeal, Somers and Casey JJ. adopted the same course but Bisson J applied that of Lord Diplock only ([1988] 1 NZLR 16, 22, 27 and 31 respectively). Somers and Casey JJ. took the same approach in *Dominion Rent A Car Ltd. v Budget Rent A Car Systems (1970) Ltd.*, *supra*, note 2. See also the High Court decision in *Taylor Bros. Ltd. v Taylors Group Ltd.*, *supra*, note 28, per McGechan J. at p. 16.

<sup>45</sup> [1982] 8 F.S.R. 1, 11: a plaintiff must establish that: (a) his goods, or his business, has acquired a certain reputation or goodwill; (b) the actions of the defendant have caused, or in all probability will cause, the ordinary customers of the plaintiff's business to believe that the defendant's goods are those, or that the defendant's business is that, of the plaintiff; (c) in consequence, the plaintiff has suffered, or is likely to suffer, injury in his trade or business. Brown & Grant cite a number of cases in which that test has been applied but are all are High Court decisions and it has never been adopted by the Court of Appeal: *supra*, note 3, para. 3.6, note 3.

<sup>46</sup> Ricketson, *supra*, note 3, para. 24.10: a plaintiff must prove that: (a) there is some reputation or goodwill attached to his name, mark or get-up; (b) the defendant has used the same or a deceptively similar name, mark or get-up so as to confuse or deceive the relevant section of the public; (c) as a result of the defendants conduct, damage has been or is likely to be caused to the plaintiff's business reputation or goodwill. Refer also Brown & Grant, *supra*, note 3, para. 3.6, note 4 for cases in which that test has been applied.

<sup>47</sup> [1990] 1 All E.R. 873: the plaintiff must prove that: (a) there is some reputation attached to its name, mark or get up; (b) the defendant used the same or a deceptively similar name, mark or get up so as to confuse or deceive the relevant public or, if unrestrained, is likely to do so; (c) as a result, damage has been, or is likely to be, caused to the plaintiff's business, reputation or goodwill. Refer also *Tot Toys v Mitchell* [1993] 1 NZLR 325.

### *C. THE TORT TODAY*

Following the *Advocaat* decision, and in accordance with the statement of Lord Diplock that each case must be dealt with according to its own facts,<sup>48</sup> the tort has continued to develop and be extended to new situations. In most instances, the extensions have been in relation to the kinds of product or device in which goodwill may reside. Although fewer in number, there have also been cases in which the kinds of representation and damage which fall within the ambit of the tort have been expanded.

#### *1. Goodwill*

##### *(a) Generally*

The scope of the tort is most significantly determined by the breadth the courts are prepared to give to the concept of goodwill. The defendant's misrepresentation must relate to something which the plaintiff has a right to protect:

"One important limitation on the right of a trader to restrain another is that he must show an invasion of that intangible right of property compendiously described as goodwill which can only exist in New Zealand when attached to a business having some connection with this country. The existence of a trading reputation by itself is not sufficient - there can

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<sup>48</sup> One author has noted that, for that reason, it is increasingly difficult for lawyers to advise their clients on whether to raise or contest an action in this area: R.C. Elliot, *Recent Developments in English Law. Passing Off: A Change of Emphasis?* [1992] 1 Scots Law Times 164,165. That is a classic illustration of the struggle at common law to balance the demands for certainty and flexibility.

be no damage other than to a right of property."<sup>49</sup>

A crucial element of establishing goodwill is that the matter said to be imitated by the defendant must be distinctive and the distinctive feature must be linked with the plaintiff. In relation to a name, it has been held that the more descriptive it is the less likely that it will be distinctive.<sup>50</sup>

In relation to get-up of the plaintiff's goods, the more closely it resembles the get-up of similar products in the market, the more difficult it will be to establish distinctiveness.<sup>51</sup> The question of what is required to establish distinctiveness of a product that is functional in nature was considered in *Tot Toys v Mitchell*.<sup>52</sup> The defendant proposed to sell a wooden toy identical to that of the plaintiff, in the shape of a bee and with wheels that made the wings rotate when pulled along by a string. Fisher J. held that if a feature relied on as being part of a distinctive get-up is functional, it can qualify as part of the get-up only if it is: "... not the functional idea per se but the capricious way it has been expressed". Features will be more likely to qualify as get-up if they are fanciful, original, unusual or selected from a vast range of available possibilities rather than simple, obvious, mundane or selected from a limited range. On the facts, it was held that the defendant was free to market toys resembling those of the plaintiff as long as they

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<sup>49</sup> *Dominion Rent A Car*, *supra*, note 2, per Somers J. at p. 420.

<sup>50</sup> *Ibid*, per Cooke P. at 408 in relation to use of the name 'Budget'.

<sup>51</sup> For example, *Klissers Farmhouse Bakeries Ltd. v Harvest Bakeries Ltd.*, *supra*, note 44, per Cooke P. at p. 19: "...I would regard the checks [on the plaintiff's bags] as merely a typical decoration used on bags containing bakery products and on many other products and fabrics." Refer also *infra*, part B.

<sup>52</sup> *Supra*, note 47, at p. 344.

were adequately distinguished from the plaintiff's toys (which they were).

In *Levi Strauss v Kimbyr Investments*,<sup>53</sup> the defendant was restrained from imitating the plaintiff's well known 'red tab' on the rear pocket of its jeans. The courts have been reluctant to grant protection in this area on terms more favourable than those available under trademarks or design legislation<sup>54</sup> and *Levi Strauss* could be seen in light of the fact the court had already held the defendant's tab infringed the plaintiff's registered trademark.<sup>55</sup> Against that, Williams J. also stated that he would have upheld the claim for passing off even if he had held that the plaintiff's trade marks were limited to the tab in one position on the left of the right rear pocket, the effect being to give the plaintiff wider protection in passing off than under the Trade Marks Act.

(b) *Recent extensions*

Significant extensions to the concept of goodwill have included goodwill in relation to the possibility of being able to expand into making and selling of another kind of product,<sup>56</sup>

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<sup>53</sup> [1994] 1 NZLR 332 (the *Levi Strauss* case). For a comprehensive review of cases in this area, refer Brown & Grant, *supra*, note 3, paras. 3.62 - 3.65 inclusive.

<sup>54</sup> Refer, for example, *Starcross Pty. Ltd. v Liquidchlor Pty. Ltd.* (1981) 1 T.P.R. 103.

<sup>55</sup> *Supra*, note 53, pp. 346-377.

<sup>56</sup> The English *Lego* case, *supra*, note 26. Note that a case involving the plaintiff's Australian licensee and virtually identical facts as *Lego* was brought in Australia, although it was argued on a cause of action pursuant to section 52 of the Trade Practices Act and not passing off. The plaintiff's claim was rejected, the court being satisfied that the differences between the two products would mean that people would not confuse them as having a common source. The court rejected evidence of actual confusion and said it had to determine the propensity for deception for itself: *Lego Australia Pty. Ltd. v Paul's (Merchants) Pty. Ltd.* (1982) A.T.P.R. 40-308, 43-805 (the Australian *Lego* case). Falconer J. distinguished the Australian decision on the facts and on the ground it was not a passing off case.

as long as there is a real likelihood of confusion and a realistic prospect of damage;<sup>57</sup> goodwill in relation to expanding the nature of the plaintiff's present business;<sup>58</sup> goodwill in slogans or visual images associated with a product in an advertising campaign, provided they have become part of the product;<sup>59</sup> goodwill in relation to photographs of the plaintiff's products, so that a defendant was restrained from using photographs of conservatories made by the plaintiff in its (the defendants') advertising portfolios, even though it was not alleged that any member of the public looking at the photographs would associate any conservatory with the plaintiff;<sup>60</sup> and goodwill in the name of a publication, a departure from the previous and consistently held view that a plaintiff

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<sup>57</sup> *Stringfellow v McCains Foods (GB) Ltd.* [1984] R.P.C. 501.

<sup>58</sup> The defendant in *Associated Newspapers plc v Insert Media Ltd.* [1991] 3 All E.R. 535 was restrained from inserting extraneous advertising material between the pages of the plaintiff's newspapers without the plaintiff's knowledge or approval. The case may reinforce the position taken by the court in the *Lego* case that a plaintiff may have goodwill in a business it has not yet entered into because, although the plaintiff intended to move into the insertion business, it had not yet done so. Although Mummery J. referred to damage to the goodwill of the plaintiff in relation to the publicly perceived quality of its advertising (in respect of which the plaintiff had led a lot of evidence with a view to showing that it took great care to be impartial and to maintain a very high standard and to ensure compliance with statutory and regulatory controls), he also appeared to be influenced by the fact the plaintiff was in the process of moving into the insertion business itself, and specifically referred to the *Lego* decision in that context (p. 814). The extent to which the Court may have been influenced by this factor is not, however, entirely clear and the decision could stand on the basis of the potential damage to the plaintiffs' goodwill in relation to the perceived quality of its advertising. The Court of Appeal merely said it agreed completely with Mummery J. that, for the reasons given, damage to reputation and goodwill was likely to occur in the circumstances of that case. For a discussion of the implications if the decision was influenced by the plaintiffs' intended expansion into the insertion business refer to A.A. Horton, *Passing Off: Extending the Frontiers of Protection?* [1991] 13 EIPR 141, especially at p. 145.

<sup>59</sup> *Cadbury-Schweppes Pty. Ltd. v Pub Squash Co. Pty. Ltd.* [1981] 1 W.L.R. 193 (Privy Council, on appeal from Australia): the plaintiff failed to make out its case because it could not establish that the defendant's imitation of the plaintiff's advertising of a lemon squash drink with a rugged, manly theme had misled the market into thinking that the defendant's product was that of the plaintiff.

<sup>60</sup> *Bristol Conservatories Ltd. v Conservatories Custom Built Ltd.* [1989] R.P.C. 455: the Court of Appeal held that the tort of passing off is not limited to just two types, the 'classic' type and the extended form established in the *Advocaat* case. It was held that, by showing the photographs to a prospective customer, goodwill arose toward the supplier of those conservatories and was simultaneously misappropriated by the defendants. Note, however, that the five characteristics set out by Lord Diplock in *Advocaat* were present so it is debatable whether the case actually extended the law. For a comment, refer C. Morcom, *Developments in the Law of Passing Off* [1991] 13 EIPR 380, 383.

could not have goodwill in such common, descriptive words.<sup>61</sup>

Significant areas to which it has been held goodwill does not extend include reputation as to the method of presentation at retail sale so as to prevent other traders from using a different method of presentation of the same product, such as selling the plaintiff's ham pre-sliced and packaged when the plaintiff alleged its ham had a reputation for being sold whole or else sliced in front of the customer.<sup>62</sup>

*(c) Foreign plaintiffs*

That a foreign plaintiff may have goodwill in England was well settled in *Advocaat* and the cases which preceeded it. The issue has also been considered by the New Zealand courts on a number of occasions. In *Dominion Rent A Car Ltd. v Budget Rent A Car Systems (1970) Ltd.*, Cooke P. took the view that there was, at that time, no distinctive

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<sup>61</sup> *Morgan-Grampian v Training Personnel Ltd.* [1991] F.S.R. 267 was the first successful case since the 1970's for a plaintiff to restrain rival publications with similar titles by means of passing off. Morgan-Grampian published a series of speciality magazines, each entitled "What's New In..." for example, farming or marketing. The defendants published a magazine originally called "Training Personnel", but changed the name to "What's New In Training". The plaintiff had no magazine about training. In granting interim relief to the plaintiff, Mummery J. held that the words "What's New In" were distinctive of the plaintiff. Previously, plaintiffs had mostly poor fortune in this area because most magazine titles are highly descriptive, rather than distinctive, and the courts have been reluctant to grant injunctive relief to owners of descriptively titled magazines. Further, readers of magazines and newspapers traditionally show high loyalty to the titles they regularly read and it is therefore difficult to prove sufficient confusion to ground a passing off action: refer, for example, *World Athletics Ltd. v ACM Webb* [1981] F.S.R. 27 where the proprietors of 'Athletics Weekly' failed in their attempt to prevent publication of 'Athletics Monthly'. The court held that the differences in size, price, frequency of publication, content and layout would sufficiently distinguish the two magazines.

<sup>62</sup> *Consorzio del Prosciutto di Parma v Marks & Spencer plc*, Unreported, 29 November 1990 (the Parma ham case). The ham of the plaintiff had always been sold whole or in slices cut in front of the customer. The plaintiff said this was part of the reputation of the ham. The defendant started selling the ham pre-sliced and packaged and the plaintiff complained. The Court held that there was no misrepresentation in selling sliced Parma ham as sliced Parma ham and that just because Italian law provided that ham not carved in front of the customer could not be sold in Italy as Parma ham did not mean that such ham ceased to be Parma ham. 'Parma ham' simply meant ham as treated in a particular manner, however it was sold following treatment.

approach to the question of what level of activity in New Zealand a foreign plaintiff needed to show in order to satisfy the requirement that it have goodwill there.<sup>63</sup> The court did little to alter that situation, preferring to say that each case had to depend on its own facts.<sup>64</sup>

The minimum business connection held to satisfy the requirement is publicity of the fact that the plaintiff intended to set up business in New Zealand and took preliminary steps toward that end,<sup>65</sup> although, where the plaintiff has an international reputation which extends to New Zealand, not much in the way of activity in New Zealand will be required to establish goodwill there and it has been held that the reputation may be almost tantamount to goodwill.<sup>66</sup>

Special considerations may apply when the plaintiff is from Australia. In the *Dominion Rent A Car* case, Cooke P. held that, if there is a sufficient business connection with New Zealand, then goodwill may transcend national boundaries.<sup>67</sup> Despite the statements

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<sup>63</sup> *Supra*, note 2, per Cooke P. at p. 405. For a helpful review of earlier authorities, refer *Esanda Ltd. v Esanda Finance Ltd.* [1984] F.S.R. 96 (HC).

<sup>64</sup> *Idem.*

<sup>65</sup> *Keg Restaurants Ltd. v Brandy's Restaurant Ltd.* (1983) 1 NZIPR 453.

<sup>66</sup> *Dominion Rent A Car Ltd.*, *supra*, note 2, per Somers J. at p. 420. In *Pioneer Hi-Bred Corn Co. Ltd. v Hy-Line Chicks Pty. Ltd.* [1978] 2 NZLR 50, the Court of Appeal held that use of the American applicant's mark was likely to deceive or cause confusion because the applicant had a reputation in New Zealand even though it had never traded here. The court held that advertising of the applicant's products in New Zealand was enough to establish reputation. Note, however, that the action was for breach of trade mark, rather than for passing off.

<sup>67</sup> *Supra*, note 2, p. 406. And, at p. 407, after referring to *Halsbury's Laws of England* (4th ed.), para. 179 in relation to the European Economic Community and to the New Zealand - Australia Free Trade Agreement (1966), the Closer Economic Relations Head of Agreement (1982) and the Australia - New Zealand Closer Economic Relations Trade Agreement (1983): "[I] think that the Courts of the two

of principle, there has not been any case in which the plaintiff has established goodwill in New Zealand solely by virtue of its Australian activities and without also having some business activity in New Zealand. The approach to Australian traders may therefore not be as different from the approach to foreign traders generally as those statements might imply.

In *Fletcher Challenge Ltd. v Fletcher Challenge Pty. Ltd.*,<sup>68</sup> the Supreme Court of New South Wales considered the requirements for establishment of business goodwill there, by a New Zealand trader. The plaintiff was incorporated as a holding company for three substantial New Zealand companies. Those three had a number of trading subsidiaries, some of which were registered in New South Wales as foreign companies and were well known in Australia. News of the amalgamation was released to the New Zealand and Sydney stock exchanges and articles appeared in Australian newspapers and financial journals. On the same day, the natural defendants lodged an application for reservation of the 'Fletcher Challenge' name. Powell J. held that it was legitimate, at that stage of the proceeding, to treat the announcement of the proposed amalgamation and proposed

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countries should be prepared as far as reasonably possible to recognize the progress that has been made towards a common market." That philosophy has been adopted by the courts in subsequent cases, although even with that liberal approach the plaintiff will sometimes fail to establish a goodwill in New Zealand; for example, *Watson v Dolmark Industries Ltd.* [1992] 3 NZLR 311, especially at p. 320.

<sup>68</sup> *Supra*, note 45. Refer also the decision of the Full Federal Court of Australia in *Taco Bell Pty. Ltd. v Taco Company of Australia Inc.* (1982) ATPR 40.303; *Chase Manhattan Overseas Corporation v Chase Corporation Ltd.* (1985) 63 A.L.R. 345 - the Australian company's application to restrain the New Zealand company from using the name 'Chase' in respect of its Australian operations was dismissed on the basis that the parties had very little common field of activity and there was no real chance that any members of the public would be misled. It was also held that an overseas company commencing operation in Australia is not necessarily in the same position as a newly incorporated company - it may, as in this case, be known in Australia before starting to trade there. The New Zealand company conducted no business in Australia other than the raising of funds to finance its activities; P.F. Sutherland *Note* (1986) 60 A.L.J. 408; *VISA International Services Assoc. v Beiser Corporation Pty. Ltd.* (1983) 6 TPR 82.



new company name as creating a new reputation which preceeded the lodgment of the defendant's application by a few hours. The case has been cited as an example of a more liberal and flexible approach to the establishment of goodwill<sup>69</sup> but must be seen in light of:

(a) the preceeding and alternative finding of the court, that the plaintiff was entitled to the combined goodwill of its three constituent companies;<sup>70</sup>

(b) the fact that the evidence tendered to support the existence of reputation was not challenged by the defendant, even under cross-examination;<sup>71</sup>

(c) the finding that the natural defendants had conspired to deliberately appropriate the commercial reputation of the plaintiff and were guilty of civil conspiracy.<sup>72</sup>

Because of the above factors, it is the writer's view that the case does not represent a diversion from the traditional approach to establishment of goodwill for the purposes of passing off. A case which may well have had that effect is *ConAgra Inc. v McCain Foods*

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<sup>69</sup> For example, by the authors of McKeough & Stewart *Intellectual Property in Australia* 1991, Butterworths, Sydney, para. 1715.

<sup>70</sup> *Supra*, note 45, p. 12.

<sup>71</sup> *Ibid*, pp. 12-13.

<sup>72</sup> *Ibid*, pp. 13-14.

(*Aust.*) *Pty. Ltd.*,<sup>73</sup> where Lockhart J. reviewed the authorities in England, Ireland, Hong Kong, Canada, the United States, New Zealand and Australia<sup>74</sup> and held that, in view of the sophistication of modern communications and advertising and the frequent travel of residents of many countries, it is no longer necessary for a plaintiff to have a business or business presence in Australia and that nor is it necessary that its goods be sold there: "It is sufficient if his goods have a reputation in this country among persons here, whether residents or otherwise, of a sufficient degree to establish that there is a likelihood of deception among consumers and potential consumers and of damage to his reputation".<sup>75</sup> His Honour further held that, to meet that test, a plaintiff would need to show that a substantial number of people in the jurisdiction were aware of its product.<sup>76</sup> The plaintiff, which was based in the United States, failed to satisfy the court on that test and it remains to be seen whether the courts will be prepared to take the next step and hold that a non-trading plaintiff has a sufficient reputation.

(d) *Concurrent rights*

New Zealand courts have held that a plaintiff and defendant may have concurrent rights in the goodwill attaching to a name or other distinctive feature. The most notable example is the *Dominion Rent A Car* case<sup>77</sup> where, in separate High Court actions,<sup>78</sup>

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<sup>73</sup> (1992) 33 F.C.R. 302

<sup>74</sup> *Ibid*, pp. 310-344.

<sup>75</sup> *Ibid*, p. 344.

<sup>76</sup> *Ibid*, p. 346.

<sup>77</sup> *Supra*, note 2.

the plaintiff and defendant both obtained injunctions against each others use of the word 'Budget' in relation to the car rental business. The Court of Appeal resolved the case on the basis that the parties had concurrent rights in the goodwill attaching to the word and could both continue to use it.<sup>79</sup> It is clear that timing is of the essence, so that concurrent rights will be more likely to arise where the second entrant to the market enters within a short time of the first entrant.<sup>80</sup>

Concurrent use may not only give rise to concurrent rights but, finally in relation to goodwill, by acquiescing in the defendants conduct, the plaintiff may lose its goodwill altogether. In *Watson v Dolmark Industries Ltd.* the plaintiff's complaint was in relation to plastic storage trays which the defendant initially made under licence from the plaintiff. The licence was later cancelled but the defendant continued to make and sell the trays. The plaintiff's claim for passing off was dismissed on the basis that any goodwill attached to the name of the product was eclipsed by the defendant's permitted marketing under its own name.<sup>81</sup>

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<sup>78</sup> *Mutual v Dominion*, unreported, High Court, Auckland, 9 August 1982, A 1654/77, Moller J.; *Dominion v Mutual*, unreported, High Court, Auckland, 8 November 1984, A 9/84, Vautier J.

