Brigid McArthur

Passing Off in New Zealand: Recent Developments

Research paper for the Law of Bodies
Corporate and Unincorporate
LL.M. (LAWS 523)

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I INTRODUCTION AND BACKGROUND

A. Introduction

In response to the need for economic regulation within our society, the laws of tort and intellectual property have long been applied by successive generations of judges to afford protection to the trader whose business suffers as a result of the wrongful actions of another. To the existing causes of action, namely, conspiracy, intimidation, inducing breach of contract, defamation, slander of goods, breach of confidence and passing off, must be added the statutory relief available under patents, designs, copyright and trade marks legislation.[1]

Amongst the arsonal of weapons developed by the courts of Common Law and Equity to combat instances of unfair or dishonest trading, most protean is that generally described as the tort of "passing off". Although the existence of this tort may be traced as far back as the reign of Elizabeth I, it is in its present form essentially a modern development with further potential for growth and novel application.

This paper will examine the growth and development of the tort of passing off in New Zealand since 1979, although from time to time cases earlier than 1979 will be referred to.

Prior to 1979, passing off was a cause of action of which little use had been made in New Zealand.[2] However, for reasons to be suggested, there has since been an upsurge in passing off litigation. In all, twenty nine cases were decided by the New Zealand High Court and Court of Appeal between 1979 and August 1985 inclusive.[3] This is a phenomenon both deserving of attention in itself and as premonitory of the future of the tort. In particular, the recent cases presage and indeed at times even confirm several new developments in the law of passing off in New Zealand. It is suggested that these indicate a more sympathetic approach to the trader whose business suffers loss or damage and an increasing intolerance of unfair competition.

It is the purpose of this paper to examine and judge these developments in the broader context of the historical basis of the tort and the current approach of other Common Law jurisdictions. In Part I, a description of the passing off cause of action is followed by suggested reasons for the upsurge of passing off cases in New Zealand and a general overview of the recent litigation. Part II examines the approach of the New Zealand courts to cases in which a foreign trader alleges passing off in New Zealand by a local trader. Whether or not a tort of "unfair competition" is surfacing in New Zealand law, either as distinct from or as a modern form of the tort of passing off, is the subject of analysis in Part III. In Part IV, the likely effect on the cause of action of proposed "fair trading" or trade practices legislation is considered.

Attention is focussed on these topics simply because they are considered to be the most interesting, although the New Zealand cases do provide food for thought on other aspects of the cause of action as well.[4]

B. Historical Background and Modern Formulation of the Tort of Passing Off

The first indications of the existence of a Common Law tort of passing off were given in the case of Southern v. How[5] in 1618, in which Doderidge J. mentioned an unreported case where the defendant fraudulently counterfeited the mark of a clothier from Gloucester.[6]

The action grew out of the Common Law action for deceit and required proof of a fraudulent misrepresentation which deceived the plaintiff's customers. In the nineteenth century it became accepted in equity that an injunction could be granted in the absence of an intention to deceive if potential purchasers would in fact be deceived.[7] Thus the basis of the modern principle was stated by Lord Langdale M.R. as early as 1842 as being that "[a] man is not to sell his goods under the pretence that they are the goods of another man."[8]

The basis of the action is the plaintiff's proprietary interest in the goodwill by his or her business, goods or services. The broad concept of goodwill has perhaps best been expressed in the words of Lord McNaghten in

Inland Revenue Commissioners v. Muller & Co's Margarine Ltd.: "It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom."[9]

The action for passing off protects this goodwill, which derives from the market recognition of a product or service as a result of its distinctive features, from being filched by another trader. It prevents one trader from cashing in on the goodwill and reputation built up by another and thereby edging in on that trader's market, diverting customers or inducing in the minds of customers an incorrect belief that the two businesses are in some way connected.

The classic passing off situation involves one trader misrepresenting that his or her goods or services are those of another. The tort has now been extended to cover a far wider range of misrepresentations made in the course of commercial activity, such as (1) that the plaintiff's goods of an inferior class or quality are of a superior class or quality;[10] (2) that seconds or rejects of the plaintiff's manufacture to which the plaintiff has not applied his or her mark are goods of the plaintiff's ordinary manufacture;[11] (3) that altered or adulterated goods are goods of the plaintiff's original manufacture;[12] (4) that the defendant is a subsidiary of or otherwise connected with the plaintiff company;[13] and (5) that the defendant is an authorised dealer in the plaintiff's goods.[14]

The damage in each of those situations consists in the invasion of the plaintiff's proprietary interest in the goodwill of his or her business or a result of the defendant's misrepresentation.

The appropriate test now to be applied in both a classic and an extended passing off action is universally accepted as that laid down by Lord Diplock in Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd. (the Advocaat case).[15] After reviewing the authorities, His Lordship identified five elements which the plaintiff must establish in order to create a valid cause of action for passing off:[16]

> (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.

The action affords the remedies of interlocutory or interim injunction to the trader wishing to preserve the status quo until the dispute has been disposed of on a full hearing and the remedies of injunction, damages or account of profit to the aggrieved trader at the substantive hearing.

A passing off action may be brought in New Zealand for any one or more of several reasons. Where the alleged passing off concerns the plaintiff's goods, there may be a registered trade mark in respect of those goods and an action for infringement under the Trade Marks Act 1953 will lie.[17] This involves a speedy and inexpensive process whereby production of the certificate of registration coupled with proof of the infringement enable a court to grant the remedies of injunction or damages. In contrast, a passing off action requires proof of a misrepresentation, distinctiveness of the plaintiff's goods, goodwill, confusion in the minds of customers and actual or likely damage. This in turn requires the gathering and production in court of much evidence, including a large number of witnesses for each side. The expense of a passing off action is a major drawback.

However, a passing off action may be the only avenue of relief where there is no registered trade mark in respect of the goods or where registration is pending. Indeed, under section 6 of the Trade Marks Act no action lies for infringement of an unregistered mark, but nothing in the section affects the right to maintain an action for passing-off. Therefore the two actions are not mutually exclusive and in fact are sometimes invoked together. But it should be noted that success in the one does not necessarily imply success in the other. For example, lack of proof of goodwill will cause a passing off action to fail but is not necessarily an impediment to a successful trade mark infringement action. Further, whilst there is no doubt that goodwill is a saleable asset, transactions in goodwill do not necessarily give rights against third persons, as regards passing off. The "purchaser" of the "right" to use a certain name acquires no right to sue for passing off unless he or she can show that the use of that name by others amounts to a false representation.[18] On the other hand, ownership of the registered trade mark and all attendant rights to sue for an infringement vest in the assignee thereof.[19] A plaintiff may fail to make out a case for trade mark infringement because he or she cannot prove its registration, or that its registration extends to the particular goods in question, or because the registration is invalid, and yet may be able to prove that the defendant has passed off his or her goods as those of the plaintiff.[20]

A passing off action affords the only relief where it is the plaintiff's goodwill in a business name or in the service offered that has been damaged. The Trade Marks Act only applies to goods.[21] Service marks, that is, marks relating to business names, "services supplied or services applied to goods as distinct from the provision of the goods themselves",[22] are not currently registrable in New Zealand.[23] Further, there is no Business Names Registration Act in New Zealand, although the Registrar of Companies does have power under section 31(1) of the Companies Act 1955 to refuse incorporation of a company with a name deceptively similar to that of another.

It has also to be borne in mind that businesses now expend enormous sums of money in choosing the right name for their product or service and in promoting or advertising it under that name. One minute's prime-time advertising on television in New Zealand currently costs between \$6,000 and \$10,000. Further, with the range of products and services on the market, consumers place considerable reliance on the distinctive name or get-up (that is, packaging or appearance) of goods or services as indicating their quality, other merits or source of manufacture. Clearly there is a considerable interest to be protected by a passing off action.

C. The Recent Upsurge of Passing Off Litigation in New Zealand

In contrast to only nineteen or so reported cases in New Zealand since the end of the nineteenth century, twenty nine cases of passing off have been decided by the New Zealand courts since the beginning of 1979.[24] The majority of these have remained unreported and appear to have attracted little attention from legal, judicial and academic circles. This is unfortunate as we are witnessing the emergence of several new trends in the law of passing off. In addition, many of the cases reveal judicial attitudes to the possibility of a new tort of unfair competition in New Zealand, a tort which has the potential for enormous impact in the commercial world and which has attracted both favourable and adverse comments overseas.[25]

It is difficult to pin-point any one or more reasons for this increased litigation. It does not appear to have been matched in other Common Law jurisdictions and is therefore a purely indigenous phenomenon. Perhaps the most realistic explanation is the harsher economic climate of this decade, resulting in the need to compete more fiercely in an increasingly saturated market and to take all possible measures to protect one's business goodwill and corner of that market. In theory, increased competition would indicate the necessity for innovative and distinctive names or get-ups for the goods or services offered. But in practice it may seem much easier and more immediately lucrative to acquire the benefits of an already established goodwill by suggesting identity, similarity or connection with other successful goods or services.

There appears to be a greater awareness now of the passing off cause of action and intellectual property law in general, especially in the context or competition and trade practices laws.[26]

Further specific reasons are best suggested following a general overview of the recent New Zealand cases.

With only few exceptions, the main parties to the litigated cases were incorporated companies. This simply reflects the fact that the misrepresentation giving rise to a passing off action must, on the traditional <u>Advocaat</u> formulation, be made by a trader in the course of trade. It also reflects the obvious fact that most businesses are carried on by companies. "Trader" is, however, a term widely interpreted. It includes persons engaged in professional, literary or artistic occupations, incorporated or unincorporated associations and other professional bodies, even though these are not engaged in trade in the literal sense of the word.[27] In such cases, the goodwill capable of being damaged consists of the plaintiff's reputation and goodwill in its commercial dealings with third parties.