<sup>79</sup> *Supra*, note 2, per Cooke P. at p. 408, per Somers J. at p. 421 and per Casey J. at p. 427.

<sup>80</sup> In the *Dominion Rent A Car* case, the two entries were simultaneous as the parties had at the outset been involved in a business that was essentially a joint venture. That can be contrasted with *Wineworths Ltd. v Comite Interprofessionel du Vin de Champagne* [1992] 2 NZLR 327 (the *Champagne* case), where the second entrant was more than forty years later in time and it was held that no question of concurrent rights could arise: per Cooke P. at p. 331, per Gault J. at p. 340.

<sup>81</sup> *Supra*, note 68, per Cooke P. at p. 314 and per Anderson J. at p. 320. There was no reference to the plaintiff on the tray or its packaging. The plaintiff may also fail to establish goodwill when it does not deal directly with the public, which therefore does not associate the product with the plaintiff: *Artifakts Design Group Ltd. v N.P. Rigg Ltd.* [1993] 1 NZLR 196, 226, where Williams J. held that : "...in the unusual circumstance that it did not deal directly with diary purchasers, the plaintiff did not have any goodwill in the get up of the diaries."

## 2. *Misrepresentation*

The essence of passing off is the making of a misrepresentation which will harm the plaintiff's goodwill. In its usual form, the misrepresentation will be that the goods or services of the defendant are those of the plaintiff, or are known of and approved by the plaintiff. The requirement is now often expressed in terms of a need to show that the defendant's conduct has caused or is likely to cause confusion.<sup>82</sup>

It has been held that misrepresentation will occur where the defendant inserted advertisements between the pages of national newspapers published by the plaintiff, because the public would perceive that the inserts formed part of the paper, were connected with the publishers of the paper and were advertisements for which the publishers accepted responsibility;<sup>83</sup> where the defendant made and sold goods bearing images of characters created by the plaintiff, because it was held that the public was aware the characters had been licensed and that there was therefore a misrepresentation

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<sup>82</sup> The most authoritative New Zealand formulation is that of Cooke P. in *Klissers Farmhouse Bakeries*, *supra*, note 44: "[T]he plaintiff needs to establish only that a substantial number of purchasers will be deceived by the defendant's packaging into the belief that the product is made by the plaintiff...The opinions of trade and other witnesses as to what would be likely may be helpful but in the end it is the Judge, applying the right principles, who has to answer that question" (pp. 18-19). The New Zealand courts have applied many different tests in connection with the confusion requirement including 'the ultimate purchasers', 'a substantial number of purchasers', 'a member of the public possessing average intelligence', 'the ordinary, ignorant and unwary member of the public', and 'the probability of confusion in the course of trade': *Brown & Grant*, *supra*, note 3, para. 3.32. The diversity of tests is either a lack of consistency on the part of the courts, a reflection of the factual nature of the action, or a combination of the two.

<sup>83</sup> *Associated Newspapers*, *supra*, note 58: it was held that the insertions might involve a representation that the defendants were involved with the plaintiffs, if the facts supported such a conclusion. The Court of Appeal disagreed with the finding of Mummery J. at first instance (reported at [1990] 2 All E.R. 803), that the placing of advertising inserts would *necessarily* involve a misrepresentation that the inserts were connected with the plaintiff.

that the defendants' goods were licensed by the plaintiffs;<sup>84</sup> and that to sustain a cause of action in passing off there need not necessarily be a representation to the public, but that it is enough if there is a representation to some relevant section of it, such as advertisers in a trade magazine.<sup>85</sup>

A related issue arises when the plaintiffs goods are sold not to the public, but to an intermediary. A common example is that of pharmaceuticals, which are dispensed to the public by doctors and pharmacists. It has been held that the relevant section of the

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<sup>84</sup> The *Ninja Turtles* case, *supra*, note 25, represented a step forward for the tort of passing off in its application to character merchandising and distinguished a number of other character merchandising cases including the *Wombles*, *Kojak* and *ABBA* cases, *supra*, note 23. The plaintiffs were the creators of the Ninja Turtle cartoons and certain licensing agents. The defendants used the cartoons on clothing, without permission from the plaintiffs. The novel aspect of the case was that "the defendants were not marketing the turtle image in competition with the plaintiff; they were making and selling goods bearing those images. There was therefore no misrepresentation by the defendants to the plaintiffs' trade customers. Hence it was necessary to establish a misrepresentation by the defendants that their goods were connected in some way with the business of the plaintiffs." - M. Elmslie and M. Lewis *Passing Off and Image Marketing in the U.K.* [1992] 14 E.I.P.R. 270, 271. It has been argued that the case is out of line with prior authority in that the court focused on a need for some intellectual property right rather than on goodwill and a reading of the case supports that view. The Vice Chancellor relied on the *ABBA* decision to support his propositions, one, that a plaintiff must establish some intellectual property right in the goodwill sought to be protected, and, two, there is no property in a name that can be protected by English law. In fact, Oliver J. did not decide *ABBA* on that basis. Since at least *Spalding v Gamage* (*supra*, note 18), the tort has protected property in the business or goodwill and not any property in the goods themselves and the *Ninja Turtles* decision appears to be out of line with authority to that extent. The leading and only New Zealand authority is *Tony Blain Pty. Ltd. v Splain* [1993] 3 NZLR 185, in which the plaintiff was the licensee of merchandise relating to certain artists including Paul McCartney and the band Metallica. The plaintiff obtained ex parte injunctions restraining unauthorised persons from selling any infringing material at concerts to be given by the two (because such persons could not at that stage be identified, a blanket injunction was made in terms that the plaintiffs' solicitors could serve any person found at the relevant time to be in breach and the case is unusual in that respect). The case is consistent with the *Ninja Turtles* decision, especially in that the court looked for some proprietary right in the plaintiff: "It [the plaintiff] clearly shows sufficient proprietary interest to seek relief on the basis of apprehended future breaches of copyright and passing off" (p. 189). Note that the proprietary right identified in relation to the passing off claim appears to have been goodwill: p. 188, line 46.

<sup>85</sup> In *Morgan Grampian*, *supra*, note 61, the court considered the evidence of confusion among advertisers to be critical because the plaintiff's profits derived solely from advertising revenue. The case appears to extend the protection afforded by the tort from the usual case of representation to the public, although the unusual facts may mean its effect is not as wide as may first be thought; in particular, the facts that the confusion looked to was of advertisers and not the public and that the defendant was seeking to retitle an existing magazine, rather than launch a new one.

public is not limited to the doctors and pharmacists to whom the products are sold, but includes the patients who ultimately consume them.<sup>86</sup> That is in line with early passing off cases such as *Sykes v Sykes*<sup>87</sup> and with point (3) of Lord Diplock's formulation in the *Advocaat* case, that the representation of the defendant be to "prospective customers of his or ultimate consumers of goods or services supplied by him."<sup>88</sup>

### 3. *Damage*

The plaintiff must prove damage to its goodwill resulting from the misrepresentation. In the *Dominion Rent A Car* case, Cooke P. examined revenue figures for the parties over the relevant period in reaching the view that the probability was that Mutual had benefited from any confusion between its business and that of Dominion and that therefore Mutual's claim for passing off must fail.<sup>89</sup> However, it is not necessary to lead such precise evidence and more subtle forms of damage have been recognised by the courts. In *Taylor Bros. Ltd.*, the Court of Appeal considered evidence in relation to diversion of trade, damage to reputation caused by lapses on the part of the defendants and inundation or dilution of the plaintiff's goodwill in the name 'Taylors' to the point where the plaintiff would no longer be recognised by its own name and the sale price of

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<sup>86</sup> Refer Wadlow, *supra*, note 3, para. 6-53. On that authors comment on the Canadian decision in *Parke Davis & Co. v Empire Laboratories Ltd.*, [1964] S.C.R. 351, refer now *Ciba-Geigy Ltd. v Apotex Inc.* [1992] 3 S.C.R. 120, which reverses the effect of the earlier decision.

<sup>87</sup> *Supra*, note 11.

<sup>88</sup> *Supra*, note 1.

<sup>89</sup> *Supra*, note 2, p. 412.

the name would be sharply diminished. The Court found there to be sufficient evidence of damage of the second and third kinds and was prepared to infer damage from a tendency to impair distinctiveness. It held that the principle must, however, be applied with caution in two respects: first, there are cases where confusion with a larger organisation may be to the benefit of a party so damage may not be assumed and would be required to be proved; and, secondly, the principle cannot apply to give a party a practical monopoly in a relatively common name.<sup>90</sup>

In the *Champagne*<sup>91</sup> case, the Court of Appeal affirmed, in finding for the plaintiff, that damage from goodwill can be inferred from a tendency to impair distinctiveness. They cast doubt, however, on whether loss of ability to license use of a name may be enough.<sup>92</sup>

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<sup>90</sup> *Supra*, note 28, per Cooke P. at pp. 37-38.

<sup>91</sup> *Supra*, note 80.

<sup>92</sup> It will be recalled that in the English *Lego* case (*supra*, note 25) the House of Lords held that allowing the defendant to use the Lego name in relation to irrigation equipment would preclude the plaintiff from expanding into that business or from licensing someone else to use the name in that business and further held that was sufficient to satisfy the damage requirement. Although the court in *Taylor Bros. Ltd.* addressed itself more to the dilution issue than the licensing one, the statements of Cooke P. that Taylors would not, for example, be able to complain of use of the name in relation to foodstuffs and his description of *Lego* as an extreme case suggests disapproval of that formulation (*supra*, note 29). The issue has not come before the Court of Appeal again but it was considered by Fisher J. in the High Court in *Tot Toys v Mitchell* (*supra*, note 47). It was not necessary for the court to rule on whether loss of licensing ability is adequate to show damage because it had already found there was no deception (confusion). To the extent the courts seem prepared to infer damage from confusion it may never be necessary for them to specifically rule on the licensing question.

#### 4. Disclaimers

The courts have also considered the issue of whether a purported disclaimer can be effective in this area. In the leading case, *Associated Newspapers plc. v Insert Media Ltd.*, it was held that a proposed statement of disclaimer, that the inserts were not approved by the plaintiff, were ineffective on one or both of two bases: one, the representation was made at the point of sale and the disclaimer could have no effect because it would not come to the purchaser's attention until some time after sale; or, two, the presence of the unauthorised inserts alongside authorised inserts and advertisements was a representation that they were part of the publication issued by the plaintiffs. The disclaimer could not convert that false representation into a true one. The court held that it might even suggest some arrangement or collaboration between the plaintiff and defendant.<sup>93</sup>

The holding that a disclaimer could never be effective in the circumstances may represent a significant extension of the protection afforded by the tort, but may also be a decision limited to the unusual facts of that particular case. It is certainly divergent from prior authority.<sup>94</sup>

Only five New Zealand cases have considered the effectiveness of disclaimers. Although none has provided a detailed discussion on the point, the law here seems to be the same

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<sup>93</sup> *Supra*, note 58, pp. 812-813.

<sup>94</sup> Especially *Illustrated Newspapers Ltd. v Publicity Services (London) Ltd.* [1938] 1 All E.R. 321, 328, in which Crossman J. held, on similar facts, that an injunction would not be appropriate where the defendant made it perfectly clear that the inserts were not part of the plaintiff's publication and that the plaintiff was not in any way responsible for them.



as in England, namely that a disclaimer can be effective if it prevents the confusion that would otherwise arise, and that whether any disclaimer is so effective is a question of fact.<sup>95</sup> The courts appear to be suspicious about the effectiveness of disclaimers and therefore impose a high standard.<sup>96</sup>

In the leading New Zealand case, *Taylor Bros. Ltd v Taylors Group Ltd.*,<sup>97</sup> McGechan J. in the High Court, granted a conditional interim injunction which allowed the defendant to use the name 'Taylors' only in accordance with a range of conditions including relating to how the telephone should be answered, what should be said in oral

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<sup>95</sup> In *Noel Leeming Television Ltd. v Noel's Appliance Centre Ltd.* (No. 2), unreported, High Court, Christchurch, 27 August 1985, A 102/85, Holland J., a notice: 'Please note that this is not a Noel Leeming Appliance Store' was held to be effective to distinguish the defendant's business from that of the plaintiff; the defendant in *Sunshine Leisure Products (NZ) Ltd. v Great Outdoors Co. Ltd.* [1986] 2 NZLR 183, was allowed to continue using the name 'Sunline' on its products provided they were clearly distinguished from those of the plaintiff. The court did not express a view on what would be necessary to clearly distinguish the two lines of product. Note also that the court was persuaded to grant an injunction in those conditional terms rather than in absolute terms because, at least at that time and although the fact was in issue in the substantive proceeding, both parties had registered trade-marks in the words complained of ('Sunshine' for the plaintiff, 'Sunline' for the defendant); in *Prudential Building and Investment Society of Canterbury v Prudential Assurance Company of New Zealand Ltd.* [1988] 2 NZLR 653, the Court of Appeal ordered the defendant to stop using the word 'Prudential' outside Canterbury except with a disclaimer in clear words in a prominent place that it was not in any way associated with the plaintiff. It also ordered that the defendant use the word in Canterbury: (a) only in conjunction with its full registered name; and (b) not in the typeface used by the plaintiff; in *Tot Toys v Mitchell*, *supra*, note 47, it was held that putting the toys in issue in a plastic bag with a cardboard header strip on which would be marked the name of the toy and the name of the defendant, putting the defendant's name on each toy, and painting the toys a colour distinctively different from the colour of the plaintiff's toys would be sufficient distinction. It was also held that actioning the first matters, without painting the toys a distinctively different color, would not be sufficient.

<sup>96</sup> That is substantially the same as the position in Australia, as summarised by Wilcox J. in *Hutchence v South Seas Bubble Pty. Ltd.* (1986) 64 A.L.R. 330: "There are occasions upon which the effect of otherwise misleading or deceptive conduct may be neutralised by an appropriate disclaimer...Such cases are likely to be comparatively rare and to be confined to situations in which the court is able to reach satisfaction - the onus resting on the party relying on the disclaimer - that the disclaimer is likely to be seen and understood by all those - leaving aside isolated exceptions - who would otherwise be misled before they act in relation to the relevant transactions"; refer also Brown & Grant, *supra*, note 3, para. 7.21 and the cases cited at note 3 to it.

<sup>97</sup> *Supra*, note 28.

discussion, the style of lettering to be used in correspondence, business documents, advertising and promotional material, telephone and post office box directories and requiring the defendant to advise any customer who mistakenly contacted it of the existence of the mistake and inviting it to contact the plaintiff.<sup>98</sup> At the substantive hearing, he expressed doubt about whether disclaimers "...would prove workable in the real world on the factory or office floor and drivers seat..." and the final injunction granted by the court was in absolute terms.<sup>99</sup>

#### **D. EXPANSION INTO OTHER TORTS**

In the United States of America<sup>100</sup> and, more recently and to a lesser extent, in Canada<sup>101</sup> there has been a move to expand the tort of passing off to a more general

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<sup>98</sup> For the full terms of the injunction, refer to the Court of Appeal decision, *ibid*, pp. 34-35.

<sup>99</sup> [1990] 1 NZLR 19, 32; restraining the defendant from using the name in any business offering or providing drycleaning, laundry, linen hire, or garment hire services in the wider Wellington region. The court was partly influenced by the fact the defendant had breached the interim injunction in several respects.

<sup>100</sup> *International News Service v The Associated Press* (1918) 248 US 215. There has also been development of statutory and tortious rights of privacy, particularly relevant in the area of personality merchandising. The need for a privacy tort was first advocated by Warren and Brandeis in *The Right of Privacy* (1890) 4 Harv. L. R. 193 and first enacted by the New York legislature following a refusal, by the New York Court of Appeals, of a claim by an "attractive woman" whose photograph was used, without her consent, to advertise flour: *Roberson v Rochester Folding Box Co.* (1902) 171 N.Y. 538, 64 N.E. 442. The New York Act makes it both a misdemeanour and a tort to make use of the name, portrait or picture of any person for advertising or trade purposes without his or her written consent: N.Y. Sess. Laws 1903, c. 132, ss. 1-2 as amnd. 1921. Similar legislation has been passed in many other states.

<sup>101</sup> *Orkin Exterminating Co. v Pestco Co. of Canada* [1985] 19 D.L.R. (4th) 90 (Ont. C.A.); *Canada Safeway Ltd. v Manitoba Food and Commercial Workers, Local 832* (1983) 25 C.C.L.T. 1 (Man. C.A.) cited in M.B. Clark, *Passing Off and Unfair Competition: The Regulation of the Marketplace* [1990] 6 IPJ 1, 22-23. In Ontario, there has been development of a tort of appropriation of personality: *Krouse v Chrysler*

tort of unfair competition. Under that cause of action, a trader obtains protection against damage caused either by unfair competition or the misappropriation of knowledge or information in which she has a quasi-proprietary right. The need to establish goodwill, which is critical to the passing off action, is not necessary in the unfair competition complaint.

Lord Diplock referred to a concept of 'unfair trading' in *Advocaat*,<sup>102</sup> but that case is strictly one of passing off.<sup>103</sup> In the *Sherry* case,<sup>104</sup> Cross J suggested that the *Champagne* case<sup>105</sup> went: "...well beyond well-trodden paths of passing off into the unmapped area of 'unfair trading' or unlawful competition...", but that idea was quashed by the House of Lords in *Shaw Bros. (HK) Ltd. v Golden Harvest (HK) Ltd.*<sup>106</sup> In English law, passing off does not provide rights of publicity or privacy, nor of misappropriation of personality or character and there are no separate torts giving protection in those areas

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*Canada Ltd.* (1974) 40 D.L.R. (3d) 15 (Ont. C.A.); *Athans v Canadian Adventure Camps Ltd.* (1978) 80 D.L.R. (3d) 583 (Ont. H.C.J.); *Multivision Films, Inc. v McConnell Advertising Co. Ltd.* (1983) 69 C.P.R. (2d) 1, although the scope, if not the existence, of such a tort was questioned in *Dowell v Mengen Institute* (1983) 72 C.P.R. (2d) 238 (Ont. H.C.J.). Rights of privacy have been given statutory protection in British Columbia (Privacy Act, R.S.B.C. 1979, c. 336, sec. 3)), Manitoba (Privacy Act, S.M. 1970, c. 74, sec. 3(2)), Saskatchewan (Privacy Act, R.S.S. 1978, c. P-24, sec. 3(c)), and Newfoundland (Privacy Act, S.N. 1981, c.6, sec. 4(c)). Refer also *Seiko Time Canada Ltd. v Consumers Distributing Co. Ltd.* (1984) CCLT 296, 312, where the Supreme Court of Canada appeared to recognise an expanded scope of the passing off action and said that the focus is on protection of the community from the harmful effects of unfair competition or trading. The ingredients of the test set out by Lord Diplock in the *Advocaat* case were, however, present in that case, so the comments of the court appear to be strictly obiter.

<sup>102</sup> *Supra*, note 1.

<sup>103</sup> Albeit in an expanded, rather than the classic, sense.

<sup>104</sup> *Supra*, note 32, p. 146.

<sup>105</sup> *Supra*, note 31.

<sup>106</sup> [1972] R.P.C. 559, 562-563. For a discussion, refer D. Vaver *The Protection of Character Merchandising - A Survey of Some Common Law Jurisdictions* [1978] 9 IPCL 541.

or for unfair competition.<sup>107</sup>

In *McBean's Orchards (Australia) Pty. Ltd. v McBean's Orchards Ltd.*,<sup>108</sup> Jeffries J. held that the *Advocaat* case recognised that the tort of passing off is undergoing change and may be moving toward a general unfair competition action, but he also held that the case at bar was not such a case. There has been no other case giving recognition to such an action. Because section 9 does not require the plaintiff to establish goodwill or to prove damage, it seems unlikely the tort will expand in that direction in New Zealand.<sup>109</sup>

#### ***E. THE PUBLIC POLICY RATIONALE***

Opinions on what is the public policy rationale for the tort of passing off are diverse.

It has variously said that passing off has its primary function in the interests of the buying

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<sup>107</sup> Nor does it appear from the cases that counsel have strenuously argued, if at all, that passing off should be extended in those ways or that other torts should be developed. A possible reason is that English law: "[H]as generally leant by instinct in favour of the free use of ideas, whether in a commercial context or otherwise. Copyright, passing off and other rights of action exist by way of special exception to this in order to allow a fair return on creative and promotional activities. There has been an understandable reluctance to concede the same right in respect of every conceivable return from the use of an idea": W.R. Cornish, *Character Merchandising in the U.K.: Rights in Fictional Characters* (1978) 16 AIPL 492, 494. For an argument that a tort of appropriation of personality is already known to the common law refer R.G. Howell, *The Common Law Appropriation of Personality Tort* (1986) IPJ 149, 153; Frazer, *Appropriation of Personality - a New Tort?* (1983) 99 L.Q.R. 281. Refer also *Lonrho Ltd. v Shell Petroleum Ltd.* [1982] A.C. 173.

<sup>108</sup> (1982) 1 NZIPR 406.

<sup>109</sup> The same is true in Australia, where the courts have also rejected the development of a tort of unfair competition: *Moorgate Tobacco Co. Ltd. v Philip Morris Ltd.* (1984) 56 C.L.R. 414.

public<sup>110</sup>; that it protects the competing trader;<sup>111</sup> or, represents a compromise between two conflicting objectives; on the one hand the public interest in free competition, on the other the protection of a trader against unfair competition by others";<sup>112</sup> or, "protects the rights of traders and competitors, *not* of consumers";<sup>113</sup> or, is "brought by the trader whose goodwill has been injured, but is based on a misrepresentation made to consumers..."<sup>114</sup>

The lack of uniformity is understandable given that decisions on passing off complaints affect both traders and consumers. Traders have interests in protecting investments in development of new products and ideas; they have a conflicting interest in preserving the ability of traders to compete and not allow one trader to gain a monopoly in any area. Consumers also have interests in community access to intellectual progress and in promoting competition that will usually result in lower prices; they have a conflicting interest in allowing some protection to innovators, who may not be inclined to innovation in the absence of some protection of the end product.

Some elements of the tort suggest a focus on the interests of the rival trader, including

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<sup>110</sup> P. J. Kaufmann, *Passing off and Misappropriation*, 9 Studies in Industrial Property & Copyright Law, The Max Planck Institute For Foreign and International Patent, Copyright and Competition Law, Munich, 1986, at p. 3.

<sup>111</sup> M.B. Clark, *Passing Off and Unfair Competition: The Regulation of the Marketplace* [1990] 6 IPJ 1, at pp. 17-18: "The protection of consumers, while a consequential result of granting relief, is not the thrust of the action".

<sup>112</sup> *Dominion Rent A Car*, *supra*, note 2, per Somers J. at p. 420.

<sup>113</sup> Todd, *supra*, note 44, at p. 619.

<sup>114</sup> D. Shanahan, *The Trademark Right: Consumer Protection or Monopoly?*, (1982) 72 TMR 233, 234.

that:

(i) the action originated from the tort of deceit and, in its early development, was aimed at preventing deceit of the rival trader;

(ii) it is now necessary to prove deception of the public only because that establishes damage to the plaintiff, for example, that the plaintiff will suffer loss of sales if her customers buy a competitor's product in the mistaken belief that it is the plaintiff's. The deception is of the public but *about* the plaintiff and her connection with the product;

(iii) it is the trader's goodwill and reputation that is the subject of the action;

(iv) the protection is linked to goodwill and not any proprietary right simply because the latter is addressed by legislation such as that relating to trademarks, patent and copyright;

(v) the protection afforded by the tort may reduce competition and thereby result in increased prices and/or lower quality.

Other elements give the action a consumer protection flavour, including that:

(i) deception of the consuming public must be established for a plaintiff to be

successful;<sup>115</sup>

(ii) the cause of action is tied to the plaintiff's business or goodwill, rather than to any proprietary right in the name, mark or get-up in issue. It therefore allows a greater degree of imitation and competition than, for example, a trade mark. Consumers are the beneficiaries of that greater degree of competition;

(iii) an imitator will have a good defence if she adequately distinguishes her goods from those of the plaintiff. That also allows competition and thereby benefits consumers;

(iv) the English and New Zealand courts have resisted development of a tort of unfair competition, thus limiting the protection afforded to traders, to the benefit of consumers.

On balance, it is the writers view that the tort is neither wholly trader oriented nor wholly consumer oriented and, with the competing interests involved in any case, it does not seem possible to seriously argue otherwise. While the existence of the tort owes itself to the interests of traders, it reflects the interests of both consumers and traders. It has expanded considerably from its original scope, principally in response to new kinds of product and new methods of manufacture and promotion. Constraints on expansion of the tort have included the concern of the courts not to grant a monopoly to one

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<sup>115</sup> Or some other relevant body, such as the advertisers in *Morgan-Grampian v Training Personnel*, *supra*, note 62.

trader, thereby depriving other traders of an opportunity to compete, but also their concern not to deprive consumers of the benefits of that competition.<sup>116</sup> Having said that, in no case has the court given the interests of consumers priority over those of traders, in the sense of withholding a remedy that would otherwise have been granted. The writer concludes that both the existence and the extent of the protection are concerned principally with the interests of traders and that the interests of consumers are very much secondary.

That can be contrasted with the public policy rationale for section 9, as identified in chapter one. It is concerned primarily with the interests of consumers; the tort with the interests of traders. One would accordingly think that different tests and standards would have been developed and applied under section 9. As will be seen in chapter four, that has not happened.

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<sup>116</sup> Refer, for example, to Lord Diplock's policy statement in the *Advocaat* case, *supra*, note 1 and text.



*THE APPROACH OF THE COURTS**INTRODUCTION*

It has been said, in relation to the Fair Trading Act, that:

"The effect of the statute on the development of the tort of passing off will largely depend on the attitude taken by the courts to the existence of an alternative jurisdiction. The statutory action may be "read down" by the application of, possibly inappropriate, passing off principles; and/or the extension or development of the passing off action may be circumscribed by the existence of a statutory parallel. Or there may be a more robust attitude taken with the result that the statute will provide a genuinely alternative and often complementary weapon in the hands of the ethical rival trader."<sup>1</sup>

In chapter one, there was consideration of judicial statements on the consumer protection rationale for section 9.<sup>2</sup> That showed that, consistent with the public policy rationale, the interests of consumers have been foremost in judicial commentary on the section. Attempts by counsel to limit the meanings of words in the section, and limit the scope of the section itself, have been over-ruled. In doing so, the courts have, however, gone beyond even the interests of consumers, saying that it is not necessary for a plaintiff to show that such interests are harmed in order to be successful. As well as emphasizing

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<sup>1</sup> Todd, *The Law of Torts in New Zealand*, 1991, The Law Book Company Ltd., Sydney, p. 640. Note that, even while sounding that warning, the author appears to have neglected the fact that one of the principal aims of the Act was to provide a weapon for the use of consumers.

<sup>2</sup> *Supra*, chapter one, part D.

the consumer protection rationale for section 9, the courts have stressed that that action is different from passing off and they have detailed the differences between the two. Some examples of that are considered in part A. It is the writer's thesis that the judicial commentary on the public policy rationale for section 9 often amounts to little more than lip-service. While emphasizing the different policy rationales for the two actions, the courts have nevertheless applied many of the tests developed in the tort of passing off. Because the principal rationale of that cause of action is to protect traders, application of the tests in section 9 actions is inappropriate and prejudices the interests of consumers.

The importation of passing off principles into section 9 cases happens in relation to protection of descriptive names, get up, location and duration of reputation, evidence of deception and the common field of business activity rule.<sup>3</sup> Each will be considered separately, in Parts B to F.

#### **A. THE COURTS ON SECTION 9 AND PASSING OFF**

In *Chase Manhattan Overseas Corporation v Chase Corporation Ltd.*, Wilcox J. set out the

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<sup>3</sup> Those headings were first addressed by Michael Blakeney in his article, *Old Wine in New Bottles: Influence of the Common Law on the Interpretation of section 52 of the Trade Practices Act* (1984) 58 A.L.J. 316, in which the approach of the Australian courts in decisions prior to 1984 is criticized on the same basis as the writer criticizes New Zealand and Australian decisions since that date. It will be seen that the Australian courts continue to tread the wrong path and that the New Zealand courts have followed.

following general principles, in relation to section 52 of the Trade Practices Act:

"(a) conduct cannot, for the purposes of section 52, be categorized as misleading or deceptive, or likely to be misleading or deceptive, unless it contains or conveys a misrepresentation...;

(b) a statement which is literally true may nevertheless be misleading or deceptive...This will occur, for example, where the statement also conveys a second meaning which is untrue...;

(c) conduct is likely to mislead or deceive if this is a 'real or not remote chance or possibility regardless of whether it is less or more than fifty percent'...;

(d) the question whether conduct is, or is likely to be, misleading or deceptive is an objective one, to be determined by the court for itself, in relation to one or more identified sections of the public, the court considering all who fall within an identified section of the public including the astute and the gullible, the intelligent and the not so intelligent, the well educated as well as the poorly educated, men and women of various ages pursuing a variety of vocations...Evidence of the formation in fact of an erroneous conclusion is admissible but not conclusive...;

(e) ordinarily, mere proof of confusion or uncertainty will not suffice to prove misleading or deceptive conduct...However, where confusion is proved, the Court should investigate the cause; so that it may determine whether this is because of misleading or deceptive conduct on the part of the respondent..."<sup>4</sup>

The Australian courts have emphasized that it is not appropriate merely to import passing off principles and concepts into cases under section 52. It has been held that to do so would likely be "...productive of error and to give rise to arguments founded on false assumptions".<sup>5</sup> In the *Hornsby* case, the court emphasized that section 52 and the tort of passing off are quite different in the sense that:

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<sup>4</sup> (1985) 63 ALR 345, 354-355.

<sup>5</sup> *Taco Company Of Australia Inc. v Taco Bell Pty. Ltd.* (1982) 42 ALR 177.

"...section 52 is concerned with conduct which is deceptive of members of the public in their capacity as consumers of goods or services: it is not concerned merely with the protection of the reputation or goodwill of competitors in trade or commerce."<sup>6</sup>

Brennan J. held, in *World Series Cricket Pty. Ltd. v Parish*, that the provisions of the Act "...are not written on a palimpsest on which the tortious principles are perceived to be underlying" and that the mere fact that a plaintiff has a choice of remedy does not require the statutory remedies to be construed so as to accord with the common law.<sup>7</sup> Finally, in *Parkdale Custom Built Furniture Pty. Ltd. v Puxu Pty. Ltd.*, Mason J. made it clear that section 52 is not to be read down by reference to common law or equitable requirements for passing off or by reference to statutes dealing with patents and registered designs.<sup>8</sup>

In summary, therefore, the Australian courts appear to have been unanimous in their view that, in a passing off type case, it is not appropriate to merely apply passing off principles to cases under section 52.<sup>9</sup>

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<sup>6</sup> *Hornsby Building Information Centre Pty Ltd. v Sydney Building Information Centre Ltd.* [1977-78] 140 C.L.R. 216, per Barwick C.J. at p. 220.

<sup>7</sup> [1977-78] 16 A.L.R. 181, 198-199.

<sup>8</sup> (1981-82) 149 C.L.R. 191, 195-197. Refer also *McWilliams Wines Pty. Ltd. v McDonalds System of Australia Ltd.* [1980] 49 F.L.R. 455 (the *Big Mac* case), per Northrop J. at pp. 467 - 469; S. Ricketson *The Law of Intellectual Property*, 1984, The Law Book Co., Melbourne, paras. 40.49 - 40.57, for a discussion of the overlap between industrial property rights and consumer protection and of how the competing policy objectives may be rationalised.

<sup>9</sup> c.f. *R & C Products Pty. Ltd. v S C Johnson & Sons Pty. Ltd.* (1993) 113 A.L.R. 487, per Davies J. at p. 491: "...it is unlikely that in a case such as the present the two bases of liability would have a significantly different application. In the application of s 52, authorities which have considered the common law tort provide guidance by analogy as to the type of conduct which would be likely to mislead or deceive the public."

The New Zealand courts have generally followed the same approach. They have generally endorsed the principles espoused in *Chase*,<sup>10</sup> although in *Levi Strauss & Co. v Kimbyr Investments Ltd.* the Court of Appeal pointed out that there are some differences in emphasis between the New Zealand and Australian courts with respect to paragraph (e) and that the test to be applied in New Zealand is that it is not enough that the conduct causes a state of wonder or doubt in the minds of people about, for example, the identity or otherwise of two businesses:

"The line in the latter case can be a fine one, we think, for if the Court is satisfied (on the balance of probabilities) that some consumers will wonder, it may at times not be difficult to take the further step of concluding that some are likely to be misled; but of course this is not necessarily so."<sup>11</sup>

In *Taylor Bros. Ltd.*,<sup>12</sup> the first civil case to consider section 9, McGechan J. and the Court of Appeal both indicated that the principal difference between the two actions is that only passing off requires a plaintiff to prove injury or likelihood of injury to his own goodwill; the Act thus having a wider scope than the tort.<sup>13</sup> In *Comite Interprofessionel du Vin de Champagne v Wineworths Group Ltd.*,<sup>14</sup> Gault J. held that, in that context of a dispute between rival traders, a finding of breach of the Act added nothing in practical terms to the decision on the passing off cause of action. That might, on its face, be

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<sup>10</sup> *Taylor Bros. Ltd. v Taylors Group Ltd* [1988] 2 NZLR 1 (H.C. and C.A.), per Cooke P. at pp. 28 and 39.

<sup>11</sup> [1994] 1 NZLR 332, 381.

<sup>12</sup> *Supra*, note 10 at p. 27.

<sup>13</sup> *Idem*, per Cooke P. at p. 39.

<sup>14</sup> [1992] 2 NZLR 327 (the *Champagne* case) at p. 344.

construed as a finding that the elements to be satisfied are the same for both causes of action, but the comment was, one, made with particular reference to the fact that the court had already found in favour of the plaintiff on passing off; and, two, directed to the remedies available to the particular plaintiff as a matter of practicality, rather than to the elements to be proved as a matter of policy or principle.

A more detailed analysis of the differences between / similarities of the two actions was undertaken in *Tot Toys v Mitchell*,<sup>15</sup> where Fisher J. held that in at least five respects it is easier to establish a cause of action for the purposes of the Act than for passing off:

1. under the Act there is no room for the distinction between capricious and non-capricious get-up, which His Honour previously drew in the context of passing off;<sup>16</sup>
2. damage to the plaintiff is not an essential element of the statutory action;
3. source motivation on the purchaser's part is not an essential element of the statutory action, even where the plaintiff's complaint is diversion of

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<sup>15</sup> [1993] 1 NZLR 325, 367-368.

<sup>16</sup> Ibid, pp. 335-347. His Honour earlier made a distinction between "functional" and "capricious" aspects of get up. The former he defined as "...those utilitarian features of a product which serve the objects for which the product was designed and which will therefore be of benefit to the purchaser when the product is ultimately put into use" (p.335); and "capricious" as "...a design choice which is arbitrary, not uniquely desirable, and therefore not solely driven by considerations of logic or utility. If when presented with a range of possible choices a designer chooses one because it will be cheaper, easier to produce, or more useful to the consumer, the choice is not capricious. But it is capricious if it is a random selection from a range of equally acceptable solutions or is motivated by nothing more than aesthetics or a desire to be distinctive." It was held that features of a product are more likely to qualify for protection in passing off if they are fanciful, original, unusual, or selected from a vast range of available possibilities rather than simple, obvious, mundane or selected from a limited range (p. 344). Even though he accepted that any wooden toy having the colour, shape and mechanical characteristics of the Buzzy Bee was likely to be regarded by many New Zealanders as a Buzzy Bee, Fisher J. held those features did not form part of the capricious get up and therefore could not be protected by an action in passing off.

trade;<sup>17</sup>

4. there is no need for the plaintiff to prove damage to him or his goods;<sup>18</sup>

5. deception at any time constitutes a breach of the Act. If there is initial deception, immediate correction at the point of sale will be too late to rectify the breach. In contrast, such correction may defeat a claim in passing off, if made before diversion of the customer has occurred.

Having set out those differences, His Honour proceeded to make clear, however, that establishing the technical ingredients of the action is not the end of the matter, and the plaintiff under section 9 must go on to show that one of the, discretionary, remedies ought to be granted. Fisher J. held that the five matters detailed above are also relevant to the question of whether any remedy should be granted, the essential question being:

"...whether the 'misleading or deceptive' conduct is likely to have a sufficiently serious impact upon customers rather than trade competitors."<sup>19</sup>

There follows a discussion of areas in which the courts have ignored their own advice and imported passing off principles into cases under section 9.

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<sup>17</sup> His Honour earlier held (pp. 349-353) that source motivation has always been an essential ingredient of diversion passing off (where the damage claimed by the plaintiff is diversion of trade to a business rival due to the latter's misrepresentation; the other kinds of damage claimed in this case were that arising from association with an inferior product and injury to character merchandising rights) notwithstanding that it had not usually been articulated as a separate requirement. Because proof of damage to the plaintiff's goodwill is an essential element of the action, and because it must be shown that damage flowed from the defendant's misrepresentation, a claim of diversion passing off will be made out only if the customer would not have purchased the defendant's product but for that misrepresentation.

<sup>18</sup> See also *Prudential Assurance Co. of New Zealand Ltd. v Prudential Building and Investment Society of Canterbury* [1988] 2 NZLR 653, per Bisson J. at p. 659.

<sup>19</sup> *Ibid*, p. 368.

## ***B. PROTECTION OF DESCRIPTIVE NAMES***

Descriptive names are those which indicate the nature, rather than the source, of goods. Although protection of descriptive names has been afforded in passing off since *Reddaway v Banham*,<sup>20</sup> Lord Herschell accepted the findings of the jury in that case reluctantly and appeared not to share its view that the description 'camel hair belting' denoted goods of the plaintiff. It was seen in chapter three that the courts are reluctant to afford protection to descriptive names, the rationale being that the descriptiveness of the name ensures that it is not distinctive of any particular business and hence its application to other like businesses will not ordinarily mislead the public.<sup>21</sup>

In construing sections 9 and 52, the courts in New Zealand and Australia have treated the issue of whether or not a name is descriptive as determinative. It has been held that:

"The risk of confusion must be accepted, to do otherwise is to give to one who appropriates to himself descriptive words an unfair monopoly in those words and might even deter others from pursuing the occupation which the words describe."<sup>22</sup>

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<sup>20</sup> [1896] A.C. 199; refer, *supra*, chapter three, notes 13-17 and text.

<sup>21</sup> *Hornsby Building Information Centre Pty. Ltd. v Sydney Building Information Centre Ltd.*, *supra*, note 6; *Cadbury Schweppes Pty. Ltd. v Pub Squash Ltd.* [1981] 1 All E.R. 213.

<sup>22</sup> *Hornsby*, *supra*, note 6, per Stephen J. at p. 239. In *Parkdale Custom Built Furniture Pty. Ltd. v Puxu Pty. Ltd.*, *supra*, note 8, Mason J. referred to the consumer protection policy of the Act and conceded that it might require prohibition of conduct in a way that would result in a limited monopoly in the design of a product, but (1) that case involved a claim in relation to design of a product rather than in relation to name; and (2) Mason J. considered the evidence not strong enough to demonstrate a protectable reputation in the plaintiff's design.



Three points arise. The first is that there is a great lack of consistency and logic between those names which have been protected and those which have not. Visa,<sup>23</sup> Motorcard,<sup>24</sup> Blue and Fresh,<sup>25</sup> Pure and Simple,<sup>26</sup> Popular Mechanics,<sup>27</sup> Taco Bell,<sup>28</sup> Diesel & Turbo,<sup>29</sup> HIT,<sup>30</sup> Champagne<sup>31</sup> and Scotch Whisky<sup>32</sup> have all been held not to be purely descriptive and therefore to be capable of sustaining an action pursuant to section 52. Rent A Ute,<sup>33</sup> Building Information Centre,<sup>34</sup> Saint Germain,<sup>35</sup> Champagne,<sup>36</sup> Big Mac,<sup>37</sup> West Coast Cooler,<sup>38</sup> Pitstop<sup>39</sup> and the New

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<sup>23</sup> *Visa International Service Assoc. v Beiser Corporation Pty. Ltd.* (1983) 6 T.P.R. 82.

<sup>24</sup> *Motorcharge Pty. Ltd. v Motorcare Pty. Ltd* (1982) 42 A.L.R. 136, but only in Western Australia and not in New South Wales or Victoria.