It is interesting to note that in a cause of action originally designed to protect the goodwill subsisting in goods, just over half of the New Zealand cases involved alleged passing off of the plaintiff's business name or service offered. Had service marks been registrable in New Zealand, the number of actions concerning business names or services might not have been so high. On the other hand, in only one of the cases concerning goods were proceedings for trade mark infringement also instituted.[28]

In 1983, the New Zealand Industrial Property Advisory Committee responded to submissions received from private sector bodies and patent attorneys in recommending to the Minister of Justice that the Trade Marks Act 1953 and Trade Marks Regulations 1954 be amended to allow for registration of service marks.[29] This would be done by following the recent Australian amendments whereby the words "or services" would be inserted after the word "goods" wherever the latter appears in the Act.[30] Despite the additional recommendation that the legislative provisions be put into place so that they could be rendered operative as soon as practicably possible,[31] the Committee's Report has not yet engendered a legislative response. It is submitted that the proportion of passing off cases brought in respect of services confirms the need for such an amendment.

In the vast majority of cases, the plaintiff sought and obtained an interim injunction to restrain the defendant's passing off pending the substantive hearing of the action. In only one of these did a substantive hearing of the application for a permanent injunction actually eventuate.[32] The reason for this, as referred to in several cases,[33] is that there is little point in litigating several months later where the grant of an interim injunction has forced a change of name or get-up. Trade cannot come to a halt pending decision on the substantive application. A new name or get-up has to be found. This will involve further expense, new promotional campaigns and creation of a new image which it would usually be inconceivable to rectify or discard should the substantive hearing be decided differently from the interim hearing. Although the damages which would be obtained, should the defendant ultimately win, would compensate for the extra financial outlay, business goodwill and reputation cannot be founded upon a constantly changing name or product. As concerns the plaintiff, there will be no point in prolonging the proceedings, provided he or she acted promptly and before great financial damage occurred. So in passing off cases, an interim hearing is highly likely to determine the final outcome of the matter. It will seldom be worth the parties' while to fight the proceedings through to the end so as to conclusively establish the justice of the matter.

In this regard, there may be an argument that the recent New Zealand cases should not be accorded much weight, being mostly interim decisions. But this must be balanced against the fact that their likelihood of finally settling the dispute means that the court must pay greater regard to the likelihood or otherwise of one party rather than the other succeeding in the substantive action. That is, the court must be more than satisfied that there is a "serious question to be tried".[34] There is overseas authority that this approach to the granting of interim relief is particularly relevant in a passing off action.[35]

As to the recent New Zealand practice of granting interim relief in passing off actions, the remarks of Cooke J., delivering the Court of Appeal's judgment in the most recent passing off case, Harvest Bakeries Ltd. and Ors. v. Klissers Farmhouse Bakeries Ltd.,[36] should be noted. In dismissing an appeal against the grant of an interim injunction in the High Court,[37] the Court did accept the appellant's argument that[38]

> an over-mechanical following in the High Court of New Zealand of the two-stage approach enunciated in American Cyanamid Co. v. Ethicon Ltd. ... has resulted in plaintiffs in passing off and other actions obtaining too easily injunctions which, although nominally interim, have had the effect of putting an end to the litigation.

The Court considered that "this is at least a danger against which it is necessary to guard" and that a prompt hearing of the action itself is preferable to an interlocutory injunction hearing.[39]

Also to be noted are the proceedings in Noel Leeming Television Ltd. and Ors. v. Noel's Appliance Centre Ltd.,[40] in which an application for an interim injunction was, by consent, not proceeded with on the ground that the opposed interim hearing would involve issues almost exactly the same as those to be resolved in the final action.

The judgments in the cases indicate that the elements of the cause of action which the plaintiffs had the most difficulty in satisfying are the distinctiveness of the goods or services and the existence of business goodwill.[41] This is not, however, peculiar to the New Zealand jurisprudence. Indeed, goodwill and distinctiveness are, along with the fact of a misrepresentation, the core elements of a passing off action.

Whilst it is now well settled that success in a passing off action does not require proof of a dishonest, improper or otherwise fraudulent intention on the part of the defendant, the fact that in slightly more than half of the New Zealand cases allusion or even express reference was made by the judge to the defendant's improper intention is highly significant. It is submitted that this confirms the statement that "passing off is unfair competition par excellence".[42]

From this general overview of the cases, two further reasons may be suggested for the increase in passing off litigation since 1979. The first is that companies and their legal advisors may be relying on the fact that the likelihood of the case proceeding past an interim hearing is slight. Accordingly, the effort, time and expense involved may not necessarily always be as great as initially appears. The second reason is that further litigation may be encouraged by the overwhelming success of previous actions. Relief was granted in twenty five of the twenty nine cases. Success appears all the more probable where the defendant has been actuated by an improper or dishonest motive.

Before proceeding to analysis of various features of the cases and new developments in the cause of action, it must be remembered that passing off being the "most protean of torts"[43] and an "instrument of economic regulation"[44] requires the legal critic to maintain an open mind. That is, new developments in the action and judicial attitudes thereto should not be condemned simply because of their very novelty. They must be evaluated in the context both of the historical nature and purpose of the tort and of the role which it is expected to fulfil now and in the future.

II PASSING OFF AND FOREIGN TRADERS : REPUTATION SLOPOVER

Perhaps of greatest interest in recent passing off litigation is the courts' approach to the foreign plaintiff who alleges passing off in New Zealand by a local trader. With the ever-increasing trading activities of multinational corporations attracting judicial attention worldwide, this aspect of the cause of action, although relevant in only a minority of cases, is extremely important. This is so not only because of the huge sums of money involved, but also because of the typical pattern of international marketing whereby a product or service successful on the domestic market is subsequently launched internationally.

In order to establish the misrepresentation required to found a passing off action, the foreign plaintiff, usually a corporate body, will have to prove that it enjoys a distinctive reputation in New Zealand. Proof of this is not usually difficult; however, it does not suffice. As passing off protects a trader's proprietary interest in the goodwill attaching to his or her business which has been or is likely to be damaged, the plaintiff must prove that there is a goodwill capable of being damaged.

The classic definition of "goodwill" should be recalled here: "It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom."[45]

Although goodwill usually runs hand in hand with reputation, goodwill and reputation are not identical concepts. Reputation is a factual matter which the plaintiff is required to prove in order to establish that the conduct complained of constitutes a misrepresentation.[46] At the same time, it should be noted that damage to a reputation will often indicate damage to goodwill. It is for this reason that the two terms are often used either interchangeably or conjunctively.

To understand the difference between the two concepts is all the more important in a passing off action brought by a foreign trader, who may well enjoy an overseas reputation.[47] The major difficulty will often lie in establishing that the trader has also goodwill in the place where the alleged passing off is occurring. As shall be seen in the following sections, the differing approaches of the courts to the concept of goodwill have as a corollary differing approaches to the concept of reputation.

The authorities agree that some sort of trading activity in the jurisdiction is evidence of goodwill and a reputation entitled to protection. However, they disagree as to the extent of trading required to prove goodwill. Two schools of thought are apparent. According to the traditional or "hardline" approach, a business has no goodwill in the jurisdiction of the court whose protection it seeks unless it sells goods or offers services there. On the other hand, courts adopting the liberal approach have granted relief to a plaintiff who has no actual place of business in the court's jurisdiction.

A. The Traditional Approach

On this approach, goodwill is a purely local concept.

An extreme example is Alain Bernardin et Cie. v. Pavilion Properties Ltd.,[48] in which the Paris-based "Crazy Horse Saloon" nightclub failed in a passing off action against a London restaurant which began operating and advertising under the same name. Despite advertising by the plaintiffs in English travel agencies and evidence of confusion amongst the English public, the plaintiffs, having no office or booking facilities in London, were held to have no protectable goodwill in England.

The decision was followed in Amway Corporation v. Eurway International Ltd.,[49] in which Brightman J. refused interlocutory relief to an American company which had publicised an intention to trade in England but had engaged in only minor trading activity there.

In The Athlete's Foot Marketing Associates Inc. v. Cobra Sports Ltd.,[50] an American company in the business of granting franchises world-wide to independent shoe retailers failed in its motion for an interlocutory injunction against a prospective English franchisee which opened a store called "Athlete's Foot Bargain Basement". Walton J. expressly recognised the existence of the two schools of thought but held that a substantial user in England had not been established.

The traditional approach to goodwill, as evidenced by these cases and others, was confirmed recently by the English Court of Appeal in Anheuser-Busch Inc. v. Budejovicky Budvar NP and Ors..[51] After reviewing the authorities, and relying on the Advocaat and Athlete's Foot cases, Oliver L.J. held that "goodwill (as opposed to mere reputation) does not exist apart from a business carried on here."[52] In that case, the plaintiff, who advertised extensively throughout the United States, supplied beer to American diplomats and servicemen and to British employees at a large military base in England and had some small outlets in American-style restaurants and clubs.

The plaintiff's action to restrain passing off failed. According to Oliver and Dillon L.J.J., the plaintiff had no business in England to which goodwill could attach, sales in the embassy and military base being merely a sort of extra-territorial extension of the established American business and goodwill. O'Connor L.J. reached the same result by reasoning that as the defendants had not and could not enter the plaintiff's restricted market, no actual damage or likelihood thereof had been established.