<sup>25</sup> *R and C Products Pty. Ltd. v Hunters Products Pty. Ltd.* (1988) A.T.P.R. 40-839, 49,054.

<sup>26</sup> *Abundant Earth Pty. Ltd. v R and C Products Pty. Ltd.* (1985) 59 ALR 211.

<sup>27</sup> *Snoid v C.B.S. Records Australia Ltd.* (1981) 54 F.L.R. 202.

<sup>28</sup> *Taco Co. Of Australia Inc. v Taco Bell Pty. Ltd., supra*, note 5.

<sup>29</sup> *Theodorus Couwenberg & Son Ltd. v Diesil Progress NZ Ltd.* (1988) 2 NZBLC 102,976.

<sup>30</sup> *Trust Bank Auckland Ltd. v ASB Bank Ltd.* [1989] 3 NZLR 385.

<sup>31</sup> *Supra*, note 14.

<sup>32</sup> *The Scotch Whisky Assoc. v Norman James Eade*, unreported, High Court, Christchurch, 4 July 1990, CP 204/90, Holland J.; unreported, Court of Appeal, 20 August 1990, CA 177/90.

<sup>33</sup> *Rent A Ute Pty. Ltd v Golden 214 Pty. Ltd.* (1987) A.T.P.R. 40-800.

<sup>34</sup> *Hornsby Building Information Centre, supra*, note 7.

<sup>35</sup> *Weitmann v Katies Ltd.* (1977) 29 F.L.R. 336.

<sup>36</sup> *Comite Interprofesionel du Vin de Champagne v N.L. Burton Pty. Ltd.* (1981) 1 T.P.R. 128 (the Australian Champagne case); *Institut National des Appellations d'Origine des Vines et Eaux-de-Vie v Andres Wines Ltd* (1990) 71 D.L.R. (4th) 575 (the Canadian Champagne case).

<sup>37</sup> *The Big Mac case, supra*, note 8.

<sup>38</sup> *Irish Distillers Ltd. v S. Smith & Son Pty. Ltd* (1987) A.T.P.R. 40-756.

<sup>39</sup> *Pitstop Exhaust Ltd. v Alan Jones Pitstop International Ltd.* (1988) 2 NZBLC 102,968.

Zealand Wine Society<sup>40</sup> have been held to be descriptive and not capable of sustaining an action. The line between what is discriptive in the eyes of the courts, and what is not, is arbitrary and without adequate regard to the consumers whose interests the Act is intended to protect. The lack of logic and consistency between those names which have been protected and those which have not is ample evidence that treating the issue of descriptiveness as determinative of whether the conduct complained of is misleading or deceptive is unjustifiable. Perhaps the most telling example of lack of regard for the policy rationale for section 9, in this context, is contained in the decision of Robertson J. in the New Zealand Wine Society case.<sup>41</sup> Both parties claimed an injunction to restrain the other from using that name. His Honour held that:

"If each of these trading organisations wishes to persist in using descriptive terms which will make it difficult for the public to distinguish which is the activities of one from the activities of the other, then that is the price that they choose for maintaining a commercial reality which has the potential to confuse."

The acknowledgment that the activities of the parties had the potential to confuse was a reason for making an injunction, not a reason for with-holding one.<sup>42</sup>

The second point is that the courts have, particularly when dealing with descriptive names, drawn a distinction between confusion or wonderment on the one hand and

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<sup>40</sup> *Cardmember Wines Ltd. v The Wine Society Ltd.* (1992) 4 TCLR 556.

<sup>41</sup> *Idem.*

<sup>42</sup> Even if such injunction was simply in terms of an order that each party take adequate steps to distinguish its business from that of the other.

misleading or deception on the other. The former occurs when the defendant's activities move some section of the public simply to wonder whether there is a connection between the parties and does not amount to breach of the Act. The latter arises where the activities cause the public to believe there is a connection and does amount to breach of the Act.<sup>43</sup>

A comparison can be made with section 16 of the Trade Marks Act 1953, which prohibits registration as a trade mark of any matter that would be likely to deceive or cause confusion.<sup>44</sup> It has been held that section 16 is principally aimed at protection of consumers and that it is enough if members of the public are "caused to wonder" whether the goods bearing the applicant's mark come from some other source.<sup>45</sup> It is conceded that the wording of section 16 makes it easier to apply a wider test of deception or confusion and it may be that amendment of section 9 is required, to include confusion. In chapter five, it will be seen that, when a consumer is not able to tell the difference between a genuine product and an imitation of it, she will make her purchasing decisions on the basis of price. When the price of the two products is the

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<sup>43</sup> Refer *Chase Manhattan Overseas Corp. v Chase Corporation Ltd.*, *supra*, note 4; *Hornsby*, *supra*, note 6, at p. 230; the *Big Mac* case, *supra*, note 8 at p.461; *Taylor Bros. Ltd. v Taylors Group Ltd.*, *supra*, note 10.

<sup>44</sup> Section 16 provides that: "It shall not be lawful to register as a trade mark or part of a trade mark any scandalous matter or any matter the use of which would be likely to deceive or cause confusion or would be contrary to law or morality or would otherwise be disentitled to protection in a Court of Justice." For a commentary on the section, refer Brown & Grant, *The Law of Intellectual Property in New Zealand*, 1989, Butterworths, Wellington, paras. 2.37-2.49.

<sup>45</sup> *Pioneer Hi-Bred Corn Co. v Hy-Line Chicks Pty. Ltd.* [1975] 2 NZLR 422, per Richardson J. at p. 62. The same situation prevails in Australia, section 28(a) of the Trade Marks Act 1955 requiring proof of "deception or confusion". For an example of a case where a plaintiff succeeded under sec. 28(a) but failed to establish misleading or deceptive conduct under section 52, refer *Murray Gouldburn Co-Operative Co. Ltd. v New South Wales Dairy Corporation* (1989-90) 24 FCR 370.

same, there is a fifty percent probability that the consumer will buy the imitation product. When the imitation is cheaper, there is a one hundred percent probability that she will buy it. The important factor is the consumer's inability to tell the two products apart. That does not require that she be positively misled; even if she is merely confused then she will not be able to tell the products apart and erroneous purchasing decisions will result. It is accordingly the writer's view that proof of confusion should be enough under section 9. To make that the standard would satisfy the consumer protection rationale and would be consistent with other consumer protection legislation, such as the Trade Marks Act.

It is open to the courts to take the view that the difference in wording between section 9 of the Fair Trading act and section 16 of the Trade Marks Act is deliberate and that any inclusion of confusion may only come from Parliament. There would be some merit in that view. But the courts have taken a flexible approach under section 16, holding that the concern is with "practical business probabilities, not hypothetical possibilities of deception or confusion."<sup>46</sup> For the reasons stated above, the same approach should be taken in section 9 cases.

The third point arises from the reluctance (sometimes refusal) of the courts to accord any, or any significant, weight to evidence of actual misleading or deception of the public. In treating the descriptiveness or otherwise of a name as determinative, the courts place no or minimal value on such evidence. In the *Big Mac* case, Smithers J. held that:

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<sup>46</sup> *Pioneer Hi-Bred Corn*, *ibid*, per Richardson J. at p. 76.

"In my opinion evence of members of the public that they have been misled, if it does actually go so far as that, is not conclusive of the question for determination but merely of peripheral value. The court must make up its own mind and it is easier for the court, particularly in my opinion, in the circumstances of this matter, to make an objective determination."<sup>47</sup>

Conversely, in the New Zealand *Champagne* case,<sup>48</sup> there was a mass of evidence suggesting that the public would not be misled by the defendant's activities<sup>49</sup> and yet Jeffries J. (whose conclusion was accepted by the Court of Appeal) held the defendant's conduct to be misleading or deceptive, without any explanation of why he preferred that view.<sup>50</sup> An effect of the decision was to deprive the consuming public of a greater choice of Champagne style wine at a significantly lower cost than the product produced by the plaintiff's members. The writer sees no logical basis for the view that the court is in a better position to judge the matter than a member of the public who has actually been misled. Again, that approach can be contrasted with that taken under section 16 of the Trade Marks Act, in respect of which it has been held that, while the judge is entitled to take into account his own reactions and experience as a member of the public, "evidence of persons accustomed to delaing in that market as to the likelihood of deception or confusion is essential", especially where the goods are sold in a specialist market.<sup>51</sup> This issue is considered in greater detail in part E.

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<sup>47</sup> The *Big Mac* case, *supra*, note 8, at p. 461.

<sup>48</sup> *Supra*, note 14.

<sup>49</sup> *Ibid*, at pp. 440 - 446 inclusive.

<sup>50</sup> *Ibid*, at pp. 446-447.

<sup>51</sup> *Pioneer Hi-Bred Corn Co. v Hi-Line Chicks Pty. Ltd.*, *supra*, note 45, per Richardson J. at p. 62.

### C. GET UP

"Get-up" means the whole visible external appearance of goods in the form in which they are likely to be seen by the public before purchase, including any packaging.<sup>52</sup> It is clear from the discussion in chapter three that the protection afforded by passing off is of the plaintiff's goodwill in its business generally and not an interest in the name, mark, get-up or other indicia of the product, service or business, unless that get-up is distinctive of the plaintiff.<sup>53</sup>

It will be recalled that, to establish distinctiveness in relation to get-up of products, the plaintiff in passing off must prove; one, that its get-up distinguishes its product from those of other traders in at least a section of the public so that; two, the plaintiff has goodwill arising from that get-up; and, three, that the plaintiff will, or is likely to, suffer damage to its goodwill by the get-up adopted by the defendant.<sup>54</sup> The difficulty facing most plaintiffs is that very few traders use get-up as the primary means of identification of their goods - most rely on marks and brand names.

Because the reluctance of the courts to protect get-up under passing off is linked to a need for the plaintiff to establish goodwill in that get-up, and because it is unnecessary for a plaintiff to establish goodwill under section 9, one might think it would be easier

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<sup>52</sup> C. Wadlow, *The Law of Passing Off*, 1990, Sweet & Maxwell, London, para. 6.39.

<sup>53</sup> *Supra*, chapter three, part A.3.

<sup>54</sup> *Klissers Farmhouse Bakeries Ltd. v Harvest Bakeries Ltd.* [1988] 1 NZLR 16, per Somers J. at p. 23.

to obtain protection of get-up under section 9. However, the courts in New Zealand and Australia have been reluctant to grant protection of get-up. The Australian courts have taken a particularly hard line in this area and, in cases in which get-up alone was the basis of a section 52 action, the plaintiff has always failed. Where it has been successful, there has been a number of factors relied upon, including labelling, packaging and colour.<sup>55</sup> Two significant instances of a plaintiff claiming solely on the basis of get-up are *Brock v The Terrace Times Pty. Ltd.*<sup>56</sup> and *Parkdale Custom Built Furniture Pty. Ltd. v Puxu Pty. Ltd.*<sup>57</sup>

In the former, the applicant's and respondent's cookery books were the same shape and size, were similarly decorated with patterns of iron lace, had glossy finishes and contained similar line drawings and historical notes. The trial judge<sup>58</sup> found contravention of section 52 but the majority in the Full Federal Court allowed the appeal. It was held that it would be "...extremely difficult to establish the requisite degree of distinctiveness based on the shape and size of a book."<sup>59</sup>

In the *Parkdale* case, the leading Australian authority, the plaintiff sold lounge suites and

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<sup>55</sup> Refer *Bradmill Industries Ltd. v B & S Products Pty. Ltd.* (1980) A.T.P.R. 40-196; *Rolls Royce Motors Ltd. v D.I.A. (Engineering) Pty. Ltd.* (1981) 50 F.L.R. 340; *Dial-An-Angel Pty. Ltd. v Sagitaur Services Pty. Ltd.* (1990) 96 A.L.R. 181.

<sup>56</sup> (1982) 1 T.P.R. 24.

<sup>57</sup> *Supra*, note 8.

<sup>58</sup> Reported at (1981) 4 T.P.R. 356.

<sup>59</sup> *Supra*, note 56, at p. 28. The court appears to have ignored the other features relied upon by the plaintiff; c.f. *LSK Microwace Technology Pty. Ltd. v Rylead Pty. Ltd.* (1990) 16 I.P.R. 107 (F.C.A.).

chairs of a quite distinctive design and appearance which had an established reputation. The defendant began to make and sell almost identical lounge suites, with a two and one-half inch square label attached and bearing the defendant's name. The High Court of Australia reversed the decision of the Federal Court and discharged the injunction granted by it.<sup>60</sup> It is the writer's view that, in so doing, each of the majority applied flawed reasoning, as follows:

(a) Gibbs C.J.<sup>61</sup> held that; first, section 52 has drastic possible consequences and should not be beneficially construed; and, secondly, the defendant's actions should be considered in relation to reasonable consumers and not people who fail to take care of their own interests. There is no justification for the first point; the second is plainly wrong and fortunately does not represent the law in New Zealand. As seen in chapter one, it is people who are unable to take care of their own interests who are at the heart of the consumer protection rationale for section 9. As will be seen in chapter five, they are the consumers who are most affected by misleading and deceptive conduct and who are therefore most in need of protection;<sup>62</sup>

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<sup>60</sup> The Full Federal Court ((1979-1980) 43 F.L.R. 405), granted the injunction sought by the plaintiff on the basis that: (a) by producing a product that so closely corresponded with the plaintiff's, the defendant put into the hands of retailers a product with the inherent potential to mislead or deceive the public; (b) the label was underneath the upholstery and, further, could easily be removed, so affixing of the label did not alter that potential; and, (c) the fact that consumers and at least one retailer were misled meant the defendant was guilty of misleading or deceptive conduct in contravention of section 52.

<sup>61</sup> *Supra*, note 8, from p. 194.

<sup>62</sup> The Australian courts appear to continue apply the wrong test in this regard. In *Argy v Blunts & Lane Cove Real Estate Pty. Ltd.* (1990) 94 ALR 719, for example, Hill J. in the Federal Court said that any submission along the lines of "you should not have believed me when I misled you" would be a bold one. But he went on to hold that a foolish person misled by a representation no 'normal', i.e. reasonable, person would take seriously would not be protected under section 52.



(b) Mason J.<sup>63</sup> held that the essence of the case was whether just making a deceptively similar looking product is a breach of section 52. In the writer's view, that was not the issue at all. Having accepted the plaintiff had a reputation in its product,<sup>64</sup> it must follow that the defendant's conduct was *prima facie* misleading. The real issue was whether the label was effective to prevent misleading. Mason J. devoted only one-half of one page of his twelve page judgment to consideration of that issue, and held that the label was effective. The basis for that holding was that it would be reasonable to expect a consumer to either look for and find the label or to inquire of a sales person. There are two flaws in that reasoning: firstly, the application of a standard of reasonableness,<sup>65</sup> and, second, the implicit finding that discussion with a salesperson can rectify misleading that has already occurred. It has already been seen that it has been held in New Zealand that deception at any time constitutes a breach of the Act and correction at the point of sale comes too late.<sup>66</sup> In view of the consumer protection rationale of the action and in view of the relative ease of distinguishing products prior to the point of sale, it is the writer's view that the New Zealand approach is preferable;

(c) Brennan J.<sup>67</sup> seemed particularly influenced by his view that an injunction of

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<sup>63</sup> *Supra*, note 8, from p.200.

<sup>64</sup> On reputation, refer part D., *infra*.

<sup>65</sup> See comments above.

<sup>66</sup> *Tot Toys v Mitchell*, *supra*, note 15.

<sup>67</sup> *Supra*, note 8, from p. 215.

the kind sought would give the plaintiff a monopoly, unlimited in time. With respect, that is not the effect the injunction would have had, if granted. Puxu sought an injunction restraining the defendant from: "selling, offering for sale, dealing with, displaying or advertising any lounge suites so as to mislead or deceive the public that they are lounge suites, lounges or lounge chairs manufactured by the appellant". The effect of an injunction in those terms would not have required Parkdale to cease to manufacture; it would simply have required it to take better steps to ensure the public were not misled than a two and one-half inch square label under the upholstery of its furniture. All of that is subject to the further comment that there is nothing in section 52 to prohibit the granting of injunctions that have the effect of conferring monopolies.

(d) the court justified its decision to some extent on the fact that there was no evidence that the defendant's copying was deliberate. That imports an intent requirement into the case and there is no justification for doing that. Further, on the evidence, it is hard to see how the defendant's copying could have been other than deliberate.<sup>68</sup> In those circumstances, it is necessary to impose a high standard of care on the later in time manufacturer to ensure that its product is distinguishable from that of the first in time. A two and one-half inch square label underneath the upholstery which could only be seen if searched for and which could easily be removed is not enough. It is an even lower standard than

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<sup>68</sup> The plaintiff's design was arrived at by a long process of trial and error and numerous modifications. Up until the defendant's activities, the combination of features was unique, as were many of them taken individually. The defendant's design was an almost exact imitation, both as to external appearance and internal construction - refer decision of the Full Federal Court, *supra*, note 58, at pp. 409-410.

that imposed by the courts on defendant's in passing off cases, when they seek to rely on disclaimers. It was seen in chapter three<sup>69</sup> that the courts have taken a suspicious attitude to disclaimers there. For reasons of the policy rationales involved, they ought to be more, and not less, suspicious in cases under sections 9 and 52;

(e) finally, the court appears to have been influenced by the fact that both parties sold their product to retailers, rather than direct to the public.<sup>70</sup> It was seen in chapter three that issue has been addressed in passing off too<sup>71</sup> and that liability may arise for representations to prospective customers or to ultimate consumers of goods or services supplied by the defendant. For the policy reasons identified in this paper, there is no justification for setting a more limited classification of the public under sections 9 and 52. The reasoning of the Federal Court is therefore preferable to that of the High Court. The High Court of New Zealand has recently considered the issue and held that a manufacturer is liable for:

"...the foreseeable deception of those ultimate consumers who purchase from intermediaries" while the "manufacturer is not responsible for the independent conduct of the retailer if that conduct has not been within the

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<sup>69</sup> *Supra*, part C.4.

<sup>70</sup> There was evidence of actual deception of two consumers but in those instances the label had either been removed or tucked under the seat of the chair so as to be out of sight. The court held that any deception that thereby arose was caused by the conduct of the retailer involved, rather than anything the defendant had done.

<sup>71</sup> *Supra*, chapter three, part C.2.

reasonable contemplation of the manufacturer."<sup>72</sup>

The headnote to the Commonwealth Law Report of the *Pardale* case states that a manufacturer does not contravene section 52 merely by making and distributing a product which, though properly labelled with the manufacturers name, very closely resembles and is intended to be seen to very closely resemble a product of another manufacturer which has previously been and still is advertised and marketed. The New Zealand Court of Appeal has held that there is:

"[A] danger in attempting to generalise in that way and [we] doubt whether the judgments were intended to do so..."<sup>73</sup>

although, in the writer's view, that is an accurate summary of the effect of the Australian decision.

There is only one New Zealand section 9 case dealing squarely with get-up, namely *Tot Toys v Mitchell*.<sup>74</sup> The plaintiff in that case was the successor right-holder in respect of the design and manufacture of a child's wooden toy, named "Buzzy Bee". It ran on

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<sup>72</sup> *Cerebos Greggs Ltd. v Unilever New Zealand Limited*, unreported, High Court, Auckland, 3 June 1994, CL 71/93, Fisher J.

<sup>73</sup> *Taylor Bros. Ltd. v Taylors Group Ltd.*, *supra*, note 10, per Cooke P. at p. 40.

<sup>74</sup> *Supra*, note 15. *Klissers Farmhouse Bakeries v Harvest Bakeries Ltd.*, *supra*, note 54, involved the get-up of bread packages, but was brought prior to the Act coming into effect. *UPL v Dux Engineers* [1989] 3 NZLR 135 (design, appearance and operating features of plastic lavatory seat, lid, backflap and cistern) and *Watson v Dolmark Industries Ltd.* [1992] 3 NZLR 311 (design, appearance and name of plastic storage trays) were both cases in which get-up was involved and in which a cause of action under section 9 could have been brought but was not.

wheels which caused the wings to rotate when the toy was pulled along by a string. The defendant started making an identical toy and called it "Kiwi Bee". The plaintiff's claims in passing off and for breach of section 9 both failed. In relation to section 9, Fisher J. found that there were technical breaches but that the interests of the plaintiff in securing an injunction were outweighed by the interests of consumers against one. In doing so, he relied on four factors:

1. the transparent nature of the toy and the fact that its important features could be seen at a glance meant few customers would be influenced by assumptions as to source;
2. the defendant undertook to take considerable steps to distinguish her product;
3. the plaintiff was a successor in title and no-one would seriously think the creators were still personally involved in manufacture of the toys; and
4. a distinction between capricious and non-capricious features: "It is in the public interest that an unusually ingenious way of making a toy bee should be left in the public domain."<sup>75</sup>

While the court's restraint in the name of consumer interests may, at first blush, appear commendable, examination of the reasoning behind, and the effect of, the decision shows that it probably did more to harm than promote the interests of consumers. Factors 1 and 2 may be valid in relation to consumers who are able to tell the difference between a genuine product and an imitation of it but not all consumers can. Factor 3 appears irrelevant and contradictory to the court's earlier finding, that the plaintiff had standing to sue.<sup>76</sup> Application of factor 4 contradicts the court's earlier ruling, that the

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<sup>75</sup> Ibid, pp. 370-371.