It is submitted that this decision is questionable, at least as regards the majority reasoning. There was no indication that prospective purchasers of the defendants' beer could not equally be customers of the plaintiff, who may have been deceived into believing that the beer sold on the open market was that of the plaintiff. Moreover, had the defendants been able to sell beer within the plaintiff's restricted market, although the chances of this were very remote, it would be absurd to deny relief to the plaintiffs on the ground that they had no protectable goodwill in England.

B. <u>The Liberal Approach</u>

Despite the decisions in the above cases based upon a traditional approach to the concepts of goodwill and reputation, judgments in two of the cases contain statements which, it is submitted, also support the liberal approach adopted in other cases.

In the Athlete's Foot case, Walton J., after citing the example of the Bedouin trader setting himself up in the middle of the desert as "Harrods", went on to say that[53]

> ... as a matter of principle, no trader can complain of passing off against him in any territory, and it will usually be defined by national boundaries, although it is well conceivable in the modern world that it will not - in which he has no customers, nobody who is in a trade relationship with him. (Emphasis added)

And in discussing the decision of the Privy Council in Star Industrial Co. Ltd. v. Yap Kwee Kor[54] that there could be no goodwill without a business in the country to which the goodwill could be attached, Walton J. said:[55]

> I do not understand [His Lordship] to be laying down the proposition that the trader must himself be personally present in some shape or form in a particular territory.

In the earlier case of IRC v. Muller & Co's Margarine Ltd., after defining goodwill, Lord McNaghten proceeded to state:[56]

> To analyse goodwill and split it up into its component parts, to pare it down...until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seems to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole...

This is some recognition that goodwill does not necessarily exist only in the place where business is carried on and further, that it may be artificial to distinguish thus between the goodwill and reputation of a business.

In any event, an equally authoritative and, it is submitted, more realistic line of cases has adopted a liberal approach to goodwill.

In Panhard et Levassor v. Panhard Levassor Motor Co.,[57] English customers purchased French cars in France and brought them back to England. Despite having no place of business in England, the French plaintiffs were held to have a reputation and a market in England which the Court would protect against passing off.

In Poiret v. Poiret,[58] a Paris couturier had customers but no place of business in England. It is unclear whether any sales ever took place there, but there had once been a show of his dresses at 10 Downing Street, London. He succeeded in his action against a local trader for passing off by the use of "Poiret".

In Sheraton Corporation of America v. Sheraton Motels Ltd.,[59] the plaintiffs owned a chain of hotels worldwide. There was evidence as to advertising reaching England and bookings were taken in England at an office kept by the plaintiffs. An injunction was obtained against Sheraton Motels Ltd. which proposed to set up a hotel in England, the Court observing that there could only be one reason for the defendant's choice of the name "Sheraton".

At the extreme is Maxim's Ltd. v. Dye,[60] in which an injunction was granted to the Parisian restaurant "Maxim's" to restrain another company from using the name for its restaurant in

Norwich, England. The Crazy Horse case was said to be unduly narrow and it was held that if a reputation could be established in another territory the possibility that business might be carried out in that territory in the future was a sufficient basis for protection. The same criticism of the Crazy Horse decision was made by the Supreme Court of Ireland in C & A Modes v. C & A (Waterford) Ltd.[61]

This was followed in the Rib Shack case,[62] where a statement of claim was not struck out, the plaintiffs having a substantial reputation and having made substantial preparations for trade in England.

Finally, in Metric Resources Corporation v. Leasemetrix Ltd.,[63] a substantial American company carrying on the business of hiring electronic equipment under the name "Leasametric" successfully restrained the defendant company from trading under the name "Leasemetrix". The evidence showed a strong element of locality in the hiring business and the plaintiff had no place of business in the United Kingdom. Megarry V.C. rejected the view that the owner of a business carried on outside the court's jurisdiction could establish no protectable goodwill within the jurisdiction before beginning to trade there.

Other Common Law jurisdictions have followed the English and Irish courts in the adoption of a liberal approach.

The realities of international commerce were accepted in the Hong Kong case of Wienerwald Holdings A.G. v. Kwan,[64] but Leonard J. refused the application for an interlocutory injunction on the ground that the relevant section of the public was only a very small proportion of the Hong Kong population. This appears questionable since in a passing off case regard must always be had to the relevant section of the public, not the entire public at large. It was from that small section of the public that both parties contemplated drawing their customers.

A liberal attitude to the question of goodwill and sufficient user was also adopted in 1929 by the High Court of Australia in Turner v. General Motors (Australia) Pty. Ltd.,[65] where advertising and commencement of the erection of a factory for the American plaintiff was considered sufficient to enable it to restrain passing off. Isaacs J. appears to have taken the view that it would not have mattered if the plaintiff had not had any business activities in Australia.[66] And in B.M. Auto Sales Pty. Ltd. v. Budget Rent A Car Systems Pty. Ltd.,[67] the erosion of the Crazy Horse decision was noted. It was held that the presence in Darwin of a number of the plaintiff's customers, who had travelled there from other states where the plaintiff traded, was sufficient to show a protectable goodwill and reputation in the Northern Territory.

The most extreme departure from the Crazy Horse traditional approach is the decision of the Supreme Court of New South Wales in Fletcher Challenge Ltd. v. Fletcher Challenge Pty. Ltd.,[68] upon which the New Zealand courts have recently relied.[69] The plaintiff was the result of an amalgamation of three well-known New Zealand companies. Following news of this amalgamation, which was relayed to the Sydney Stock Exchange and was reported in several Australian newspapers and financial journals, the promoters of the defendant company on the same day applied for reservation of the name "Fletcher Challenge Pty. Ltd." When two months later the plaintiff's solicitors sought to register the newly formed company they were informed that the name was no longer available. The plaintiff had not yet carried on any business in Australia but the companies which had amalgamated to form it had had Australian shareholders and subsidiaries. Nor had the defendant company traded, being merely a shelf company established for the obvious purpose of sale to the plaintiff company at a high price.[70]

Powell J. granted the plaintiff company an interlocutory injunction to restrain this passing off, stating that it was legitimate to treat it as entitled to the amalgamated goodwill of the three former companies, but that in any event the real question was whether the plaintiff had the necessary reputation, rather than whether it carried on business in Australia. Particular reliance was placed upon all the decisions not following Crazy Horse, as well as on the case of Suhner & Co.A.G. v. Suhner Ltd.,[71] a similar case in which an injunction had been granted to restrain the activities of a company which had been formed for no other purpose than to block the registration of the plaintiff company in the United Kingdom.

The significance of the Court in Fletcher Challenge opting for the liberal approach and the reasoning and authorities upon which the decision is based have been picked up in four recent decisions of the High Court of New Zealand, confirming that at least in this part of the world, the goodwill of a business is not restricted to the territory in which it is carried on.[72]

The approach of the New Zealand courts is not, however, surprising. A premonitory hint of the approach to be adopted was given in the 1933 case of G.J. Coles & Co. Ltd. v. G.J. Coles (NZ) Ltd. and Ors.[73] The plaintiff company was a large and prosperous commercial house with headquarters in Australia. It operated throughout all the Australian states, except for Tasmania, a chain of stores known as "Coles' Stores". The defendant was a small private company engaged in the mail order business in New Zealand, trading under the same "Coles" name. Although Herdman J. found ample justification for deciding that the plaintiff's business and its general reputation were known to some extent in business circles, His Honour found that it had no business worth speaking of in New Zealand. Other than a small number of shareholders resident in New Zealand, its connection with New Zealand commercial life was limited to some insignificant isolated transactions.[74]

His Honour stated initially that if the Australian company had an established business in New Zealand, there could be no doubt that the defendant company could be restrained in its activities.[75] He then went on to say that there were "special circumstances" in the case and that the plaintiff was bound to prove that it had a reputation which had extended to New Zealand.[76] Evidence as to this was accepted.

Reference was made to the approach of the Poiret and Panhard Levassor cases[77] and then to a group of cases deciding that where fraud is proved the court will assume that there is passing off and that a probability of deception exists even though it is slight.[78] Dishonesty on the part of the defendants was proved. However, because the plaintiff had only a reputation in New Zealand, the intention to deceive could not be regarded as implying a tangible probability of damage.[79]

It must be admitted that this is an unusual approach to a case involving a foreign trader. But its significance for the present analysis is that Herdman J. would have been prepared to find damage to the business goodwill of a plaintiff who had merely an overseas reputation in New Zealand. What obstructed that finding was that because the plaintiff had only a reputation in New Zealand, a likelihood of damage could not be established.

Further support for the liberal approach was given in 1977 by Chilwell J. in Gallagher Ltd. v. International Brands Ltd.[80] After reviewing the authorities, His Honour said:[81]

> It is clear from the foregoing authorities that advertising alone without user whether the advertising be within New Zealand or 'slops over' from abroad is insufficient to establish reputation without actual user of the common law trademark here. But the cases also indicate that the user may be slight indeed.

The later definitive approach of the New Zealand courts was also pre-empted by Speight J. in the 1981 case of Armoured Transport & Security Services Ltd. and Mayne Nickless Ltd.

v. Rhino Securities Ltd.[82] The case concerned passing off of goods and services in the security industry by adoption of the name "Armourgard".

The second plaintiff was a very large and well known Australian company carrying on business in security services. It owned 24 per cent of the parent company of the first plaintiff, also a New Zealand company. Having decided to grant interim relief on the basis that there was a prima facie case of passing off likely to damage the goodwill of the first plaintiff, Speight J. proceeded to make the following obiter statement:[83]

> There is also an alternative and equally valid line of approach, namely, that the international reputation of Mayne Nickless was known to persons in the industry as was its association with the name Armaguard, and that that association with the First Plaintiff had spilled over into this country because of the known co-relation of the two companies. There seems room for concluding that the opinions put forward by deponents in the Plaintiff's material would be a justifiable conlusion that Armourgard was associated with the First Plaintiff's business via its association with the name Armaguard and the Australian connection.