<sup>76</sup> Ibid, pp. 347-349.

distinction between capricious and non-capricious features is relevant only in passing off and not under section 9.<sup>77</sup> To say, as Fisher J. does, that the more ingenious an idea the less protection it should have is illogical and out of step with the policy of intellectual property law generally - to protect novel and original ideas. In summary, and with particular reference to factors 3 and 4, the court appears to have applied principles relevant to passing off to the cause of action under section 9, even while saying that such is inappropriate.

#### ***D. REPUTATION***

It has already been seen<sup>78</sup> that; one, a plaintiff in passing off must prove that it has goodwill in the jurisdiction; two, the courts in both Australia and New Zealand (and in England and other jurisdictions) have grappled with the issue of what level of activity in the jurisdiction a foreign plaintiff need show to prove that it has goodwill there; three, generally the courts require some trading activity within the jurisdiction; four, the New Zealand courts have held that special considerations may apply when the plaintiff is from Australia and goodwill may transcend national boundaries;<sup>79</sup> but, five, there has not been any case in which a plaintiff has established goodwill in New Zealand solely by

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<sup>77</sup> Ibid, p. 367.

<sup>78</sup> *Supra*, chapter three, part C.1(c).

<sup>79</sup> As will be seen, the position is the same in Australia.

virtue of its Australian activities and without also having some business activity in New Zealand. Although the position in New Zealand and Australia is more liberal than in England,<sup>80</sup> it was held in the most recent New Zealand case to consider the issue that

"In this case, on the evidence, overflow reputation from Australian activities would be insufficient to establish a goodwill in New Zealand even with the more liberal approach to the establishment of goodwill reflected in recent cases."<sup>81</sup>

The rationale for that approach is that merely because members of the public in the jurisdiction have heard of the plaintiff or its business does not mean that the plaintiff has goodwill there. In the *Athlete's Foot* case,<sup>82</sup> for example, the fact that members of the public had heard of the plaintiff meant that it was known in England. But the fact that its products could not be purchased in England meant that it could not have goodwill there.<sup>83</sup> All of that is consistent with the rationale for the tort of passing off, namely, to protect the goodwill of the plaintiff trader.

Under sections 9 and 52, it is the consuming public that are to be protected and not the

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<sup>80</sup> Refer *Alain Bernardin et Cie v Pavilion Properties Ltd.* [1967] R.P.C. 581 (the "Crazy Horse" case); *Athletes Foot Marketing Associates Inc. v Cobra Sports Ltd.* [1980] R.P.C. 343. In the latter, the plaintiff carried on a retail shoe franchising business in the U.S.A. It had a prospective franchisee in England but had not started to trade there. There was considerable evidence of public knowledge of the plaintiff's business but none from any person in England having brought anything from one of the plaintiff's franchised shops abroad. The plaintiff's advertisements in American publications reached England, but did not solicit postal trade. An interlocutory injunction was refused. Refer also Wadlow, *supra*, note 52, paras. 2-23 - 2-29 inclusive.

<sup>81</sup> *Watson v Dolmark Industries Ltd.*, *supra*, note 74, per Anderson J. at p. 320.

<sup>82</sup> *Supra*, note 80.

<sup>83</sup> And could suffer no loss there either.

goodwill of any trader. Since goodwill arises from activity, it is not necessary that there be any activity to satisfy the requirements of the statutory actions. Under those actions, it is awareness of reputation that is the key, not any activity. Because of that, one would expect that it would be easier for foreign plaintiffs to succeed in actions under sections 9 and 52 than in passing off, but that is not the case.

Australian decisions under section 52 have consistently applied the same standard as in passing off and required some trading activity in the jurisdiction.<sup>84</sup> In the *Dairy Vale* case,<sup>85</sup> Toohey J. acknowledged that absence of the plaintiff's product from the Western Australian market was not necessarily fatal to an argument based on misleading or deceptive conduct and lack of evidence of the extent to which the plaintiff's product was known there was part cause of the plaintiff failing in its application for an injunction. Nevertheless, the court applied the passing off test of requiring trade in the jurisdiction and certainly made no reference to consumers in its decision.

Brown & Grant<sup>86</sup> cite *Elders IXL Ltd. v Australian Estates Pty. Ltd.* as an illustration of the contrasting requirements, in terms of reputation, between passing off and section 9. It is true that the plaintiff in that case succeeded under section 52 on the basis of a continuing public awareness of the name 'Australian Estates Company Ltd.', and failed in passing off because of a lack of actual trading use of the name since 1984. However,

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<sup>84</sup> *Taco Company of Australia Inc.*, *supra*, note 5; *Dairy Vale Metro Co. Operative Ltd. v Brownes Dairy Ltd.* (1981) 35 A.L.R. 494, 501; *Dairy Industry Marketing Authority v Southern Farmers Co-Operative Ltd.* (1982) 1 T.P.R. 64.

<sup>85</sup> *Ibid* - application for an interlocutory injunction.

<sup>86</sup> Brown & Grant, *supra*, note 44, para. 7.14.



the decision was largely concerned with the extent to which there had been assignment of the goodwill in the company to the plaintiff. Further, and more importantly in this context, the case did not involve a foreign plaintiff and was not about extra-territorial establishment of reputation or goodwill.<sup>87</sup>

There is, however, one notable exception to the general approach in Australia, in the decision of Beaumont J. in *Peter Isaacson v Nationwide News*.<sup>88</sup> The parties both decided to publish a Sunday newspaper in the northern territory of Australia and call it the 'Sunday Territorian'. The papers were launched at about the same time. On a claim and cross-claim under section 52, both parties were ordered not to use the name without distinguishing its newspaper from that of the other party. That course was adopted by the court so as to advance "the primary object of s 52, being the protection of the consumer interest". The decision, in the context of two parties commencing to use exactly the same name at exactly the same time, is clearly correct.<sup>89</sup> But it is at least arguable that, on the facts, the same decision would have been reached whether the consumer interest was taken into account or not. The decision is therefore probably not the victory for consumers that it might at first appear to be.<sup>90</sup>

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<sup>87</sup> The decision is reported at (1987) 10 IPR 575.

<sup>88</sup> (1984) 56 A.L.R. 595.

<sup>89</sup> It is similar to the decision in *Dominion Rent A Car Ltd. v Budget Rent A Car Systems (1970) Ltd.* [1987] 2 NZLR 395, in which the New Zealand Court of Appeal held that both parties were entitled to continue using the name 'Budget' in relation to the car rental business, as long as each took steps to distinguish its business from that of the other. In that case, however, there was no reference to the consumer interest.

<sup>90</sup> Refer also *ConAgra Inc. v McCain Foods (Aust.) Pty. Ltd.* (1991) 101 ALR 461, where the Federal Court held that the plaintiff had an onus of proving on the balance of probabilities that the name and get up of its product were known to a significant number of Australian consumers and that it had a significant reputation in Australia.

To begin with, it appeared that the New Zealand courts were going to take an approach more in keeping with the public policy rationale for section 9. In *Midas International Corporation v Midas Autocare Ltd.*,<sup>91</sup> the plaintiff argued that the question of business activity in New Zealand was irrelevant as long as there was sufficient evidence of reputation. Because the case proceeded mainly on the allegation of passing off, and because argument on section 9 was limited, the court did not make a ruling on that point. But Eichelbaum J. observed that:

"...it may not be long before the preceding discussion on the law relating to the requirement of a degree of business activity is seen as otiose."<sup>92</sup>

That opening has not been taken up and, regrettably, the courts continue to require trading activity in the jurisdiction. In the *Champagne*<sup>93</sup> and *Scotch Whisky*<sup>94</sup> cases, the plaintiffs had a substantial trading activity in New Zealand and it was held they had reputation there. In the *Champagne* case, there was also an issue as to whether the Australian defendant had a reputation in New Zealand. The finding that it did not was based largely on a comparison of the duration and scale of trading activity of the parties.<sup>95</sup>

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<sup>91</sup> (1988) 2 NZBLC 102,915.

<sup>92</sup> Ibid, pp. 102,921-922.

<sup>93</sup> *Supra*, note 14.

<sup>94</sup> *Supra*, note 32.

<sup>95</sup> *Supra*, note 14, p. 331.

The High Court regressed even further in the *New Zealand Wine Society* case,<sup>96</sup> when Robertson J. considered the plaintiff's claims in passing off and under section 9 together and held that:

"While, with an ever increasing flow in trade and activity across the Tasman, the threshold has become lower, there must be some identifiable business activity and in my judgment none existed."<sup>97</sup>

In *Granny May's Management Ltd v Whitcoulls Group Ltd*,<sup>98</sup> the plaintiff ran a franchise operation with over fifty 'Granny May' shops in Australia, selling stationery and gift items. It had discussions with the defendant about purchasing a number of its New Zealand stores but those discussions were not fruitful. The plaintiff granted a master franchise to another New Zealand party. The defendant took steps to change the name of some of its stores to Granny May. On the plaintiff's passing off claim, Hillyer looked for both reputation and business activity and held there was sufficient evidence of both. The business activity included advertising in New Zealand magazines and catalogues, granting of the master franchise agreement, making arrangements with bankers, opening the first store and substantial advertising in relation to that opening.

On the section 9 claim, counsel submitted there must be some reputation. The court agreed and cited, with apparent approval, *Midas* and *Pioneer Hi-Bred Corn*.<sup>99</sup> It did

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<sup>96</sup> *Supra*, note 40.

<sup>97</sup> *Ibid*, p. 561.

<sup>98</sup> (1993) 5 TCLR 148.

<sup>99</sup> *Supra*, note 45.

not, however, go as far as to find that business activity is not required and the courts view on that point is, at best, unclear. Because of its finding, in passing off, that the plaintiff had sufficient trading activity in the jurisdiction, the ratio of the case is that trading activity may or may not be a requirement under section 9.

The position on establishment of reputation can accordingly be summarised as follows. The goodwill established by reputation is what passing off protects. In both Australia and New Zealand, some trading activity in the jurisdiction is a pre-requisite to a successful passing off claim. The statutory causes of action prohibit misleading and deceptive conduct. Reputation is a pre-requisite to misleading but can exist without trading in the jurisdiction. It is therefore not necessary for the courts to require trading in the jurisdiction as an element under the statutes. Judicial pronouncements on the differences between the two actions suggest that the courts recognise that. The courts have come close to holding that business activity is not required, but only in cases where there is trading activity. In other cases, the same standard as in passing off is imposed, and there has not been any case in which a plaintiff has succeeded in the absence of trading activity in the jurisdiction, no matter how well it may be known there. In the writer's view, that is the wrong approach. It has been seen that a more flexible standard prevails under the Trade Marks Act, also a consumer protection statute, and it is open to the courts to apply that standard in section 9 cases.<sup>100</sup>

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<sup>100</sup> The Trade Marks legislation in some jurisdictions, for example Canada (Trade-marks Act of Canada R.S., c. T-10, s. 5) include provisions on what is required for a plaintiff to show that it has a reputation there. Neither the New Zealand nor Australian Acts contain such a provision.

## ***E. EVIDENCE OF DECEPTION***

### ***1. Individual consumer evidence***

It is a feature of passing off cases that the courts favour their own judgment of what is likely to mislead over evidence of actual misleading of members of the public.<sup>101</sup> That has already been considered in relation to descriptive names.<sup>102</sup> The *Big Mac* case was cited as a, perhaps, extreme example of the attitude of the courts to evidence of actual misleading, Smithers J. describing evidence from members of the public as "merely of peripheral value".<sup>103</sup>

There are arguments to be made that that approach of the courts is inappropriate in the context of passing off. It is of more concern here, however, that the same approach has been taken to claims under sections 9 and 52. Initially, that arose because the courts applied the standard of the reasonable person in measuring the misleading or deceptive conduct.<sup>104</sup> Later, the courts accepted that the likelihood of deception is to be judged

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<sup>101</sup> Refer, for example, *Klissers Farmhouse Bakeries Ltd. v Harvest Bakeries Ltd.*, *supra*, note 54, per Cooke P. at p. 18: "Apart from opinions produced by surveys and the like and other questions deliberately put to obtain answers that might be used in evidence, there was exiguous evidence of actual confusion by any purchaser in fact. It seems to reduce to one instance...The lack of a body os such evidence, however, is again not uncommon and by no means fatal to the plaintiff's case; the court has to assess probabilities. The opinions of trade and other witnesses as to what would be likely may be helpful, but in the end it is the Judge, applying the right principles, who has to answer that question." c.f. *Pioneer Hi-Bred Corn Co.*, *supra*, note 45 and text.

<sup>102</sup> *Supra*, part B.

<sup>103</sup> *Supra*, note 8.

<sup>104</sup> For example, *Parkdale Custom Built Furniture Ltd.*, *supra*, note 8, p. 199.

by reference to persons of all levels of astuteness and intelligence,<sup>105</sup> but they continued to prefer their own judgment to that of the public and have, accordingly, continued to apply the passing off test and, de facto, to apply the standard of the reasonable person. In the writer's view, the fact that the Act is so clearly aimed at protection of consumers<sup>106</sup> is ample reason for greater weight to be given to evidence from consumers of the consequences of activities supposedly prohibited by the Act.

It will be recalled that the the defendant in the *Big Mac* case,<sup>107</sup> McWilliams Wines, published advertisements of certain of its wine products, showing three, two litre wine bottles, with a statement from a wine writer: "I call it the Big Mac". McDonalds complained that use of the words 'Big Mac' would mislead or deceive the public into thinking that McDonalds sponsored or approved of the wine. A lot of evidence from consumers was presented, to the effect that use of the words 'Big Mac' caused them to wonder whether there was a connection between the parties. The trial judge found in favour of McDonalds, not on the basis of its complaint but on the basis the advertisements would mislead or deceive the public into thinking there was a business connection between the parties. The Federal Court of Australia allowed McWilliam's appeal, for two reasons. First, it focussed on the fact the trial court judge had referred to consumers being confused, or wondering about a connection, rather than to consumers being misled or deceived.<sup>108</sup> Secondly, and more importantly in this context, it was

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<sup>105</sup> *Taco Bell, supra*, note 5.

<sup>106</sup> *Supra*, chp. two, part B.4.

<sup>107</sup> *Supra*, note 8.

<sup>108</sup> For a discussion on that point, refer part B, *supra*.

held that it is for the court to determine whether there is a likelihood relevant persons will be misled and that, in the present case, such was not likely.<sup>109</sup> As to the evidence from consumers, the court held that any actual deception arose not from McWilliams advertisement but from consumers own erroneous assumptions that there was some connection between the parties and that there was therefore no causal connection between the advertisement and the misleading or deception. As has been pointed out, any conduct that is misleading or deceptive will give rise to erroneous assumptions on the part of consumers and that to hold that an erroneous assumption breaks the causal link rather begs the question.<sup>110</sup>

The same approach was taken in the *Parkdale* case.<sup>111</sup> Mason J. held that a purchaser who wanted to buy the applicant's brand could reasonably be expected to find the label or inquire of the sales person.<sup>112</sup> Brennan J. held that any misleading or deception flowed not from conduct of the respondent but from an erroneous belief on the part of consumers that:

"...the manufacturer who first establishes a market reputation has a monopoly in the manufacture and sale of goods of that kind...the event

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<sup>109</sup> *Supra*, note 8, per Smithers J. at p. 460.

<sup>110</sup> *Brown & Grant, supra*, note 44, para. 7.13.

<sup>111</sup> *Supra*, note 8.

<sup>112</sup> *Ibid*, p. 211; c.f. *Marcol v Commerce Commission* [1991] 2 NZLR 502 (H.C.), per Tipping J. at p. 506: "It must be accepted for present purposes that the average shopper will be likely to examine such things as labels on garments in a relatively casual and unwary manner."

flows from a misconception of law."<sup>113</sup>

In the writer's view, both judges applied the wrong tests. Mason J. clearly imposed the standard of the reasonable shopper, whereas the section is intended to protect consumers of all levels of intelligence and ability.<sup>114</sup> As already noted, Brennan J. is wrong because the effect of the section is to give the trader who establishes a reputation a monopoly in goods of that kind, at least to the extent of being able to preclude any other manufacturer selling a product that is deceptively similar.

The issue was revisited in the *Taco Bell* case,<sup>115</sup> in which the court noted criticism of the 'erroneous assumption' test and suggested the *Big Mac* decision had been incorrectly interpreted. On the issue of evidence from members of the public, the court affirmed that it (the court) has the role of determining whether conduct is misleading or deceptive<sup>116</sup> and said that it should receive evidence of any actual misconception of a

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<sup>113</sup> Ibid, p. 225; See also *Lego Australia Pty. Ltd. v Paul's (Merchants) Pty. Ltd.* (1982) 60 F.L.R. (1982) A.T.P.R. 40-275, p. 43,478 (F.C.A.): "...the state of mind of the relevant witnesses, if they could be said to have been misled or deceived, is referable to their own mental processes, nor completely or solely to the actions of the respondent...I am of the view that they have not significantly advanced the case put forward for the applicant; (1982) A.T.P.R. 40-308, p. 43,806 (Full F.C.A.): "Any members of the public who were confused or under a misconception in that regard were so confused or under such a misconception as a result of an unwarranted assumption which they themselves made."

<sup>114</sup> Another point on which the Australian courts continue to take a position that is not compatible with the public policy rationale for section 52. In *Argy v Blunts & Lane Cove Real Estate Pty. Ltd.*, *supra*, note 62, at pp.741-745, Hill J. reviewed Australian authorities on the point and confirmed the view taken in *Parkdale v Puxu* (*supra*, note 8 at pp.198-199) that even though a class of consumers may be expected to include inexperienced and gullible consumers, the section should be regarded as contemplating the effect of the conduct on reasonable members of the class. In the writer's view, the background to enactment and the policy rationale amply demonstrate that test is simply wrong.

<sup>115</sup> *Supra*, note 5, pp. 199-203 inclusive.

<sup>116</sup> Ibid, pp. 202-203.



member of the public but determine for itself whether the misconception arises from misleading or deceptive conduct on the part of the respondent or, alternatively, from some other cause. The evidence from consumers was much less substantial in that case than in the *Big Mac* case, and the decision that the earlier in time operator should prevail over the newcomer was probably the correct one. The worrying feature of the decision is the court's rigid adherence to the view that evidence from members of the public is of minimal value.

Of even greater concern is the approach taken in *Happy Landings Pty. Ltd. v Magazine Promotions Pty. Ltd.*<sup>117</sup> The applicant published cookery books entitled 'The Health Revolution', 'The New Health Revolution' and 'The New Health Revolution Cookbook'. The respondent started publishing a cookery book entitled 'The Healthy Revolution Cookbook'. On application for an interlocutory injunction, Lockhart J. held that the applicant had a "not unarguable" case but that it was not a strong case, notwithstanding "a considerable body of evidence, principally by affidavit...including evidence relating to knowledge of members of the public with respect to both publications."<sup>118</sup>

In this area, the New Zealand courts have not been inclined to make statements of principle in terms quite as strong as their Australian counterparts, but the approach

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<sup>117</sup> (1984) A.T.P.R. 40-459.

<sup>118</sup> See also *Snoid v Handley*, *supra*, note 27: the respondents, an Australian band called 'Popular Mechanics', sought an injunction restraining the appellants, members of a New Zealand band called 'Pop Mechanix', from using that name in Sydney and Canberra. The appellants sought to rely on a lack of any evidence of actual deception at the points of sale of records. It was held (p. 743,235) that evidence of any actual deception, at the point of sale, "even if it had been called, would have been of limited importance at the trial. It certainly would not have been decisive. The Court must itself determine whether there is a likelihood that the relevant persons will be misled."

taken appears to be the same in both jurisdictions. In three early and one more recent New Zealand cases, there was substantial evidence of actual misleading or deception of members of the public. All four decisions were in favour of the applicants, which might suggest the courts here find such evidence more persuasive than the Australian courts do. It is clear from the decisions, however, that that evidence was not decisive and that the courts imposed their own judgment, which only happened to favour the view that misleading or deception was likely.

In *Taylor Bros. Ltd. v Taylors Group Ltd.*,<sup>119</sup> McGechan J. in the High Court reviewed and clearly relied on the substantial evidence of confusion of consumers, in finding for the applicant. The Court of Appeal<sup>120</sup> held that McGechan J.'s findings were well justified on the evidence. It also held, however, that the test of when conduct is to be characterised as misleading or deceptive is one for the court to determine on the facts.<sup>121</sup>

In *Prudential Building Society of Canterbury v Prudential Assurance Co. of New Zealand Ltd.*, McGechan J. held that the potential for misleading was obvious and was "reinforced

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<sup>119</sup> *Supra*, note 10. Taylor Bros. had been in the dry-cleaning and garment hire businesses in Wellington for many years. The respondent was involved in similar businesses, but not in Wellington. It acquired two Wellington companies involved in linen hire and dry-cleaning and used the name 'Taylors' in relation to them. Taylor Bros. sought an injunction, alleging passing off and breach of section 9, and was successful on both causes. See also the subsequent decision, concerning the respondent's use of the name 'Laytons', reported at [1990] 1 NZLR 19 (C.A.).

<sup>120</sup> *Ibid*, per Cooke P. at pp. 39-40.

<sup>121</sup> *Ibid*, p. 39, lines 52-55.

by some evidence of actual confusion".<sup>122</sup> The Court of Appeal agreed with the findings, while making it clear that the courts inference is the primary determinant and the evidence is secondary.

In *Trust Bank Auckland Ltd. v ASB Bank Ltd.*,<sup>123</sup> there was, again, evidence suggesting a "significant degree" of actual misleading or deception, including the results of two surveys of members of the public and of bank staff.<sup>124</sup> The Court of Appeal did not make any statement on the value of or weight to be attached to such evidence but it referred, with apparent approval, to the statement of Ellis J. in the High Court, that he acted "to no small extent on first impression and inference". The Court of Appeal also couched its decision, in favour of the applicant, in terms of the "likelihood" of the public being misled and what members of the public "would reasonably suppose"<sup>125</sup> and said that decisions in such cases, whether the cause of action is passing off or breach of the Fair Trading Act or Trade Mark legislation depends "to a special degree on judicial reaction, however full the evidence and the arguments of counsel." It is apparent that

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<sup>122</sup> *Supra*, note 18 at p. 658. The English respondent was registered as an overseas company in New Zealand and had traded there since 1922, in the field of financial services. The Society was incorporated in Christchurch in 1908. Legislative changes in 1987 extended the range of allowable activities for a building society and the Society undertook vigorous expansion. It opened offices throughout the country and offered a broader range of services than it had previously. The respondent complained under section 9 and in passing off and was successful in both, save with recognition of the Society's old established business in the province of Canterbury.

<sup>123</sup> *Supra*, note 30: ASB operated a special high interest savings account, called a HIT account, in Auckland. Other Trust Banks operated HIT accounts elsewhere. TBA commenced business in Auckland and advertised a HIT account similar to ASB's. The latter sought an injunction, suing in passing off and under section 9. The High Court found in favour of the applicant in both causes of action. The Court of Appeal confined itself to section 9 and dismissed the appeal.

<sup>124</sup> *Ibid*, p. 388.

<sup>125</sup> *Ibid*, p. 389, lines 42 and 53.

the court's view of what was likely carried much greater sway than the evidence of what had already happened.<sup>126</sup>

The principal issue in the *Champagne* case<sup>127</sup> was whether the word 'Champagne' had become generic in New Zealand or whether, instead, it remained distinctive of wine made in the Champagne region of France and according to the Champagne method. As far as the plaintiff's cause of action under section 9 was concerned, that translated to whether use of the word in connection with wine not made in Champagne and/or not made according to the Champagne method was misleading or deceptive. There was considerable evidence from each side.<sup>128</sup> Jeffries J. reached the view the word is not generic but offered no insight into why he preferred the evidence in support of that view or, indeed, what weight he attached to the evidence at all. His reference to the impact of the word on "ordinary, average New Zealanders for whom wine drinking generally plays no significant part in their lives" suggests, however, that he relied principally on his own view. The court adopted the same approach and the same conclusion, in both passing off and under section 9 - simply applying the passing off test under section 9, without considering the different policy rationales for the two actions.<sup>129</sup> The same is true of the Court of Appeal, which approved the findings of Jeffries J.<sup>130</sup> and held that

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<sup>126</sup> Ibid, per Cooke P. at p. 387.

<sup>127</sup> *Supra*, note 14.

<sup>128</sup> Plaintiff's evidence reviewed in the decision of the High Court, reported at [1991] 2 NZLR 439-440; defendant's evidence reviewed pp. 440-442; market research evidence reviewed p. 445.

<sup>129</sup> Ibid, p. 452, line 52.

<sup>130</sup> Ibid, p. 332.

it "is unnecessary to go beyond the clear words of the section and the findings made in respect of the elements of passing off."<sup>131</sup>

Individual witnesses in passing off type cases are usually either trade witnesses, consumers or entrapment witnesses. It is conceded that there are difficulties with evidence from all three groups: they have no particular qualifications, other than belonging to the appropriate class; will usually represent only a small fraction of the class; will not necessarily be representative of the predominant view; and are open to the suspicion that their evidence has been coached. Efforts to overcome those difficulties may result in a multitude of witnesses from each side, each requiring examination in chief and cross examination, thus trying the court's patience<sup>132</sup> and adding significantly to the cost of litigation.

## 2. Survey evidence

An alternative is available in the form of survey evidence, which has already been referred to in connection with a number of the cases cited in this chapter. Two issues

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<sup>131</sup> Ibid, p. 345.

<sup>132</sup> In *Customglass Boats Ltd. v Salthouse Bros. Ltd* [1976] 1 NZLR 36, Mahon J. referred to an "interminable parade of witnesses" (p. 42). In *Sterling Pharmaceuticals (N.Z.) Ltd. v Boots Co. (N.Z.) Ltd.* (No. 2) [1991] 2 NZLR 634, 637 (H.C.) Hillyer J. appeared to approve a proposition that a statement will be misleading if it will "lead one ordinary member of the public likely to read the statement or to be influenced by it, into error", but that proposition does not represent the law in New Zealand and never has.

arise in connection with survey evidence: first, its admissability; and, secondly, the weight to be attached to it if and when it is admitted.

In the United States, the courts have accepted since at least 1961 that survey evidence is admissible in deceptive advertising cases,<sup>133</sup> and have sometimes drawn inferences adverse to a party on the basis that it has *not* submitted survey evidence.<sup>134</sup>

In New Zealand, prior to 1976, it was considered that it was hearsay, and therefore inadmissible, for survey conductors to report on the responses of people, unless those respondents were available to respond personally, especially for cross examination.<sup>135</sup> That changed in *Customglass Boats Ltd. v Salthouse Bros. Ltd.*,<sup>136</sup> where Mahon J. held that either the hearsay rule does not apply to survey evidence or that an exception to the rule allows survey evidence to be admitted.<sup>137</sup> That position has been accepted and

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<sup>133</sup> *Elliot Knitwear, Inc.* 59 FTC 893 (1961).

<sup>134</sup> L.E. Evans Jr. and D.M. Gunn *Trademark Survey Evidence* (1990) 22 I.P.L.R. 289, esp. at pp. 315-316. One American scholar has undertaken a case analysis of the various kinds of extrinsic evidence that have been tendered in deceptive advertising cases there, including consumer surveys, expert opinions either supported or unsupported by consumer surveys, reference definitions and evidence from individual consumers. He concludes that, in deceptive advertising cases, in which extrinsic evidence is necessary, consumer survey evidence is the best extrinsic evidence: refer I.L. Preston *Extrinsic Evidence in Federal Trade Commission Deceptiveness Cases* (1987) C.B.L.R. 633.

<sup>135</sup> For an explanation of why it was considered hearsay, refer J. Farmer *The Admissability of Hearsay Evidence in Intellectual Property Cases* [1984] 7 U.N.S.W.L.J. 57, esp. at pp. 60-64. For an explanation of the different considerations which will arise at the interlocutory stage, on the one hand, and final trial, on the other, refer P.G.M. Pattison *Market Research Surveys - Money Well Spent? The Use of Survey Evidence in Passing Off Proceedings in the U.K.* [1990] 3 E.I.P.R. 99, 99-100.

<sup>136</sup> *Supra*, note 132.

<sup>137</sup> His Honour held that survey evidence will, in many instances, not be hearsay since it is not offered to prove the truth of the statements contained there; rather it constitutes proof of the fact that opinions reflected by the survey do exist, that being something quite different from the issue of the correctness or otherwise of the opinions offered. He held, alternatively, that even if the evidence was categorised as hearsay, it would be admissible under the well established exception to the hearsay rule, as evidence

confirmed in subsequent New Zealand cases.<sup>138</sup> It had for some time previously been the position taken in United Kingdom trademark and patent cases<sup>139</sup> and was subsequently accepted in the context of deceptive advertising.<sup>140</sup>

The Australian courts have been much slower to adopt that approach. The necessity principle was rejected in the *Big Mac* case and *Customglass Boats* was not followed in *Mobil Oil Corporation v Registrar of Trade Marks*.<sup>141</sup> In *Shoshana Pty. Ltd. v 10th Cantonae Pty. Ltd.*, survey evidence was admitted as falling within the state of mind exception to the hearsay rule but only because the survey was not commissioned specifically for the litigation.<sup>142</sup> That determination was made on the basis that, where survey evidence is obtained specifically for a case, there is a greater risk of introduction of biased questions and methods. In the writer's view, those points will be relevant to the question of weight, but not to that of admissibility. Such has been acknowledged by the Full Federal Court in *Amotts v TPC*, in which it was held that, given that the court has a discretion to admit evidence even if it is hearsay it is "more sensible to concentrate

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tending to prove the public state of mind (p. 41).

<sup>138</sup> Refer R. Langton and L. Trotman *An Empirical Study of the Weight of Survey Evidence in Deceptive Advertising Litigation* [1992] 5 Cant. L.R. 147. That article also contains a helpful discussion on how to design a survey to ensure maximum probative value.

<sup>139</sup> *Ibid*, note 2.

<sup>140</sup> *Lego System Aktieselskab v Lego M Lemelstrich Ltd.* [1983] FSR 155.

<sup>141</sup> (1983) 51 ALR 735.

<sup>142</sup> (1987) 11 IPR 249, 300.

attention upon the necessity for, and the reliability of the survey evidence..."<sup>143</sup>

As far as weight is concerned, one of the better formulations is to be found in the judgment of Whitford J. in *Imperial Group plc v Philip Morris Ltd.*:

- (a) interviewees must represent a relevant cross section of the general public and must not be aware of the litigation;
- (b) the size of the sample must be statistically significant;
- (c) the survey must be conducted fairly;
- (d) all the surveys carried out must be disclosed to the other party;
- (e) all answers must be disclosed to the other party;
- (f) there must be no leading or suggestive questions;
- (g) exact, verbatim answers must be disclosed to the other party;
- (h) all instructions to interviewers must be disclosed to the other party;
- (i) any coding instructions should be disclosed to the opposing party;
- (j) a sample, pre-test survey may be advisable to iron out immediate problems, such as ambiguous questions.<sup>144</sup>

In the *Big Mac* case, Franki J. was critical of the fact there was no provision for recording the precise answers of those interviewed.<sup>145</sup> Surveys in other cases have foundered on a variety of bases, including, for example, that the sample is

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<sup>143</sup> (1990) ATPR 41-061, at p. 51,807. Refer also *Sterling Pharmaceuticals Pty. Ltd. v Johnson & Johnson Pty. Ltd.* (1990) 96 ALR 277, per French J. at pp. 291-296, where His Honour reviewed the Australian and New Zealand authorities and determined that the law confined the admissibility of survey evidence to surveys which show a contemporaneous state of mind or feeling, subject to the relevance of that state of mind or feeling, to a matter in issue in the case; *Interlego AG v Croner Trading Pty. Ltd.* (1992) 111 ALR 577, per Gummow J. at pp 616-622.

<sup>144</sup> [1984] R.P.C. 293, 302-303. In *Customglass Boats, supra*, note 132, Mahon J stressed that the weight to be attached to survey evidence will depend on whether: (a) the questions were formulated in such a way as to preclude a weighted or conditioned response; (b) there is clear proof the answers were faithfully and accurately recorded; (c) there is evidence the answers were drawn from a true cross section of the class of the public or trade whose impression or opinion is relevant to the matter in issue. Refer also J. Guy Potvin and Alain M Leclerc *Survey Evidence - A Tool of Persuasion* [1993] 9 Can. I.P.R. 157, esp. at pp. 164-167.

<sup>145</sup> Refer S. Bigger, *Notes From Other Nations - Australia - Action Under Federal Trade Practices Act - Admissability of Survey Evidence* (1980) 70 T.M.R. 77, 77-80.



unrepresentative,<sup>146</sup> the questions are weighted or unrealistic,<sup>147</sup> that the interviewers are inexperienced or have departed from prescribed procedures, or that the identity of the party commissioning the survey has been disclosed to interviewees.<sup>148</sup> Other matters the courts may consider in assessing weight include whether the survey was carried out under artificial or natural conditions and whether open or closed questions were used.<sup>149</sup> It will always be essential for the person who organised the survey to file an affidavit as to how it was carried out, how the results were analysed and the conclusions which may be drawn.

As already noted in part B, in cases under section 16 of the Trade Marks Act, much greater weight is given to evidence from members of the public and from persons accustomed to dealing in the market in which the product in issue is bought and sold. The fact that section 16 and section 9 of the Fair Trading Act are both concerned primarily with consumer protection makes the distinction illogical. Where the appropriate procedures have been followed, survey evidence will often<sup>150</sup> represent the best available evidence and, in the context of cases under sections 9 and 52, ought to be

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<sup>146</sup> E.g. *Chase Manhattan Corp.*, *supra*, note 4.

<sup>147</sup> *Scott Ltd. v Nice-Pak Products Ltd.* [1989] F.S.R. 100.

<sup>148</sup> *State Government Insurance Corporation v Government Insurance Office of New South Wales* (1991) 101 ALR 259, per French J. at p.293: His Honour formed the view that he could draw no conclusions from the survey evidence as to "the behaviour of the people surveyed or the likely behaviour of the general population or any segment of it".

<sup>149</sup> Those two factors appear to have been significant in U.S. Federal Trade Commission cases - refer I.L. Preston, *supra*, note 134, at pp.687-689.

<sup>150</sup> Though not always. For example, in *Taylor Bros.*, *supra*, note 10, there was so much evidence of misleading of trade representatives and members of the public that taking of a survey in that case would have been otiose and an unnecessary expense; refer also P. Weiss *The Use of survey Evidence in Trademark Litigation: Science, Art or Confidence Game?* (1990) 80 T.M.R. 71, 84, Part IV: The Future of Surveys.

treated much more determinatively than it presently is. The writer can do no better than to adopt the words of Hill J. in *Sterling Pharmaceuticals Pty. Ltd. v Johnson & Johnson Pty. Ltd.*<sup>151</sup> In the course of that Trade Marks dispute, His Honour observed that:

"There is much to be said, however, for the view that in the twentieth century where important commercial and political considerations are made by reference to market and other surveys conducted in rigidly controlled circumstances, evidence obtained from surveys similarly conducted and for the express purpose of obtaining evidence for the proceedings should be admissible if relevant to a matter in issue. This is particularly so where statistical analysis can confirm that to a specified degree of probability and subject to a specified error rate, the result can be projected to the whole or a defined section of the population. The community might rightly regard evidence from such surveys as more inherently likely to be reliable than evidence which is subjected to cross-examination. They may well regard the rejection of that evidence as, to use the words of Deane J. in *Walton*, confounding justice or common sense and producing "the consequence that the law was unattuned to the circumstances of the society which it exists to serve."

#### ***F. THE COMMON FIELD OF ACTIVITY RULE***

The creation, development and rejection of this rule, in the context of passing off in England and New Zealand has already been traced, in chapter three.<sup>152</sup>

The Australian courts have imported a common field of activity requirement into their decisions under section 52. The most striking example involves the Lego litigation in

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<sup>151</sup> *Supra*, note 143, at p. 293.

<sup>152</sup> *Supra*, pp. 8-11 inclusive.

England and Australia. In both countries, the manufacturer of the famous Lego building block toys sought to restrain a company from selling coloured plastic irrigation equipment under the same name. The Australian case<sup>153</sup> was brought under section 52 and the plaintiff failed on the basis of the court's view that it was unlikely there would be much overlap in the persons aware of the two products and that, where there was an overlap, such persons would not believe there was a common source, because of the differences between the two products. That was in spite of evidence of actual misleading or deception.<sup>154</sup>

The English Lego case<sup>155</sup> was brought in passing off and the plaintiff succeeded. The court rejected the idea that the question of a common field of activity was decisive and distinguished the Australian decision on the facts and as a matter arising under statute.

The common field of activity test has been endorsed in a number of subsequent Australian cases. In *Cue Design Pty. Ltd. v Playboy Enterprises Pty. Ltd.*<sup>156</sup>, the manufacturer and retailer of 'Cue' womens clothing failed in a section 52 action against a party opening 'The Cue Restaurant'. Relief both under section 52 and in passing off was denied on the basis that there was no overlapping of the two business activities.<sup>157</sup>

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<sup>153</sup> *Lego Australia Pty. Ltd. v Paul's (Merchants) Pty. Ltd.* (1982) 42 ALR 344.

<sup>154</sup> *Ibid*, p. 540.

<sup>155</sup> *Lego System Aktieselskab*, *supra*, note 140.

<sup>156</sup> (1982) 45 A.L.R. 535.

<sup>157</sup> *Ibid*, p. 540.

In the *VISA* case,<sup>158</sup> *Abundant Earth Pty. Ltd. v R & C Products Pty. Ltd.*<sup>159</sup> and the *INXS* case<sup>160</sup> the court has held in favour of the applicants only after satisfying itself that there was a sufficiently common field of activity between the parties. Even in *Chase*, where Wilcox J. set out the principles to be applied in section 52 cases, the applicant failed in its claim that potential business associates would be misled, because "the evidence indicates that there is now, and there is likely to be in the future, very little common field of activity" between the parties.<sup>161</sup> The authors of one text have suggested the Australian courts have taken a more liberal approach than their English counterparts in this area.<sup>162</sup> In the writer's view, the authorities do not support that proposition. They reveal that the Australian courts have not only imported the common field of activity test into section 52 cases, but have made the existence of a common field of activity virtually determinative of success for plaintiffs. That can be contrasted with the situation in England, where the test is applied even in passing off with less rigour

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<sup>158</sup> *VISA International Service Assn. v Beiser Corporation Pty. Ltd.*, *supra*, note 23: the owner of VISA credit cards objected to use of the name 'World Visa Travel Service' for a travel agency. Beaumont J. found for the applicant, holding there were at least overlapping business activities.

<sup>159</sup> *Supra*, note 36: the appellant used the name 'Pure and Simple' on vegetable oil sold in aerosol form. The respondent sought to use the same words on a variety of foodstuffs. Complaint was limited to use of the phrase in connection with the respondent's jars of mustard. The lower court (p.215) held the case was distinguishable from *Lego* as not involving products far removed from one another. The Full Court (p. 216) held "the lack of a common field of activity" is a material consideration "to be taken into account when considering the application of section 52" and agreed there was a common field.

<sup>160</sup> *Hutchence v South Seas Bubble Co. Pty. Ltd.* (1986) 64 A.L.R. 330: the appellant pop group members complained of the respondent's selling of 'bootleg' T-shirts and other merchandise bearing their name and image. In finding for the appellants, the court discussed in some detail the fact that they carried on a subsidiary business activity of licensing sale of merchandise (p. 337). Ironically, the court also specifically held that there is no need for a common field of activity between the plaintiff and defendant in passing off (p. 340).

<sup>161</sup> *Supra*, note 4, p. 359.

<sup>162</sup> McKeough and Stewart *Intellectual Property in Australia*, Butterworths Australia Pty. Ltd., Sydney, p. 314.

than in Australian section 52 cases. The section is supposed to be a consumer protection provision and the position noted is to be deplored.

In New Zealand, it is more difficult to say what is the approach of the courts to this issue. There have not yet been any case in which there has been any significant difference between the business of the plaintiff and that of the defendant.