Admittedly, Speight J. was not there saying that the goodwill of the Australian second plaintiff was likely to be damaged, but rather, that the suggested international association was likely to damage the first plaintiff's business. The significant point is that His Honour was prepared to accept the possibility of a business having an international reputation capable of spilling over into New Zealand, although no authorities were cited in support.

The last New Zealand case to be noted before examining the recent decisions confirming the adoption of the liberal approach is the 1981 case of Bacardi & Co. Ltd. v. Totara Lodge Ltd..[84] The plaintiff was a corporation organised and existing under the laws of the Principality of Liechtenstein and carrying on business in the Commonwealth of the Bahamas. It produced a white rum marketed under the style of "Bacardi" for which it enjoyed worldwide sales including sales in New Zealand. It had also registered the "Bacardi" trade mark in New Zealand.

The defendant company was a hotel proprietor carrying on business in Trentham. The plaintiff obtained an interim injunction restraining the defendant from passing off, by means of substitution, a certain "Cockspur" rum as "Bacardi" rum.

With respect to Ongley J., the decision must be regarded as unsatisfactory, although the result cannot be disputed. Despite the plaintiff being a foreign trader, not one reference was made in the judgment to the difficulties this can engender or to the authorities for the traditional and liberal approaches to goodwill. Although the facts satisfied damage to goodwill on both approaches, the plaintiff having actually sold its product in New Zealand, His Honour appears to have no more than assumed that a foreign plaintiff trading internationally has a protectable goodwill in New Zealand.

C. Recent New Zealand Decisions

The first three cases, Green, Esanda and Crusader Oil, did not expressly disagree with the traditional view and, moreover, satisfied on their facts its requirements. However, the approach adopted culminated in the following observation by Jeffries J. in Crusader Oil:[85]

> New Zealand and Australian courts must be prepared by their equity decisions to apply the principles to the way this part of the world is developing. Whilst admiring the judgments in Anheuser-Busch Inc. ...which may have resolved the territorial nature of goodwill in the United Kingdom it still does not necessarily provide a solution for us. Our path is being laid by cases such as Fletcher and the judgment of Casey J. in Esanda.

In the most recent Budget Rent A Car case, Vautier J. reviewed at length the authorities for the two schools of thought and expressly decided to follow the liberal approach.[86]

Fundamental to all four decisions are the views expressed by Graham J. in the English case of Baskin-Robbins Ice Cream Co. v. Gutman,[87] in which, although adverting to the difficulty of establishing reputation without user, he stated that:[88]

> Some businesses are, however, to a greater or lesser extent truly international in character and the reputation and goodwill attaching to them cannot in fact help being international also. Some national boundaries, such as, for example, those between members of the E.E.C. are in this respect becoming ill-defined and uncertain as modern travel and Community rules make the world grow smaller... I believe myself that the true legal position is...that the existence and extent of the plaintiffs' reputation and goodwill in every case is one of fact however it may be proved and whatever it is based on.

1. Green v. Broadcasting Corporation of New Zealand

The plaintiff was widely known in the United Kingdom and other parts of Europe as the creator, producer and "frontman" of a television talent quest show entitled "Opportunity Knocks", broadcast from the 1960s to 1978. The show had never been transmitted in New Zealand nor was there any likelihood of its being so in the future. There was no evidence that a significant body of New Zealand television viewers even knew of the plaintiff or his "Opportunity Knocks". From 1975 to 1978 South Pacific Television broadcast a locally-produced show similar to that of the plaintiff and bearing the same title. The plaintiff failed in his action for, inter alia, passing off. There was no goodwill subsisting in New Zealand[89] nor, if there had been, would the viewing public have been deceived into believing that the defendant's show was that of the plaintiff or was an adaptation thereof authorised or approved by the plaintiff.[90]

The significance of the case is the statement that a television production is particularly susceptible to the attribute of a goodwill which is international in character.[91] It is submitted that had a greater section of the public known of the plaintiff and his production, Ongley J. would have been satisfied as to the existence of a goodwill in New Zealand, without the programme necessarily having been broadcast here.[92] However, the plaintiff would still have failed in his motion for an injunction as other requirements of the passing off cause of action had not been satisfied. The plaintiff may thus be said to have won on the law but lost on the facts.[93]

2. Esanda Ltd. and ANZ Banking Group (NZ) Ltd. v. Esanda Finance Ltd.

The first plaintiff was an Australian finance company incorporated in 1955, wholly owned by the second plaintiff, the ANZ Banking Group (NZ) Ltd. It had no direct presence in New Zealand, but considerable evidence was accepted as to its financial involvement with local residents and companies and other activities here, as well as its reputation in New Zealand financial circles.

The defendant finance company was incorporated in New Zealand in 1982 by a Swiss businessman. He sought unsuccessfully to explain his choice of the name as a desire to emphasise his European background in conjunction with the company's New Zealand location and operations. It was, he said, an abbreviation of "Euro-Swiss and Australasian Finance Ltd.".

In granting an interim injunction to restrain passing off by the defendant company that it belonged to or was associated with the plaintiffs, Casey J. reviewed the authorities and stated that[94]

> a party with no commercial or marketing presence in New Zealand cannot gain protection of its business name here, no matter how substantial its world or local reputation. Only the goodwill attaching to its business in this country will be protected...

His Honour accepted that reputation plus some market activity in the jurisdiction, although the evidence of it may be weak, is enough to establish a protectable business goodwill.[95] His Honour was satisfied that the publicity given to the first plaintiff's name and connections, both directly in New Zealand and "slopping over" from Australian advertising and contacts, was sufficient to establish a prima facie case of reputation among people who count in the local financial and business world.[96]

In reaching this decision, His Honour noted specifically that the extract cited above from the Baskin-Robbins case "has special relevance to the current and developing commercial relationship between Australia and New Zealand",[97] in particular where the plaintiff is a finance company enjoying a truly international reputation.

Although the entire judgment is framed in terms of deciding only the motion for an interlocutory injunction, it is submitted that this does not greatly affect its weight. Obviously the decision was correct on its facts and, as Casey J. said, it accords with the reality of the commercial relationship between New Zealand and Australia whereby national boundaries are becoming less important with the desire for unity and co-operation. This point shall be pursued in relation to the discussion of the following High Court decision, Crusader Oil.

3. Crusader Oil NL and Anor. v. Crusader Minerals NZ Ltd.

The plaintiffs, both part of the "Crusader" group of companies, had long been involved in oil and mineral exploration in both Australia and New Zealand. Their undertaking was successful on Australasian standards and enjoyed on international reputation. Their New Zealand involvement included negotiations for the purchase of mines, exploration agreements with New Zealand interests, the holding of local permits and the drilling of wells.

The defendant, incorporated as a private company in 1982 and later floated as a public company, was to be involved in mineral exploration, with the ultimate aim of moving into the oil and gas exploration field.

The plaintiffs succeeded in their action against the defendant company for passing itself off as part of the Crusader group. The defendant by its personnel was unable to provide any satisfactory reason for its adoption of the name "Crusader".

Clearly, goodwill in New Zealand was established. However, the decision would have been the same had this not been so obvious, in view of the statement that[98]

> New Zealand and Australia historically have a common affinity...it is so obvious that it can rest on the assertion. That affinity is growing and has been immeasurably stimulated by the C.E.R. Treaty.

The analogy with cases such as Maxim's Ltd. v. Dye, which recognised the impact of the E.E.C. Treaty on establishing goodwill and reputation in Community Member States, cannot be overlooked.

The Court's approach is clearly supported by the terms of the Australia New Zealand Closer Economic Relations Trade Agreement,[99] which begins in the Preamble by citing the foundations and objectives of the association:

> Conscious of their longstanding and close historic, political, economic and geographic relationship;
> Recognising that the further development of this relationship will be served by the expansion of trade and the strengthening and fostering of links and co-operation...;
> ...Bearing in mind their commitment to an outward looking approach to trade...

Reference is also made to the wider trans-Tasman market. The objectives are specifically set out in Article 1:

> (a) to strengthen the broader relationship between Australia and New Zealand;
> (b) to develop closer economic relations between the Member States through a mutually beneficial expansion of free trade between New Zealand and Australia;
> (c) to eliminate barriers to trade between Australia and New Zealand in a gradual and progressive manner...;
> ...(d) to develop trade between New Zealand and Australia under conditions of fair competition...

In the passing off context, these objectives could only properly be pursued by the adoption of the liberal approach to goodwill whereby, for example, evidence of reputation and some goodwill in New Zealand, coupled with much trading activity in Australia, would constitute sufficient evidence of goodwill in New Zealand. Any other approach would impose a barrier to achieving a close relationship and would impede the expansion of free and fair trade between the two countries.

Further, under Article 18(a), nothing in the Agreement shall preclude the adoption by either Member State of measures necessary to protect intellectual or industrial property rights or to prevent unfair, deceptive or misleading practices. By implication, the adoption of measures (viz., the traditional approach to goodwill) which enable such practices to proceed unchecked, would be contrary to the spirit of the Treaty.

4. Budget Rent A Car Systems Pty. Ltd. and Ors. v. Mutual Rental Cars Ltd. and Anor.

The "complex and in many instances devious commercial activities" giving rise to this most recent High Court decision involving foreign traders have already been the subject of extensive litigation in New Zealand and Australia.[100] Although at the time the decision was handed down there was still one appeal pending,[101] Vautier J. appears to have put an end, at least as regards passing off in New Zealand, to the trans-Tasman and trans-Pacific battle between rental car companies seeking to secure the New Zealand market.[102]

The parties are some of the main corporate organisations engaged in New Zealand and internationally in the business of rental car franchisors and operators.

The second plaintiff, "Budget US", carried on an international business of franchising whereby independently owned rental car companies were permitted to use the business name "Budget Rent A Car" and the Budget logo and uniforms.

The first plaintiff,"Budget Australia", was incorporated in New South Wales. The controlling shareholder of its holding company, Mr E.E. McIllree, had developed a pattern for purloining the names of well-known international companies. By 1968, Budget Australia had established a link with a New Zealand travel agency and when this collapsed, a New Zealand-domiciled rental car company, Dominion Rentals Ltd., became its agent in this country.

The defendants, "Mutual Avis NZ", were both subsidiaries of a New Zealand company, Mutual Rental Holdings Ltd., of which a Mr Coxhead was Managing Director and Chief Executive. The second defendant operated as a branch, under the "Budget" name, a depot in Auckland, with which these proceedings were principally concerned. All other business of the defendants was conducted under the Mutual Avis name.

Mutual Avis NZ claimed to have the legal right to use the Budget name in New Zealand on the basis of a 1969 agreement. Under this agreement, Avis US purported to acquire from McIllree and Avis Australia the right, inter alia, to use the Avis and Budget names in New Zealand. Vautier J., however, found that neither McIllree nor Avis Australia nor Avis US had established any reputation or goodwill in the Budget name in New Zealand. Accordingly, there were no rights to this name in New Zealand to sell.[103]

Following execution of this deed, a franchise agreement was entered into by Avis US and Mutual Avis NZ in pursuance of which Mutual Avis NZ took over the Auckland depot and in

1971 there commenced business under the name "Budget Rent A Car", with the same logo and patterns as the Budget Australia operation. The front of these premises looked exactly like a Budget Australia office, although most of the hire agreements were entered into in the name of Mutual Avis.

In 1975, a franchise agreement was concluded between Budget US and Budget Australia, under which Budget Australia became a representative of Budget US for the purpose of granting franchises for the "Budget System" in the Pacific and the Far East.

Meanwhile, Budget Australia had developed further its interests in New Zealand. It inserted advertisements in the Yellow Pages of the main telephone directories as well as engaging in other publicity. It had also become one of the largest rental car operators in Australia. In 1977, it entered into a franchise agreement with the New Zealand company Dominion Rental Cars Ltd.

The third plaintiff, "Budget NZ" was formed to acquire the assets of Dominion Rent A Car Ltd., in receivership. It carried on Dominion's rental car business, employing Budget Australia to run the actual operations. A sub-franchise agreement was entered into by these two companies in 1984.

Vautier J. found that the principal reason why Mutual Avis NZ should want to continue to use the Budget name for a very small branch of its operations was simply to seek thereby to block Budget US and Budget Australia from extending their business into New Zealand. There was no doubt in His Honour's mind but that this was done also with the object of obtaining the benefit of the trans-Tasman goodwill of the Australian company and the international goodwill of the American company.[104]

Vautier J. also found that Mutual Avis had not established any reputation or goodwill in New Zealand in the Budget name. On the other hand, Budget Australia had advertised extensively its business in New Zealand and had entered into contracts with New Zealanders for the hire of cars in Australia.[105]

Substantial evidence was adduced showing that the public was being confused and misled into believing that Mutual Avis' "Budget" operation was connected with Budget US and Budget Australia. Damage to the plaintiffs' business was also clearly established.

The plaintiffs sought, inter alia, an injunction to restrain the defendants from passing their business off as affiliated with that of the plaintiffs. The defendants counter-claimed passing off by the plaintiffs.

The intricacy of the factual background is matched by the detail and comprehensiveness of Vautier J.'s judgment, in which he not only granted the injunction sought, but also confirmed conclusively that in New Zealand it is the liberal approach to passing off and goodwill which has been adopted.[106]

Before considering what he stated to be this very important aspect of the law as to passing off, Vautier J. noted that the first and second plaintiffs shared the goodwill and reputation in the name "Budget Rent A Car" which had been separately and independently established in Australia and in the United States and other parts of the world.[107]

He then noted the divergence of judicial thinking on the subject of goodwill and quoted[108] the following passage from the judgment of Lord Diplock in the Advocaat case:[109]

> ...the increasing recognition by Parliament of the need for more rigorous standards of commercial honesty is a factor which should not be overlooked by a judge confronted with the choice whether or not to extend by analogy to circumstances in which it has not previously been applied a principle which has been applied in previous cases where the circumstances although different had some features in common with those of the case which he has to decide.

It is submitted that this passage was cited to support the adoption of the liberal view, which reflects better the "standards of commercial honesty" than the stricter traditional view. It is especially relevant in New Zealand in view of the proposed adoption of trade practices legislation.[110]

In reviewing the authorities, including the recent Australian and New Zealand decisions, Vautier J. found many precedents applying positively the principle of goodwill and reputation to situations such as the case at hand.

He concluded that Budget Australia and, later, that company and Budget US had, from the year 1968 onwards, a sufficiently established reputation and goodwill to entitle them to ask the Court to protect it.[111] Not only had Budget Australia had, from its very earliest days, New Zealanders as customers, but also, there had always been a great deal of trans-Tasman migration over the years such that a large section of the New Zealand public was acquainted with Budget Australia and its activities.

Vautier J. accepted market research evidence demonstrating that 36 per cent of travel agency executives believed the business of rental car hiring in New Zealand under the Budget name to be connected with overseas interests, although it is not clear whether this meant the Australian or the American Budget system. With respect, it is questionable whether such evidence is actually relevant to the issue in question given that the deception must be established in the minds of <u>customers</u>.

The writer agrees with the conclusion that Budget Australia had established sufficient goodwill and reputation in New Zealand. However, it is not entirely clear from the judgment whether the main reason for His Honour's conclusion was Budget Australia's reputation amongst New Zealanders and Australians in New Zealand, or whether it was the fact that it had a presence and goodwill in New Zealand via franchisees and agents. If the latter was the major reason, is it perhaps not more correct to say that the goodwill belonged to the business of the local franchisees and agents? In that event, the issue of a foreign trader's goodwill in New Zealand need not have arisen. Possibly the distinction is artificial, since the Budget business of the latter was really an extension of the business of Budget Australia.

Although Vautier J. initially appeared to accept the traditional distinction between the reputation and goodwill of a business,[112] he later cited[113] from the jugment in <u>Fletcher Challenge</u> where Powell J. stated the real question to be whether the plaintiff had established the necessary <u>reputation</u>, rather than whether the plaintiff actually carried on business in the country.[114]

This indicates that as a corollary of accepting the liberal approach, the distinction between reputation and goodwill is diminished, in the sense that where a substantial reputation is proved to exist, the courts will accept minimal evidence of goodwill in the form of actual business activity. But some proof of local business activity is still necessary. The necessary damage to the goodwill of the plaintiff's business consists partly in the tarnishing of its reputation as a result of the defendant's activities and partly in damage to the actual goodwill of the business.

Support for this particular development derives from the fact that Budget US was also found to have a protectable goodwill in New Zealand from 1968 onwards. It is more difficult in the case of Budget US to see from whence, other than its international reputation, this goodwill emanated. The franchise agreement between Budget US and Budget Australia, applied in New Zealand in 1977 through Dominion Rental Cars Ltd., was not concluded until 1975. This is one step removed from the franchising or agency system which Budget Australia had operated in New Zealand since 1968.

Since the defendants' adoption of the Budget name and logo commenced in 1971, should they not, as regards Budget US, have been entitled to continue such use by the defence of prior user?[115] The only answer must be that that the continuation of Mutual Avis' Budget operation was precluded by the longstanding international reputation of Budget US and the goodwill that it derived from 1977 onwards as franchisor of the Budget System in New Zealand.

The conclusion that Budget US had an international reputation and goodwill in the Budget name is all the more significant in that it is not supported, as in the case of Budget Australia, by any economic, political or historic affinity or any trade agreement between New Zealand and the United States. In light of this, some may question whether Vautier J. did not go too far in thus finding. But the better view is that the existence of such an affinity or economic arrangement between two countries does no more than reinforce the fact that in the modern world, commercial activity and influence cannot be restricted in legal terms to one country alone.

In any event, the finding that the business of Budget Australia enjoyed New Zealand reputation and goodwill would have been sufficient to enjoin the defendants' activities.

The entire decision in this case, it is submitted, illustrates the logic and necessity of adopting the liberal approach to goodwill, particularly where the plaintiff's business enjoys an international reputation and goodwill. Were the traditional approach adopted, the internationally reputed trader with connections in a foreign country would be unable to prevent a rival business from being set up in that country with the aim of cashing in on its reputation and filching its goodwill. This is all the more so where, as in this case, the defendant's ultimate aim is to prevent the internationally established trader from entering the local market. The Court's refusal to sanction such devious activities is certainly to be commended.

D. The New Zealand Cases and their Promise for the Future

Two main points emerge from these four cases as a whole. The first is that a business whose nature is such as to enable it to enjoy an international reputation may be found, on slender evidence of actual business activity in the court's jurisdiction, to have a goodwill there. The second is that territorial considerations are essentially questions of fact depending on the circumstances of the case rather than strict geographic and legal delimitations.