In *Taylor Bros.*, McGechan J. held in the High Court and in connection with passing off, that 'common field of activity' is not a term of art and not decisive.<sup>163</sup> But the Court of Appeal held that the principle cannot be taken too far:

"Taylors Wellington could not, we think, restrain the use in Wellington of the name Taylors for, say, foodstuffs."

In the *Prudential* case<sup>164</sup> the appellant's expansion of its sphere of activities to include financial services, an area the respondent had been operating in for some time, were held to have generated the difficulties that lead to the court case. Clearly the similarity or otherwise of the two businesses was a factor the court attached some importance to, though it may be going too far to say that holding involved a cloaked application of the common field of activity rule. The Court of Appeal's holding in *Taylor Bros. Ltd.* is of greater potential concern, that being tempered by the facts that it was now some time ago, obiter and in connection with passing off rather than section 9.

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<sup>163</sup> *Supra*, note 10, per Bisson J. at p. 659.

<sup>164</sup> *Supra*, note 18, per Bisson J. at p. 569.

## *G. CONCLUSIONS*

At the start of this chapter, there is a quote from a text, which summarises the different options available to the courts in interpreting and applying section 9. That included that the courts might take a 'robust attitude' so that the statute would provide an alternative weapon. It also included that the statute might be 'read down', with application of inappropriate passing off principles. Examination of decisions of the courts in New Zealand and Australia show the latter approach has prevailed. The courts have recognised that the two actions have different policy rationales, but they have not given effect to that difference. Instead of developing new definitions, tests and standards to be applied in section 9 cases, the courts have been content to apply principles developed in passing off. They have refused protection of descriptive names, ignored or given only minimal weight to evidence of actual deception, withheld remedies for imitation of get-up, required plaintiffs to establish reputation of a kind more closely allied with the passing off concept of goodwill than any element of section 9 and imposed a common field of activity rule where none is required. There is a significant contrast in the approach under section 9 and the approach under section 16 of the Trade Marks Act. Notwithstanding the consumer protection rationale common to both sections, the approach of the courts to them has been significantly different.

Further effects of the deficiencies identified in chapter two, and the approach taken by the courts, are detailed in chapter five.

**THE EFFECTS FOR CONSUMERS****INTRODUCTION**

In chapter two, some *theoretical* difficulties in the ability of section 9 to give effect to the consumer protection and efficiency limbs of the public policy rationale were identified. In chapter four, deficiencies in the approach of the courts were addressed. This chapter follows on from the conclusions reached in those two chapters and determines what, if any, are the economic effects for consumers.

In part A, the framework for the analysis is established. It has three sections: one, a discussion of substance versus institutional framework; two, explanation of the case example and the generality of the results obtained by use of it; and, three, description of the four consumers.

The analysis is undertaken in part B, as follows:

1. the effect of B's trade on the four consumers and on A; and
2. the effect of an action pursuant to section 9:
  - (a) compensation for loss or damage already suffered; and
  - (b) the effect on the future purchasing of the four consumers.

## ***A. THE FRAMEWORK***

A number of points need to be made by way of setting the framework for the discussion.

### ***1. Substance versus institutional framework***

In evaluating the effectiveness of a legal measure there are two considerations: the substantive remedy and the institutional framework by which it is implemented. The institutional framework for implementation of section 9 is twofold: one, a regulatory framework fulfilled by the Fair Trading division of the Commerce Commission, pursuant to which it receives complaints from aggrieved parties (both consumers and traders) and encourages offending traders to comply with the Act; and, two, the courts, which become involved when the Commission<sup>1</sup> or any other person issues proceedings. Only the second framework is discussed in this Part and the discussion is of the remedy that is implemented there, not the framework in which it is implemented. The paper does not address the issue of whether the courts are the best institutional framework for implementation of the remedy because that is a separate issue.<sup>2</sup> The question therefore is whether section 9 is the best available court-implemented remedy.

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<sup>1</sup> Pursuant to its power under section 41 of the Act.

<sup>2</sup> For a discussion of which refer A.J.Duggan and L.W.Darvell, *Consumer Protection Law and Theory*, 1980, The Law Book Company Ltd., Sydney, pp. 200-225.



## 2. Use of a case example

Effectiveness of section 9, in terms of its public policy rationale, is evaluated by application to nine variations of a case example, which is loosely based on the decision of the House of Lords in *Erven Warnink B. V. v J. Townend & Sons Ltd.*<sup>3</sup> Cases in this area traverse a wide range of facts<sup>4</sup> and the conclusions drawn by reference to the example will not necessarily be valid for other facts. Nevertheless, the discussion will provide a general guide or model, which can then be adjusted as required to fit the facts of other cases.

In the fact pattern, A makes and sells Advocaat, a liquor made from egg yolks, sugar and brandy. A was the sole entrant in the market for many years and its liquor has acquired a substantial reputation as a distinct and recognisable beverage. It costs A \$50 per bottle to produce and it sells for \$60 per bottle.

B starts making a drink made from dried egg powder and sherry and selling it as 'Advocaat', in a bottle nearly identical to that of A. B's price (sometimes \$70, sometimes \$60 and sometimes \$50) and quality (sometimes higher, sometimes the same and sometimes lower) vary in each of the nine variations. The effects of each of the nine possible quality / price combinations on each of the four consumers will be considered. The combinations are where the product sold by B is, compared to the product of A:

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<sup>3</sup> [1979] A.C. 731 (the *Advocaat* case).

<sup>4</sup> As has been seen in the preceeding chapters.

- (a) lower quality / higher price
- (b) lower quality / same price
- (c) lower quality / lower price
- (d) same quality / higher price
- (e) same quality / same price
- (f) same quality / lower price
- (e) higher quality / higher price
- (f) higher quality / same price
- (g) higher quality / lower price<sup>5</sup>

To test the effectiveness of section 9 in cases where consumers are misled, it will be assumed that the difference in quality between the two products is never so great that an unsophisticated consumer can tell the two products apart on the basis of quality.<sup>6</sup> It will also be assumed that all four consumers place a greater value on getting quality than on getting a genuine product.<sup>7</sup>

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<sup>5</sup> The situation of the infringing trader having a product of higher quality has arisen in only one reported case, *Tot Toys v Mitchell* [1993] 1 NZLR 325. Despite its rarity, it will be considered for the sake of completeness.

<sup>6</sup> If all consumers could tell the two products apart then no-one would ever be misled and there would never be any successful actions pursuant to section 9.

<sup>7</sup> Brand name purchasing is a recognised phenomenon but, in the writer's view, only because brand-names tend to be associated with quality, especially among less educated and sophisticated consumers who may derive a sense of security among the profusion of products available, of whose attributes they are ignorant: J. Martin and G.W. Smith, *The Consumer Interest*, 1968, Pall Mall Publishing Ltd., London, pp. 63 and following. One author has suggested that consumers feel that the largest, best advertised merchandisers can least afford to adulterate or misbrand their products, but that proposition is very much open to debate: G.E. and P.E. Rosden, *2 The Law of Advertising*, 1984, Mathew Bender, New York, New York, paras. 17.01[2] and 17.01[3][a]; E. Scott Moynes *Decision Making For Consumers: An Introduction to Consumer Economics*, 1976, MacMillan Publishing Co. Inc., New York, pp. 271-275. The writer acknowledges, however, that, price and quality being equal, consumers who can tell the two products apart on those two bases are more likely to buy the established brand name product.

A sues under section 9, on the basis that B's use of the name 'Advocaat' would mislead consumers into thinking that B's Advocaat is that of A.<sup>8</sup> A corollary is that some consumers will think that the Advocaat sold by the two traders is equal in every respect, especially quality.

### *3. The four consumers*

Those events affect consumers in one of four ways, depending on the affluence and competence of the consumer:

*consumer one* (can afford, can tell):

can tell the genuine product from an imitation and can also tell a higher quality product from a lower quality one. She can afford and prefers to buy genuine products as long as they are superior in quality and/or price (for this consumer, the intangible value of genuineness is not as significant as the actual values of price and quality - because she has perfect knowledge, she does not need to rely on and take comfort in brand names);

*consumer two* (cannot afford, can tell):

like consumer one, she can tell a genuine product from an imitation and can also tell a higher quality product from a lower quality one. Also like consumer one,

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<sup>8</sup> Or that they would think there is some connection between A and B, such as that A has given B permission to use the name 'Advocaat'.

she would prefer to buy the genuine product, as long as it is superior in quality and/or price. Unlike consumer one, consumer two cannot afford to buy the best and the most she can afford to spend on a bottle of Advocaat is \$50. She will make do with an imitation but will know it is that;

*consumer three* (can afford, cannot tell):

like consumers one and two, consumer three prefers to buy a quality product and, quality being equal, prefers to buy genuine products. Like consumer one, she can afford to buy the best, but, unlike consumers one and two, she cannot tell a genuine product from an imitation or a higher quality product from a lower quality one;

*consumer four* (cannot afford, cannot tell):

like consumers one, two and three, consumer four prefers to buy quality, genuine products, the emphasis being on quality. Like consumer three, she cannot tell the genuine product from the imitation, nor a higher quality product from a lower quality one. Like consumer two, she cannot afford to buy the best and the most she can afford to spend on a bottle of Advocaat is \$50.<sup>9</sup>

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<sup>9</sup> Price and quality are chosen as the variables because they tend to be the variables in passing off cases. The imitation product is usually cheaper and of lower quality, but for an example of where the reverse was true refer *Tot Toys v Mitchell*, *supra*, note 5. Other variables considered by the writer that are not used in the analysis were availability (allowing the imitating trader to sell its product will result in greater availability of that kind of product), safety and distinctiveness (usually in relation to clothing, furnishings and similar products), all of which can be important variables in consumer related matters, but which do not usually feature in passing off cases, although it will be seen that availability is sometimes an important consideration for consumers two and four, because they cannot afford the genuine product and will derive a benefit from B's activities when its product is cheaper than A's. Refer D.A. Rice, *Toward a Theory and Legal Standard of Consumer Unfairness*, [1984] 5 Journal of Law and Commerce, p. 119.

In theory, there is one other consumer, she who can afford to and will pay any price and who does not care about whether the product is genuine or not, but that consumer will not be considered here because it is the writer's view that a negligible number of consumers exhibit those characteristics.

## B. THE ANALYSIS

### 1. Results of B's activities

The results are presented in table one.

TABLE ONE

	cons. one	cons. two	cons. three	cons. four	A	B
1. low quality / high price						
2. low quality / same price						
3. low quality / low price						
4. same quality / high price						
5. same quality / same price						
6. same quality / low price						
7. high quality / high price						
8. high quality / same price						
9. high quality / low price						

key:

	misled and makes loss		misled and no loss		misled and makes gain
	not misled no loss		not misled makes gain		loss
					gain

The reasoning on which those results are based is detailed in Appendix One. In summary:

(a) for consumers individually:

- (i) consumers one and two are never misled; make a gain 4 out of 9 and 3 out of 9 times respectively and are otherwise unaffected by B's activities;
- (ii) consumer three is misled 6 times out of 9; makes a loss 3 times, a gain once and neither a loss or a gain on the other two occasions;
- (iii) consumer four is misled 3 times out of 9 and makes a net gain on all three occasions.

B's conduct therefore has the greatest negative impact on consumer three, who has more money than ability to judge quality and genuineness;

(b) for consumers collectively: B's activities have no economic effect on 20 of the 36 occasions (4 consumers x 9 scenarios), causes losses in 3 out of 6 and gains on 11 out of 36 occasions;

(c) for A, the results are worst - a loss on 7 out of 9 occasions.

B's contravention of section 9 therefore actually results in a net gain for consumers because gains outnumber losses eleven to three. Even adding the losses incurred by A still leaves gains ahead eleven to ten, although A's losses will usually be larger than either the losses or gains made by any consumer. Factoring in the negative impact on competition and innovation (which cannot be quantified) may do no more than balance the scales.

If one removes the scenarios (1, 4 and 9) in which the imitating product is more expensive than the genuine one, the, more realistic, results are even more telling for consumer three:

(a) for consumers individually:

(i) consumers one and two are never misled. Each benefits on 3 of 6 occasions and is otherwise unaffected;

(ii) consumer three is misled on every occasion; makes 3 losses, 1 gain and is unaffected on 2 occasions;

(iii) consumer four is misled and makes a gain 3 of 6 times and is unaffected on the other 3 occasions.

(b) for consumers collectively

B's activities have no economic effect on 11 of 24 occasions, cause losses in 3 of 24 and gains in 10 of 24.

(c) for A, the result is 6 losses in 6 scenarios.

Collectively, the position is against intervention and it is therefore difficult to justify intervention on the grounds of efficiency alone. It has been shown, however, that the public policy rationale is not limited to efficiency, but extends to protection of consumers, both collectively and as classes. B's activities have the most adverse effect for consumer three and the greater the proportion of class three consumers in a market, the more adverse the results of B's trade. The issue is whether intervention can be justified on that basis or whether, instead and in the words of Mr. Spock, the needs of the many outweigh the needs of the few. To resolve that issue, one must consider the effects of an action pursuant to section 9.

## 2. Action Pursuant to Section 9

Section 9 is aimed principally at providing relief for past loss or damage, but also at deterring traders from infringing and causing future loss or damage.<sup>10</sup> For that reason, two matters will be considered in this section; first and most important, the effects section 9 has for consumers misled or deceived prior to the date of judgement; and, secondly, the effect on consumers of B's regulated activities after judgment, of which there are two possibilities: (a) that B will continue to trade but in a way that is not misleading or deceptive; or (b) that B will cease to trade.

In the fact example, the costs of identifying<sup>11</sup> and communicating with consumers will outweigh the individual losses, even without the costs of prosecuting an action. Accordingly, the only party likely to bring an action is A.

### (a) Up to the date of judgment

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<sup>10</sup> Evidence of the latter includes that the remedy most often ordered is an injunction regulating the future activities of the defendant. Pursuant to section 41, injunctions may be granted for contravention, attempted contravention, inducement or attempted inducement of any other person to contravene, or being knowingly directly or indirectly concerned in a contravention by any other person. Pursuant to section 41(4), the court may grant an injunction to restrain a person from engaging in conduct of a particular kind "whether or not the person has previously engaged in conduct of that kind and whether or not there is any imminent danger of substantial damage to any person if the first-mentioned person engages in conduct of that kind". In the *Advocaat* case, *supra*, note 3, the court granted an injunction restraining the defendant from calling its product Advocaat. Other remedies available for breach of the Act include:

(a) an order to disclose information or to publish advertisement(s) - section 42. That remedy is available only when the court is satisfied there has been a contravention.

(b) orders, in relation to a person who has, or is likely to suffer loss or damage as a result of the contravening conduct:











- (i) declaring the contract void, in whole or in part - section 43(2)(a);
- (ii) varying the contract - section 43(2)(b);
- (iii) directing B to refund money or return property - section 43(2)(c);
- (iv) directing B to pay each affected consumer the amount of his or her loss or damage - section 43(2)(d).


<sup>11</sup> Where that is possible from transaction records including credit card details and cheques.





The results of an action pursuant to section 9 are presented in table two, and then summarised below it.

TABLE TWO

	cons. one	cons. two	cons. three	cons. four	A	B
1. low quality / high price						
2. low quality / same price						
3. low quality / low price						
4. same quality / high price						
5. same quality / same price						
6. same quality / low price						
7. high quality / high price						
8. high quality / same price						
9. high quality / low price						

key: action successful  
loss recovered 

action successful  
loss not recovered 

action unsuccessful  
loss not recovered 

In variables 2, 3, 5, 6, 8 and 9 a consumer(s) was / were misled. The court therefore finds that B has infringed section 9 and injuncts it from selling its product under the name Advocaat.

*(i) Consumer three*

Was misled and suffered losses in scenarios 2, 3 and 5 but it is unlikely that she will be compensated in the decisions in any of those cases. She is entitled to relief but will obtain it only if she comes forward and leads evidence of her loss. Satisfying the court of the loss would not be difficult but having a mechanism that would ensure that

consumer three came forward would. There would be a record if she paid by credit card or cheque and she could be individually contacted but, first, the transaction costs would be prohibitive, and, secondly, that does not help if she paid by cash. Since net social welfare is a concern, as well as the economic effect for consumer three, the optimum position is that consumer three bear her own loss and that is almost inevitably what happens.

(ii) *Trader A*

Suffered losses in scenarios 2, 3, 5, 6, 7, 8 and 9. Many of the cases are disposed of on the basis of an interlocutory application for an interim injunction and any claim for damages, that would have been heard at the substantive hearing, is never dealt with. The fact that plaintiffs rarely pursue the issue of damages may suggest that transaction costs are too great. Nevertheless, A is entitled to damages and, if it chooses to pursue the issue, will recover on a measure the same as that applying in tort, namely the measure by which the plaintiff has suffered damage to its goodwill. No consumer was misled in scenario 7 and, accordingly, A will not recover the loss it sustained there.<sup>12</sup>

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<sup>12</sup> In *Dominion Rent A Car Ltd. v Budget Rent A Car Systems (1970) Ltd.* [1987] 2 NZLR 395, Cooke P. examined revenue figures for the parties over the relevant period in reaching the view that the plaintiff had probably benefited from any confusion between its business and that of the defendant and that therefore the plaintiff's claim for passing off must fail. However, it is not necessary to lead such precise evidence and more subtle forms of damage have been recognised by the courts. In *Taylor Bros. Ltd. v Taylors Group Ltd.* [1988] 2 NZLR 1, McGechan J. in the High Court considered evidence in relation to diversion of trade, damage to reputation caused by lapses on the part of the defendants and inundation or dilution of the plaintiff's goodwill in the name "Taylors" to the point where the plaintiff would no longer be recognised by its own name and the sale price of the name would be sharply diminished. His Honour found there to be sufficient evidence of damage of the second and third kinds. The Court of Appeal agreed, holding that: "[I]n some cases it is legitimate to infer damage from a tendency to impair distinctiveness." The Court said the principle must, however, be applied with caution in two respects:

- (a) there are cases where confusion with a larger organisation may be to the benefit of a party so damage may not be assumed and would be required to be proved;
- (b) the principle cannot apply to give a party a practical monopoly in a relatively common name.

In *Comite Interprofessionel du Vin de Champagne v Wineworths Ltd.* [1992] 2 NZLR 327, the Court of Appeal affirmed that damage from goodwill can be inferred from a tendency to impair distinctiveness in finding for the plaintiff. They cast doubt, however, on whether loss of ability to license use of a name may be enough. Refer also *Gates v City Mutual Life Assurance Society Ltd.* (1986) ATPR 40-666; *Toteff v Antonas* (1952) 87 CLR 647, 650.

In summary, losses will be recovered:

- (a) by consumer three, on zero out of three occasions;
- (b) by A on 6 out of 7 occasions.

As far as past losses are concerned, the section is satisfactory from A's point of view but, not from the point of view of consumer three, thus confirming that the theoretical deficiencies of section 9 are also deficiencies in practice. In chapters two and four, it was recommended that the Act be amended in three ways, to rectify those theoretical deficiencies. The first, that the courts be required to take the interests of consumers into account in all actions under section 9, is unlikely to help consumer 3, because the courts are unlikely to ever know what proportion of the market are class 3 consumers. Even if that were known, it was also seen that it would be neither efficient nor in the interests of consumers for B to be fined, except when B had no reasonable basis for a belief that its conduct would not amount to passing off. That leaves the third option, for jurisdiction of the Disputes Tribunals to be extended to include actions pursuant to section 9. In the fact pattern, that is unlikely to be of assistance to consumer three, because her maximum loss is \$10 and transaction costs will preclude an action even in the Disputes Tribunal. But even if it is not of assistance in this fact pattern, the discussion in Part B showed that it would enhance efficiency and consumer protection and the writer therefore remains of the view that amendment of the Act is necessary.

*(b) After the date of judgment*

As noted, there are two possibilities: one, that B will continue to trade but in a manner that is not misleading or deceptive; and, two, that it will cease to trade.<sup>13</sup> The position

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<sup>13</sup> Although issue of an injunction will often mean that B will have to reduce the price of its product, because it no longer has attached the goodwill of the passed off product, nor does B have to make the investment in the development / maintenance of that goodwill that requires the higher price charged by A. It is therefore unlikely that issue of an injunction will ever, of itself, put B out of business. B may, however, voluntarily cease to trade, particularly if it was deliberately passing off its goods. In that case, an effect of an injunction will be that B can no longer make the inflated profits it previously enjoyed (inflated because it gets the benefit of A's goodwill without having to pay for it). That may therefore suggest that, if B ceases to trade following issue of an injunction, then its passing off was deliberate. A corollary is that if B continues to trade, then the price of its product is likely to drop, thus benefiting

is summarised below and the reasoning on which that summary is based is detailed in Appendix Two.