The writer is in entire agreement with these. As to the first, it may be added that the existence of an international goodwill may be inferred from the fact that the defendant could, as was implied to be the case in Esanda and Crusader Oil, and as was expressly stated to be so in Budget Rent A Car, have no reason to adopt and seek to retain the plaintiff's business name in the absence of a desire to appropriate some portion of that goodwill.[116] There is no point in cashing in on a reputation which does not bring in customers.

Moreover, with the strong possibility in modern trade that a business will want to expand internationally, should a passing off action not be available to those traders whose reputation has preceded them in the proposed new place of business and who find, upon or prior to establishing themselves there, that the fruits of their labour have been spoiled or already harvested by a local trader?

The adoption of the liberal approach has not opened and will not open the way for a spate of passing off actions by foreign traders. It will still be necessary to establish some business goodwill and activity in the territory where the tort has allegedly been committed. It is to be remembered that in the absence of strong trading activity in the jurisdiction, this approach only enables goodwill to be found where the business is of an international character. Further, the requirement of damage to goodwill will limit the number of successful actions.

The judgment of Tompkins J. in Keg Restarants Ltd. and Ors. v. Brandy's Restaurant Tavern Ltd. and Ors.,[117] delivered between the decisions in Fletcher Challenge and Esanda and those in Crusader Oil and Budget Rent A Car, confirms this. The case was not considered in terms of reputation slopover, but His Honour stated obiter that the extensive reputation of the first plaintiff, a Canadian company operating a chain of restaurants throughout Canada and parts of the United States, was not sufficient to prove goodwill in the name "Brandy's" in New Zealand. He appears to have held that goodwill subsisted only in the businesses of the second and third plaintiffs, the New Zealand licencees of the first. It is interesting to compare this with the finding in Budget Rent A Car that goodwill in the "Budget" name in New Zealand was vested in both the franchisors and the franchisee, Budget NZ. The judgment of Tompkins J. does not however, always distinguish clearly between the three plaintiffs and the goodwill of each.

At the end of the day, the approach of the New Zealand courts to the foreign trader alleging passing off in New Zealand boils down to the oft-quoted observation of Petersen J., admittedly in a copyright context although applicable as the rationale behind all intellectual property law, that "what is worth copying is prima facie worth protecting".[118]

Moreover, as concluded Jeffries J. in the Crusader Oil case,[119]

> ... in today's commercial world the name can be one of the most valuable assets a company has. Today's commercial answer to the famous question 'what's in a name?' is - a great deal.

Fortunately, the New Zealand courts are prepared to recognise this in the context of international trading activity by pursuing the liberal approach adopted in other Common Law jurisdictions. To summarise, the position in New Zealand as regards passing off here by a local trader of a foreign trader's goods or services is clear. A business enjoying an international reputation in its goods or services which has extended to New Zealand will (assuming proof of the other elements of the action) be entitled to protect its business goodwill provided that it has some, albeit slight, actual trading activity here. If it has no actual business presence in New Zealand, although a misrepresentation may be established, the requirement of damage to goodwill will not be satisfied and the action will fail. Of course a foreign trader with no international reputation will be able to succeed in a passing off action if it actually engages in trade in New Zealand. In this situation, the fact that the trader is a foreigner makes no difference to satisfaction of the goodwill requirement as "the attractive force which brings in custom" will obviously be present in New Zealand.

Whether the New Zealand approach is not indicative of a nascent movement towards a new tort of unfair competition is a question which will be addressed in the following Part of this paper.

III PASSING OFF AND UNFAIR COMPETITION

A vexed and interesting question which has attracted the attention of the highest judicial authorities in several jurisictions is whether the Common Law is developing a new tort of unfair competition. The question has arisen in the course of judicial consideration of various economic torts and intellectual property rights. However, it is specifically in cases of passing off, the tort of "unfair competition <u>par excellence</u>",[120] that the possibility of such a new tort has been most thoroughly considered. It is important as a possible modern substitute for passing off, but also as an additional or alternative cause of action available to those traders unable to meet the requirements of a passing off action but whose predicament as a result of the defendant's allegedly unfair commercial activities clearly calls for justice to be done.

The extent to which a tort of unfair competition may be permitted to burgeon by the New Zealand courts has not yet been properly considered and is accordingly an open question. However, in recent passing off litigation the opportunities have been many. Despite this absence of direct consideration, it is submitted that a couple of emerging trends in the law of passing off in New Zealand and the attitude of the courts to what are blatant acts of impropriety on the part of the defendants indicate an increasing judicial intolerance of unfair competition.

This is all the more significant when placed in the context of the current preparation in New Zealand of trade practices legislation modelled on the Trade Practices Act 1974 (Cth.). Although this proposed legislation and its likely effect on the tort of passing off are the subject of Part IV of this paper, the strong likelihood of the inclusion in it of a provision equivalent to section 52(1) of the Australian Act should be noted at this stage. Section 52(1) makes it unlawful for a corporation, in trade or commerce, to engage in conduct which is misleading or deceptive or which is likely to mislead or deceive. This provision has been regularly relied upon by aggrieved traders in Australian courts as an alternative or additional cause of action to passing off.

The point to be made here is perhaps best expressed in the now famous words of Lord Diplock in the Advocaat case, in which, after noting "the increasing recognition by Parliament of the need for more rigorous standards of commercial honesty", His Honour went on to say:[121]

> Where over a period of years there can be discerned a steady trend in legislation which reflects the view of successive Parliaments as to what the public interest demands in a particular field of law, development of the common law in that part of the same field which has been left to it ought to proceed upon a parallel rather than a diverging course.

Before turning to the New Zealand approach, it is necessary first to examine the rationale, nature and extent of a tort of unfair competition and secondly, to ascertain its status in other jurisdictions.

A. The Tort of Unfair Competition

The tort is as yet uncertain in its ambit. Although definitions of unfair competition are usually very wide,[122] perhaps the most useful is that contained in the Paris Convention for the Protection of Industrial Property 1883, as revised in 1967. Article 10 bis of the Convention provides that

> (1) The countries of the Union are bound

> to assure to nationals of such countries effective protection against unfair competition.
> (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
> (3) The following in particular shall be prohibited:
> 1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
> 2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;
> 3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purposes, or the quantity, of the goods.

Although wider in ambit than the tort of passing off, this definition clearly encompasses the tort.

One commentator has suggested that there are three essential elements to a prima facie case of unfair competition:[124]

1. The defendant's act must either be unlawful (however that is interpreted) or a knowing misrepresentation or deception of the public.

2. The plaintiff is an individual or member of a clearly defined class of which the defendant knows (or which he can reasonably foresee). Thus the plaintiff must have sufficient locus standi.

3. The act must cause or probably cause significant damage to his "property".[125]

It will be for the defendant to rebut a prima facie case of unfair competition by seeking to justify it. Again, this appears to be an expansive form of the tort of passing off.

There are three reasons most frequently given to support the need for a tort of unfair competition:[126] to allow courts to promote honest and fair dealing; to protect the purchasing public; and to protect not the rights of the public but the rights and property of other traders. The last reason is said to carry the greatest support. It is also the policy behind the tort of passing off. Why then is the passing off action insufficient or inappropriate to ensure justice in all situations of unfair competition? The answer must be that its requirements, as traditionally formulated, are too onerous and technical. Further, the action does not require proof of fraud or improper motive; it is equally available to a trader whose business goodwill is damaged by the innocent misrepresentations of another.

The question which ultimately arises is whether the solution indeed lies in the creation of a new tort of unfair competition or whether greater flexibility in the tort of passing off will suffice to ensure justice. A strong argument against the creation of the tort is that to base it upon improper or dishonest intention allows wide scope for prejudice. As one writer has commented, "average judges would get muddled over subtle distinctions and think them unjust whenever they can't understand".[127] There are other valid arguments against the tort and these appear in the following rejections of it in overseas jurisdictions.

B. The Approach in Other Jurisdictions

1. United States of America

In the United States, a Common Law doctrine of unfair competition has only been recognised in the 1918 case of International News Service v. The Associated Press,[128] in which one news agency was prevented from copying and selling as its own news gathered by another, a case of "inverse" passing off.

Pitney J., delivering the opinion of the Supreme Court, described the theft of the news as follows:[129]

> Stripped of all disguises, the process amounts to an unauthorised interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not, with special advantage to the defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as an unfair competition in business.
>
> The underlying principle is much the same as that which lies at the base of the equitable theory of consideration in the law of trusts - that he who has fairly paid the price should have the beneficial use of the property.

The case is not, however, a particularly good precedent. There was a strong dissent by Brandeis J. on the grounds that monopoly protection is against the public interest; progress needs competition and competition involves a degree of imitation; a plaintiff can often protect himself by contract or under the body of intellectual property legislation; and the legislature is better equipped than the courts to decide what is unfair competition and how those interests which require protection should be accorded it. The concurrence with the majority opinion by Holmes J., on the passing off ground, was lukewarm.

Furthermore, the case has subsequently attracted judicial criticism both in the United States[130] and overseas.[131]

2. England

Considerable encouragement to those arguing for a tort of unfair competition was given in the Advocaat case in 1979.

The plaintiffs had for many years manufactured in the Netherlands an egg and spirit-based liquor called "Advocaat", exported to and distributed in Britain where it acquired a substantial reputation as a distinct and recognisable beverage. The defendants sought to take advantage of this reputation by marketing a drink described as "Keeling's Old English Advocaat", composed of dried egg powder mixed with Cyprus sherry. Although it could not be shown that this drink was being mistaken for Warnink's Advocaat, it captured a substantial part of the plaintiff's English market (especially the lower end of it) thereby causing damage to the plaintiff's business goodwill.

Although the decision of the House of Lords did not establish a tort of unfair competition, it at least confirmed the flexibility of the tort of passing off to meet new situations.

According to Lord Diplock, the question of extending the tort in this case was essentially one of legal policy. The facts[132]

> disclose [d] a case of unfair, not to say dishonest, trading of a kind for which a rational system of law ought to provide a remedy to other traders whose business or goodwill is injured by it.

Further, "the forms that unfair trading takes will alter with the ways in which trade is carried on and business reputation and goodwill acquired".[133]

Lord Fraser took a similar approach, stating that "...business morality seems to require that they should be entitled to protect their goodwill. The name of the tort committed by the party making the misrepresentation is not important".[134]

Following the Advocaat decision, much was to be expected from the Judicial Committee of the Privy Council one year later in the case of Cadbury Schweppes Pty. Ltd. v. Pub Squash Co. Pty. Ltd.,[135] on appeal from the Supreme Court of New South Wales.[136] The case concerned alleged appopriation by the defendant of the plaintiffs' advertising campaign for and get-up of a lemon squash drink.

In the Supreme Court, the plaintiffs relied not only on passing off but also on a tort of unfair competition. They argued that the defendant had fraudulently and deliberately set out to pirate the advertising themes for the product as well as its get-up. Powell J. concluded that the defendant's conduct was a deliberate and calculated misappropriation.

His Honour however found that there had been no relevant misrepresentation and that the plaintiffs had not therefore made out a case for relief based upon the expanded concept of passing off or upon "unfair trading". The Court was not prepared to regard mere misappropriation as a basis for either cause of action.

In the Privy Council, their Lordships upheld the decision of Powell J. but sidestepped the issue of unfair competition irrespective of deception or confusion. They claimed that it was not necessary to consider this as the plaintiffs had restricted their argument to cases based on such confusion and not to misrepresentation alone. With respect, this is surprising since the issue was clearly raised in the Supreme Court.[137]

So it is not absolutely clear from the decision what the status of the tort of unfair competition is in England. Its existence may be denied by the very fact that it was not considered. In any event, had their Lordships not considered that the plaintiffs were no longer interested in this ground of relief, the indications are that they would not have succeeded. Indeed, the case contains ringing policy declarations.

Lord Scarman emphasised the sanctity of competition:[138]

> But competition must remain free; and competition is safeguarded by the necessity for the plaintiff to prove that he has built up an "intangible property right" in the advertised descriptions of his product, or, in other words, that he has succeeded by such method in giving his product a distinctive character accepted by the market. A defendant, however, does no wrong by

entering a market created by another and
thereby competing with its creator.
The line may be difficult to draw but,
unless it is drawn, competition may be stifled.

His Honour similarly emphasised the necessity to maintain a balance between the protection of a plaintiff's investment in his product and the protection of free competition. The law will only permit competition to be restricted where the misappropriation constitutes a misrepresentation, because such a misappropriation is an invasion of the plaintiff's "intangible property right". Any other approach would be monopolistic.

Much disappointment has been expressed at the failure of the Privy Council to positively address the issue of a tort of unfair competition.[139] It is submitted that pending further judicial pronouncement settling the status of the tort, it should at present be regarded as non-existent in England. Instead, relief will continue to be granted through a more flexible approach to passing off.

3. Australia

It has already been seen that in Australia, the doctrine of unfair competition developed by the U.S. Supreme Court was criticised in the 1939 case of Victoria Park Recreation and Racing Grounds Co. Ltd. v. Taylor.[140]

In the 1984 case of Moorgate Tobacco Co. Ltd. v. Philip Morris,[141] the existence in Australia of a "general action for unfair competition or unfair trading" was unanimously rejected by the Full High Court of Australia.

The following conclusion of Deane J. was reached with the concurrence of all the other members of the Court:

> The rejection of a general action for 'unfair competition' involves no more than a recognition of the fact that the existence of such an action is inconsistent with the established limits of the traditional and statutory causes of action which are available to a trader in respect of damage caused or threatened by a competitor. Those limits, which define the boundary between the area of legal or equitable restraint and protection and the area of untrammelled competition, increasingly reflect what the responsible Parliament or Parliaments have determined to be the appropriate balance between the competing claims and policies. Neither legal principle nor social utility requires or warrants the obliteration of that boundary by the importation of a cause of action whose main characteristic is the scope it allows, under high-sounding generalizations, for judicial indulgence of idiosyncratic notions of what is fair in the market place.

This rejection was, however, prefaced by the statement that it did not involve a denial of the desirability of adopting a flexible approach to the traditional forms of action, and specifically passing off, where such an approach is necessary to adapt them to meet new situations and circumstances. The Advocaat case was cited as an illustration of this.

C. A New Tort of Unfair Competition in New Zealand?

The status of a tort of unfair competition in New Zealand is not entirely clear. Whilst on the facts of many of the recent passing off cases the issue could have been raised, the tort appears to have been argued in only one case,[142] and even then it is difficult to extricate from the judgment what was actually decided on that ground.

This is so despite the attention focussed on the tort in other juridictions. Almost all of the New Zealand cases were decided after the Privy Council delivered judgment in the Pub Squash case, although none in which the issue could have arisen have been decided since the November 1984 Moorgate decision in Australia.

However, this is not to say that indications are not given of how New Zealand courts might approach the question should it ever call for positive deliberation. The tenor of the New Zealand approach was set in the earliest of this series of cases by Somers J. in The New Zealand Farmers' Cooperative Association of Canterbury Ltd. v. Farmers Trading Co. Ltd..[143] Citing from the judgment of Lord Morris of Borth-y-Gest in the English case of Parker-Knoll Ltd. v. Knoll International Ltd.,[144] His Honour said that the background to the rule against passing off is "the straightforward principle that trading must not even unintentionally be unfair".[145] To this one should add the words "let alone deliberately unfair".

The only case which appears to have followed the Pub Squash approach is Budget Rent A Car Systems (1970) Ltd. v. Mutual Rental Cars (Auckland) Ltd. and Dominion Rent A Car Ltd..[146] In refusing to grant injunctive relief against the passing off by Dominion of its rental vehicle service as and for the business of Mutual, Moller J. cited the well-known passages from the judgment of Lord Scarman and considered "the broad argument of public policy to the effect that competition must, as far as is properly justifiable, be safeguarded".[147]

The decision was subsequently criticised by Vautier J. in the latest case of this on-going saga,[148] on the grounds that Moller J. had not been presented with all the issues and evidence, in particular the evidence as to the defendants' improper intention.

Four months later in Regan v. Grant,[149] Eichelbaum J. enjoined a former employee of the plaintiff from passing off his pizza products as those of the plaintiff. The grant of interlocutory relief was prefaced by the following statement:[150]

> The plaintiffs, however, are entitled to protection only from unfair competition. They cannot prevent the defendants or anyone else from competing so long as such competition does not infringe or threaten the plaintiffs' rights. (Emphasis added).

This statement would be consistent with that of Lord Scarman in Pub Squash that competition will only be restricted where the misappropriation constitutes a misrepresentation invading the plaintiff's "intangible property right", were it not for the fact that Eichelbaum J. did not explicitly find there to have been a misrepresentation. The plaintiff's pleading on the passing off cause of action appears to have alleged "conduct" which deceived or was calculated to deceive the public. And in considering the balance of convenience and the difficulty of assessing damages to the plaintiff, His Honour said it would be unnecessary to determine the extent to which the downturn in the plaintiff's business was attributable to unfair competition on the one hand or to other general factors on the other.[151]

Thus although a tort of unfair competition as such was not argued, the treatment of passing off in the case was in terms of a general doctrine of unfair competition.

It could possibly be argued that the judges in Regan v. Grant and the Farmers Trading Co. case were only using the terms "unfair competition" and "unfair trading" as synonymous for behaviour which amounts to passing off. But it is submitted that the use of the terms goes further than this. Not all passing off is deliberate or unfair and not all unfair competition amounts to passing off, although it did in these cases. The use of the terms indicates the rationale and aims of the tort of passing off. In any event, the fact that passing off was seen as a remedy for unfair competition is significant in itself.

The most thorough, though by no means conclusive, consideration of the tort in New Zealand is that of Vautier J. in Lion Breweries Ltd. v. Dominion Breweries Ltd.[152] His Honour cited from the judgment of Lord Diplock in the Advocaat case in which the present-day description of the action as being one for "passing off" was said by His Lordship to be perhaps misleading. He then reproduced the warning sounded by Lord Scarman in Pub Squash regarding the dangers of extending

too far the tort of passing off as now recognised.[153]
The passage cited, said Vautier J., was relied upon by the defendant to show that English law has not come to recognise as a tort "unfair competition". The defendant argued that the plaintiff was trying to base a case on the existence of such a cause of action. His Honour then commented:[154]

> Labels such as this for causes of action, as the law relating to the tort now broadly referred to as unlawful interference with economic relations has shown, can be misleading. What must be considered is the actual scope of the tort as now recognised.
>
> It would appear from what Lord Diplock said in his judgment...in the [Advocaat] case that he would quite probably regard 'action for unfair trading' as a more appropriate general description today than 'action for passing off'.

Despite his dislike of labels, Vautier J. must be taken in this passage to have implied, not necessarily that there exists a separate tort of unfair competition, but at least that passing off in its modern and extended form is designed as an avenue for relief against unfair trading. That this is "the actual scope of the tort" is supported by His Honour's acceptance that[155]

> the evidence so far adduced makes it clear that the defendant deliberately and intentionally chose to adopt the word 'red' as part of the name to be used. It is, I accept, for the plaintiff to show that the defendant deliberately set out to secure by these means part of the plaintiff's trade. The plaintiff is entitled, on the present state of the law, I agree, to succeed if it can establish that what the defendant has deliberately decided to do is in fact likely to have that result.