(a) If, after the decisions, B continues to trade, then all four consumers will be better off than if B was not in trade. Consumer one will buy from B in scenarios 6 to 9 inclusive and consumer two in scenarios 3, 6 and 9. Consumer three will not be misled, will therefore make informed purchasing decisions and not suffer losses. Consumer four will continue to buy from B in scenarios 3, 6 and 9, where she previously made a gain anyway but in future will not be misled.

(b) It can be seen from figure one that in the 36 variables (9 scenarios times 4 consumers) consumers were unaffected (economically) on 22 occasions, better off on 11 occasions and worse off on 3 occasions. It would therefore be against the interests of consumers if B ceased to trade. A was worse off in 7 out of 9 scenarios and it would therefore be in A's interest if B ceased to trade, but so long as B is not misleading or deceiving consumers, the interests of consumers and efficiency should prevail.

While the value of section 9 in relation to past losses is ambivalent, its value in terms of enhancing future efficiency and the future interests of consumers is much more clear. As long as B continues to trade after the action, there will be greater competition and less deception, resulting in increased levels of efficiency and consumer protection.

*SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS*

There are four principal limbs to the public policy rationale for section 9 of the Fair Trading Act 1986. Two of them, compliance with CER obligations and to compliment the Commerce Act 1986, appear to be adequately advanced by the Act. The remaining two limbs, promotion of efficiency and protection of consumers, are not adequately advanced. The first of the two reasons for that lies in the provisions of the Act itself, which should be amended to:

- (a) require the interests of consumers to be taken in to account in section 9 cases;
- (b) require imposition of a fine in any case where a defendant had no reasonable basis for a belief that its conduct would not be misleading or deceptive;
- (c) give jurisdiction to the Disputes Tribunals, subject only to a maximum monetary value;
- (d) include "confusion" in section 9.

The second reason lies in the approach of the courts and, in particular, their importation of passing off principles into cases under section 9. The public policy rationale for

passing off is very different from that under section 9 and such importation is therefore inappropriate. The courts in New Zealand and Australia ought to:

- (a) put into practice their theoretical statements on the difference between the two causes of action;
- (b) cease to treat the descriptiveness or otherwise of names as determinative and look, instead, to the actual effect on consumers;
- (c) allow proof of confusion to be enough under section 9, thus ensuring consistency with other consumer protection provisions, such as section 16 of the Trade Marks Act, or, at least, signal a need for legislative action in that regard;
- (d) take a more liberal approach to claims based on get-up;
- (e) impose a higher standard on second in time manufacturers, in terms of disclaimers;
- (f) accept that, in modern times, reputation in the jurisdiction sufficient to mislead consumers can arise without any trading there;
- (g) accept that survey evidence is frequently the best evidence available in these cases and focus on providing clear guidelines on the factors which affect the

probity of the same;

(h) cease imposing their own view of what is misleading or deceptive, or likely to mislead or deceive and, instead, rely on actual evidence;

(i) cease to require a common field of activity between parties, as a pre-requisite to a successful action.

All of those things could be achieved if the courts would simply be mindful of the fact that the policy rationale for section 9 is to protect consumers and to promote efficiency. The discussion in chapter five provides an example of how that may be done, or, at least, the sort of factors that need to be taken into account. The writer acknowledges that the utility of the approach taken there could only be evaluated by a retrospective analysis of cases in which the approach was followed. Modifications and refinements would no doubt be necessary. The point the writer has endeavoured to make in this thesis is that an analysis of cases since the Fair Trading and Trade Practices Acts were passed shows that the approach taken to date does not advance the public policy rationale as well as it could and should be advanced. The legislature should amend the Act and the courts should amend their approach.

## REASONING FOR TABLE ONE

*Consumer one* (can afford, can tell)

*(a) Lower quality*

In scenarios 1, 2 and 3, consumer one buys from A because she prefers a quality product. She can tell the genuine product from the imitation and, therefore, is not misled. She suffers no loss and has no right to relief under section 9.

*(b) Same quality*

Consumer one buys from A in scenario 4 (higher price) because it is a genuine product at a lower price and in scenario 5 (same price) because, even though price and quality are the same, A's product has the intangible advantage of being the genuine product. In scenario 6 (lower price) she buys from B because the intangible benefit attaching to the fact that A's product is genuine is outweighed by the actual benefit attaching to product B by virtue of its lower price. In all three variables, consumer one is not misled, suffers no loss and is not entitled to relief under section 9.

*(c) Higher quality*

In scenarios 7, 8 and 9, consumer one buys from B, simply because its product is



better. She is never misled and has no entitlement to relief under section 9. Indeed, the fact that B is in trade has generated an advantage for this consumer, in that she gets to buy a higher quality product than was previously available.

*Consumer two* (cannot afford, can tell)

*(a) Higher price, same price*

Whereas the distinguishing factor for consumer one is quality, for consumer two it is price. She is unaffected by scenarios 1, 4 and 7 (higher price) or by scenarios 2, 5 and 8 (same price) because she cannot afford either product.

*(b) Lower price*

In scenarios 3, 6 and 9 B's price is \$50. Consumer two can afford that price and buys from B. She is not misled and is not entitled to relief under section 9. Indeed, the fact that B is in trade has generated an advantage for this consumer, in that she gets to buy a product that she would not otherwise be able to afford. The quality of that product varies according to the scenario, but consumer two is never misled as to the quality of the product she buys.

*Consumer three* (can afford, cannot tell)

*(a) Higher price*

In scenarios 1, 4 and 7, where B's product is more expensive than A's, consumer three buys from A, because its product is cheaper. She is not misled, suffers no loss and is not entitled to relief under section 9.

*(b) Same price*

Where B's product is the same price, there is a fifty percent probability that consumer three will buy from B.

In scenario 2 (lower quality) consumer three will, if she buys from B, suffer a loss equal in value to the difference in quality between the two products. There is a fifty percent probability that she will be misled and suffer a loss. If she does, then she will be entitled to relief under section 9.

In scenario 5 (same quality) she will, if she buys from B, suffer an intangible loss equal to the value that she places on getting a genuine product.<sup>1</sup> Again, there is a fifty percent chance that she will be misled and that she will suffer a loss. Where she does, she will be entitled to relief under section 9.

In scenario 8 (higher quality) consumer three will, if she buys from B make a gain equal to the value of the difference in quality between the two products. If she buys from B, then she has been misled but whether or not she buys from B, she suffers no loss and is not entitled to relief under section 9.

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<sup>1</sup> She does not suffer that kind of loss in scenario one because the desire to get a genuine product stems only from the perceived correlation between genuineness and quality and, therefore, the factor of genuineness will only have a value when quality is the same.

*(c) Lower price*

In scenarios 3, 6 and 9, consumer three buys from B, because its product is cheaper. She will be under the mistaken impression that she is getting a genuine product of the best quality.

In scenario 3 (lower quality) she gets an imitation product of lower quality and suffers a loss equal to the value of the difference in quality between the two products. She has been misled, suffers a loss and is entitled to relief under section 9.

In scenario 6 (same quality) she gets an (albeit imitation) product of equal quality at a lower price. She has been misled, but suffers no loss and is not entitled to relief under section 9.

In scenario 9 (higher quality), she is misled but makes no loss; rather she makes a gain equal to the difference in value. She is not entitled to relief under section 9.

*(d) Summary*

Consumer three suffers a loss in the following circumstances:

- (a) a fifty percent chance of suffering a loss where price is the same and quality is lower;
- (b) a fifty percent chance of suffering a loss where price and quality are the same;
- (c) a one hundred chance of suffering a loss where price and quality are lower.

*Consumer four* (cannot afford, cannot tell)

*(a) Higher price, same price*

Like consumer two, consumer four is unaffected by scenarios 1, 2, 4, 5, 7 and 8, because she cannot afford either product.

*(b) Lower price*

In scenarios 3, 6 and 9, when B's price is \$50, consumer four buys from B, under the mistaken impression that she is getting a genuine product.

In scenario 3 (lower quality) she suffers a loss equal in value to the difference in quality between the two products. At the same time, she makes a gain in the form of the opportunity to buy a product she would not otherwise be able to afford (an 'opportunity gain'). The question is whether that represents a net loss or gain. We know that the quality difference between the two products is not so great that this consumer can tell them apart on that basis. There is a relatively significant (\$10) price difference and that allows consumer three to buy the product. In the present circumstances, those factors indicate a net gain. In scenarios 6 (same quality) and 9 (higher quality), consumer four makes an opportunity gain.<sup>2</sup>

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<sup>2</sup> If she was able to afford A's product, then she would also make a gain equal to the difference in value between the two products but, because she cannot afford that product, it is difficult to argue she is getting a product of higher quality than she would otherwise have got because she would not otherwise have got that product. She therefore does not make this quality gain.

*REASONING FOR CONCLUSIONS ON  
EFFECT IF B CEASES TO TRADE*

*Consumer one*

Decisions 1 to 5 inclusive are of no interest to consumer one, because she was unaffected by the conduct that gave rise to them. She made a gain in scenarios 6, 7, 8 and 9 and will therefore be worse off in decisions 6, 8 and 9. No consumer was misled in scenario 7 and A's action pursuant to section 9 will therefore fail, meaning that consumer one will be unaffected by that decision.

*Consumer two*

Decisions 1, 2, 4, 5, 7 and 8 do not affect consumer two. She made a gain in scenarios 3, 6 and 9 and will therefore be worse off on those three occasions.

*Consumer three*

Consumer three was not affected by the conduct giving rise to decisions 1, 4 or 7 and is therefore unaffected by those decisions, which will be against A's claim because no consumer was misled in any of those scenarios.

She made a loss in scenarios 2, 3 and 5 and it might be thought that she would have an interest in B ceasing to trade in those three scenarios. However, if B continues to trade

after the decisions, it will be in a way that is not misleading or deceptive and consumer three will not buy from B. She is therefore indifferent to whether or not B continues to trade.

In scenarios 6 and 9, consumer three was misled but made no loss and is therefore indifferent to whether or not B continues to trade in those scenarios too.

In scenario 8, consumer three made a gain and will therefore be worse off when B goes out of business.

*Consumer four*

Is unaffected by all decisions other than 3, 6 and 9, in which she was misled and made a gain. If B ceases to trade, she will be worse off in those three scenarios.

**1. New Zealand**

Consumer Information Act 1969

Disputes Tribunal Act 1988

Fair Trading Act 1986

Merchandise Marks Act 1954

Trade Marks act 1953

Trade Practices Act 1958

**2. Australia**

Tarde Marks Act 1955

Trade Practices Act 1974

**3. United States of America**

Federal Trade Commission Act 15 U.S.C. 45 (1914)

New York Sess. Laws 1903, c. 132, ss. 1-2 as amnd. 1921

Trans-Alaska Pipeline Authorization Act (15 U.S.C. 53(b))

Wheeler-Lea Act, 52 Stat. 114 (1938) U.S.C. 52 (1958)

**4. Canada**

British Columbia Privacy Act, R.S.B.C. 1979, c. 336

Manitoba Privacy Act, S.M. 1970, c. 74

Newfoundland Privacy Act, S.N. 1981, c.6

Saskatchewan Privacy Act, R.S.S. 1978, c. P-24

Trade Marks Act of Canada, R.S., c. T-10



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*Artifakts Design Group Ltd. v N P Rigg Ltd.* [1993] 1 NZLR 196

*Cardmember Wines Ltd v The Wine Society Ltd.* (1992) 4 TCLR 556

*Cerebos Greggs Ltd. v Unilever New Zealand Ltd.*, unreported, High Court, Auckland, 3 June 1994, CL 71/93, Fisher J.

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*Foodtown Supermarkets Ltd. v Commerce Commission* [1991] 1 NZLR 466

*Frank M. Winstone (Merchants) Ltd. v Plix Products Ltd.* [1985] 1 NZLR 376 (C.A.)

*Granny May's Management Pty. Ltd. v Whitcoulls Group Ltd.* (1993) 5 TCLR 148

*Goldsbro v Walker* [1993] 1 NZLR 394 (H.C.)

*Griffin & Sons Ltd. v Regina (1988) Ltd.*, unreported, High Court, Dunedin, 01 August 1989, CP 72/89, Fraser J; (1989) 15 B.C.L. 1559.

*Keg Restaurants Ltd. v Brandy's Restaurant Ltd.* (1983) 1 NZIPR 453.

*Klissers Farmhouse Bakeries Ltd. v Harvest Bakeries Ltd.* [1985] 2 NZLR 143

*Levi Strauss v Kimbyr Investments* [1994] 1 NZLR 332

*McBean's Orchards (Australia) Pty. Ltd. v McBean's Orchards Ltd.* (1982) 1 NZIPR 406

*Marcol v Commerce Commission* [1991] 2 NZLR 502 (H.C.)

*Mills v United Building Society* [1988] 2 NZLR 392

*Mutual v Dominion*, unrptd, High Court, Auckland, 9 August 1982, A 1654/77, Moller J.

*Noel Leeming Television Ltd. v Noel's Appliance Centre Ltd.* (No. 2), unreported, High Court, Christchurch, 27 August 1985, A 102/85, Holland J.

*Pioneer Hi-Bred Corn Co. Ltd. v Hy-Line Chicks Pty. Ltd* [1978] 2 NZLR 50

*Pitstop Exhaust Ltd. v Alan Jones Pitstop International Ltd.* (1988) 2 NZBLC 102,968.

*Prudential Building and Investment Society of Canterbury v Prudential Assurance Company of New Zealand Ltd.* [1988] 2 NZLR 653

*Rheem v Commerce Commission*, unreported, High Court, Auckland, 29 July 1991, AP 166/91, Barker J.; (1991) B.C.L. 1974

*The Scotch Whisky Assoc. v Norman James Eade*, unreported, High Court, Christchurch, CP 204/90, 4 July 1990, Holland J.; unreported, Court of Appeal, CA 177/90, 20 August 1990

*Sterling Pharmaceuticals (N.Z.) Ltd. v Boots Co. (N.Z.) Ltd.* (No. 2) [1991] 2 NZLR 634 (H.C.)

*Sunshine Leisure Products (NZ) Ltd. v Great Outdoors Co. Ltd.* [1986] 2 NZLR 183

*Taylor Bros. Ltd. v Taylors Group Ltd.* [1988] 2 NZLR 1

*Theodorus Couwenberg & Son Ltd. v Diesil Progress NZ Ltd.* (1988) 2 NZBLC 102,976.

*Tony Blain Pty. Ltd. v Splain* [1993] 3 NZLR 185

*Tot Toys v Mitchell* [1993] 1 NZLR 325

*Trust Bank Auckland Ltd. v ASB Bank Ltd.* [1989] 3 NZLR 385

*UPL v Dux Engineers* [1989] 3 NZLR 135

*Watson v Dolmark Industries Ltd.* [1992] 3 NZLR 311

## 2. Australia

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- Argy v Blunts & Lane Cove Real Estate Pty. Ltd.* (1990) 94 ALR 719
- Bradmill Industries Ltd. v B & S Products Pty. Ltd.* (1980) A.T.P.R. 40-196
- Brock v The Terrace Times Pty. Ltd* (1982) 1 T.P.R. 24
- Cadbury-Schweppes Pty. Ltd. v Pub Squash Co. Pty. Ltd.* [1981] 1 W.L.R. 193 (Privy Council, on appeal from Australia).
- Chase Manhattan Overseas Corporation v Chase Corporation Ltd.* (1985) 63 A.L.R. 345
- Comite Interprofesionel du Vin de Champagne v N.L. Burton Pty. Ltd.* (1981) 1 T.P.R. 128
- ConAgra Inc. v McCain Foods (Aust.) Pty. Ltd.* (1992) 33 F.C.R. 302
- Cue Design Pty. Ltd. v Playboy Enterprises Pty. Ltd.* (1982) 45 ALR 535
- Dairy Industry Marketing Authority v Southern Farmers Co-Operative Ltd.* (1982) 1 T.P.R. 64.
- Dairy Vale Metro Co. Operative Ltd. v Brownes Dairy Ltd.* (1981) 35 A.L.R. 494, 501
- Dial-An-Angel Pty. Ltd. v Sagitaur Services Pty. Ltd.* (1990) 96 A.L.R. 181.
- Elders IXL Ltd. v Australian Estates Pty. Ltd* (1987) 10 I.P.R. 575
- Esanda Ltd. v Esanda Finance Ltd.* [1984] F.S.R. 96 (HC).
- Fletcher Challenge Ltd. v Fletcher Challenge Pty. Ltd.* (1982) 8 F.S.R. 1
- Gates v City Mutual Life Assurance Society Ltd.* (1986) ATPR 40-666
- Happy Landings Pty. Ltd. v Magazine Promotions Pty. Ltd.* (1984) ATPR 40-459
- Hornsby Building Information Centre Pty. Ltd. v Sydney Building Information Centre Ltd.* [1977-78] 140 C.L.R. 216 (H.C.Aust.)
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- Hutchence v South Seas Bubble Pty. Ltd.* (1986) 64 A.L.R. 330
- Interlego AG v Croner Trading Pty. Ltd.* (1992) 111 ALR 577
- Irish Distillers Ltd. v S. Smith & Son Pty. Ltd* (1987) A.T.P.R. 40-756.
- Lego Australia Pty. Ltd. v Paul's (Merchants) Pty. Ltd.* (1982) A.T.P.R. 40-308, 43-805

- LSK Microwace Technology Pty. Ltd. v Rylead Pty. Ltd.* (1990) 16 I.P.R. 107 (F.C.A.).
- McWilliams Wines Pty. Ltd. v McDonalds System of Australia Ltd.* [1980] 49 F.L.R. 455 (the *Big Mac* case)
- Mobil Oil Corporation v Registrar of Trade Marks* (1983) 15 ALR 735
- Moorgate Tobacco Co. Ltd. v Philip Morris Ltd.* (1984) 56 C.L.R. 414.
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- Murray Gouldburn Co-Operative Co. Ltd. v New South Wales Dairy Corporation* (1989-90) 24 FCR 370.
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- Peter Isaacson v Nationwide News* (1984) 56 A.L.R. 595
- Phelps v Western Mining Corporation Ltd.* (1978) ATPR 40-077
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- Shoshana Pty. Ltd. v 10th Cantonae Pty. Ltd.* (1987) 11 IPR 249
- Snoid v C.B.S. Records Australia Ltd.* (1981) 54 F.L.R. 202.
- Starcross Pty. Ltd. v Liquidchlor Pty. Ltd.* (1981) 1 T.P.R. 103.
- State Government Insurance Corporation v Government Insurance of New South Wales* (1991) 101 A.L.R. 259
- Sterling Pharmaceuticals Pty. Ltd. v Johnson & Johnson Pty. Ltd.* (1990) 96 ALR 277
- Taco Company of Australia Inc. v Taco Bell Pty. Ltd.* (1982) 42 ALR 177
- Toteff v Antonas* (1952) 87 CLR 647
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*Roberson v Rochester Folding Box Co.* (1902) 171 N.Y. 538, 64 N.E. 442

*Standard Brands, Inc. v Smidler*, 151 F.2d. 34 (2d. Cir. 1945).

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*Annabel's (Berkerly Square) Ltd. v G. Shock* [1972] R.P.C. 838

*Argyllshire Weavers Ltd. v A. Macaulay Tweeds Ltd.* [1964] R.P.C. 477.

*Associated Newspapers plc v Insert Media Ltd.* [1991] 3 All E.R. 535

*Athletes' Foot Marketing Associates v Cobra Sports Ltd.* [1980] R.P.C. 343.

*Alain Bernardin et Cie v Pavilion Properties Ltd.* [1967] R.P.C. 581 (the "Crazy Horse" case)

*Blanchard v Hill* (1742) 26 E.R. 692

*Bollinger v Costa Brava Wine Co. Ltd.* [1960] Ch. 262

*Bourne v Swan & Edgar Ltd.* [1903] 1 Ch. D. 211

*Bristol Conservatories Ltd. v Conservatories Custom Built Ltd.* [1989] R.P.C. 455

*Byron (Lord) v Johnson* (1816) 35 E.R. 851

*Canham v Jones* (1813) 35 E.R. 302

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(the *Parma ham* case)

*Crutwell v Lye* (1810) 34 E.R. 129.

*Dean v Steel* (1626) LAt. 188; 82 E.R. 39

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*Hogg v Kirby* (1803) 32 E.R. 336

*Illustrated Newspapers Ltd. v Publicity Services (London) Ltd.* [1938] 1 All E.R. 321

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