His Honour then cited the statement of Lord Morris in Parker-Knoll Ltd. v. Knoll International Ltd. referred to above, saying that it seemed to have subsequently met with general approval.

The emphasis on the deliberateness and impropriety of the defendant's intention is of course at the heart of any doctrine of unfair competition. As will be seen shortly, it is an aspect which has been picked up by most of the New Zealand cases and as such, even though no separate tort of unfair competition can probably be said to exist yet in New Zealand, is of considerable significance in showing how the tort of passing off is being manipulated to provide relief in cases of unfairness.

A further point to be noted in the first passage cited from Vautier J.'s judgment is the reference to "the tort now broadly referred to as unlawful interference with economic relations". In the absence of any authorities cited to support the existence of this tort, it is assumed that His Honour was there referring to his own first instance decision[156] in Van Camp Chocolates Ltd. v. Aulsebrooks Ltd.,[157] in which the existence of a tort of unlawful interference with economic interests was in dispute. His Honour there held that such an economic tort did not exist as distinct from a limited number of recognised torts.

On appeal in 1984, it was held that there is a Common Law tort in New Zealand of interfering with the trade or business of another person. The essence of the tort is deliberate interference with the plaintiff's business by unlawful means with intent to harm the plaintiff's economic interests.

There is no liability under this head if the reasons which actuate the defendant to use unlawful means are wholly independent of a wish to interfere with the plaintiff's business, such interference being no more than an incidental consequence foreseen by and gratifying to the defendant.[158]

This is clearly a distinct tort from those of passing off and unfair competition. Its significance in the context of the present discussion is that the extensions apparently being effected by the New Zealand courts to the tort of passing off, in particular the importance attached to improper intention on the part of a defendant, do place passing off more in line with this and other economic torts. Conspiracy to injure a person in his trade, successfully argued as an additional ground of liability in two of the New Zealand cases,[159] is one such example of an economic tort requiring proof of intent.

Finally, in Budget Rent A Car Systems Pty. Ltd. v. Mutual Rental Cars Ltd., although a tort of unfair competition was not apparently argued as a head of relief, it is respectfully submitted that Vautier J., having gone a certain distance in considering the tort in the Lion Breweries case, missed a prime opportunity to settle the question of the status of the tort in New Zealand. On any interpretation of the nature and extent of the tort of unfair competition, the facts of the case[160] clearly disclosed grounds for relief under this head, if it exists at all.

However, the tenor of the entire judgment is very much in favour of restraining acts of unfair competition in the market place. And whilst only a passing reference was made to the Pub Squash case,[161] the judgment of Lord Diplock in Advocaat was quoted at length with obvious approval.[162]

The discussion thus far establishes that, from the few New Zealand cases which have considered the policy reasons for and against passing off as "a particular species of wrong included within a wider genus"[163] of unfair competition or which have discussed in broad terms a tort of unfair competition, it is not possible to infer recognition of such a separate Common Law tort in New Zealand. The cases simply do not go that far. However, they do evidence considerable support for judicial restraint on improper or dishonest commercial activity via the tort of passing off.

To this end, certain aspects of the cause of action appear to be undergoing modification in New Zealand, and it is fair to say that in several cases relief would probably not have been granted were it not for what has been aptly described as "the sleeze element".[164]

1. Intention of the defendant

Despite the Common Law origins of the action for passing off, it is now well settled that it is not necessary for the plaintiff to prove a fraudulent or dishonest intention to deceive. The law as to this is conveniently summarised in Salmond and Heuston on the Law of Torts:[165]

> At common law it was necessary to prove an actual fraudulent intention, but a different view was taken in equity, and now it is generally accepted that it is not necessary in an action for passing off to prove an intent to deceive. Indeed, talk about deceit tends to obscure the essential fact that the plaintiff himself has not been deceived: his complaint is that the defendant has deceived other persons and that that deception is injuring the plaintiff's trade. It is sufficient in all cases to prove that the practice complained of is calculated (that is to say, likely) to deceive.

This flows of course from the fact that the basis of the cause of action is the damage or likelihood of damage to the plaintiff's proprietary interest in the goodwill of his or her business.

On the other hand, it has also been established that in proving that a representation is calculated to deceive, it is helpful, though not conclusive, to prove an actual intent to deceive, for the court assumes that a trader who intends to deceive succeeds.[166] Such an intention may be more readily inferred where the defendant persists in his or her conduct with knowledge of the distinctive name of the plaintiff, whether attached to the plaintiff's goods or business.[167]

Of the twenty nine recent passing off cases in New Zealand, fifteen discussed the defendant's intention. In only two of these cases was relief declined.[168] Of the fourteen cases in which the defendant's intention was not adverted to, the evidence detailed in the judgments of nine of these, all interlocutory applications, could be regarded as suggesting an intent to deceive.[169] In each of these nine cases relief was granted.

The prima facie conclusion to be drawn from these figures is that the New Zealand courts are materially affected in their decisions by the presence of an unfair intention. Whether this conclusion can be disproved and whether the emphasis on intent is undue in terms of the established elements of a passing off action can be stated following analysis of the cases considering intention, divided into three categories.

In the first category are those cases in which the defendant's intention was considered despite its being expressly said to be irrelevant. The second category encompasses those cases in which intention was considered and, it is submitted, thought to be relevant on the grounds that this would enable the court to infer success in deceiving. In the third category are those cases in which intention was merely considered without reasons therefor being provided or was considered and expressly said to be relevant.

(a) The first category

There is only one case in the first category. In Budget Rent A Car Systems (1970) Ltd. and Mutual Rental Cars (Auckland) Ltd. v. Dominion Rent A Car Ltd.,[170] Moller J. considered whether Dominion had made a misrepresentation in the in the course of trade and stated:[171]

> In connexion with this I emphasize that it is not necessary for Mutual to prove a fraudulent intention to deceive.

After citing the passage from Salmond and Heuston, His Honour then expressed his view that there was no doubt, on the evidence, that when adopting its extended operations using the "Budget" and "Rent A Car" names and thereafter carrying those operations on, Dominion did so with its eyes open. His Honour said:[172]

> And consequently this case goes further than the adoption of a practice likely to deceive and has clear elements of actions done with an intent to deceive.

The evidence establishing such an intent was then detailed.

The question is: why did Moller J. go to such lengths if it was unnecessary to prove a fraudulent intent? It is submitted that His Honour was not merely following the view that an intention to deceive implies likely deceit and damage as he expressly found on the evidence that there was a strong likelihood of damage.[173] The reason must be that clearly, the defendant could not be allowed to continue such improper conduct.

(b) The second category

In the second category there are four cases. In New Zealand Farmers' Cooperative Association of Canterbury Ltd. v. Farmers Trading Co. Ltd.,[174] the plaintiff company had, since 1881, traded throughout the South Island as a retailer, general merchant, stock and station agent and motor vehicle dealer. At least between 1930 and 1939 it was popularly known as "The Farmers" and since July 1971 had been known as "Farmers". The defendant had used the name "Farmers Trading Company" since 1926 and operated a number of stores in the North Island. In 1978 FTC acquired from the second defendant a department store in the South Island and began advertising and trading under the name "Farmers". FTC had been advised by its solicitors that this course of conduct could render it liable in a passing off action to NZFCA.

Following fruitless correspondence between the parties' solicitors, proceedings were instituted by NZFCA.

In granting relief against this passing off, Somers J. expressly relied, inter alia, on the authorities establishing that actual deception and damage could be inferred from proof of the defendant's intentional and knowing deception.[175] The evidence was said to be sufficient to take the case out of the protection of the exception accorded to the honest use of a trader's own name in business. His Honour concluded that FTC had traded unfairly and had continued its course after becoming aware that its practices were likely to deceive or confuse.[176]

In Regan v. Grant,[177] Eichelbaum J., after surveying the evidence of passing off, turned to the intention of the defendants, said to be a relevant consideration on the authority of an earlier New Zealand case, Klisers Farmhouse Bakeries Ltd. v. Allied Foods Co. Ltd..[178] His Honour found that on the information before the Court, it could hardly be doubted that the defendants set out to take advantage of the goodwill and reputation that the plaintiff had established, and said:[179]

> I am mindful that a finding of intent to deceive is not the same as stating that the intent has been successful but the step between the two is a short one: Claudius Ash Sons & Co. v. Invicta Manufacturing Co.

The defendants' intention also clearly influenced Eichelbaum J. to find that the difficulty of assessing whether damages to the plaintiffs would be due to this unfair competition or to other general factors meant that damages would not afford an adequate remedy to the plaintiffs should they succeeed in the substantive action. Accordingly, the balance of convenience lay in favour of granting an interim injunction.

A third but borderline case in this category is Shotover Gorge Jetboats Ltd. v. Marine Enterprises Ltd.[180] Since 1970 the plaintiff had operated on a particular stretch of the Shotover River a tourist jet boat service. This was a widely promoted tourist attraction in the Queenstown area. Evidence was accepted as to the distinctiveness of its boats and vans bearing the inscription "Shotover Jet" and as to the established goodwill of the business. In 1977 the defendant company, originally operating a similar service on Lake Wakatipu and the Kawarau River, extended its operations to the lower waters of the Shotover River, in direct competition with the plaintiff company. Its boats, vans and premises were labelled "Lower Shotover Jet" with "Lower" appearing much less prominently than the rest of the name.

Although Hardie Boys J. did not refer to the defendant's intention at all, this was clearly a case of improper motive. His Honour did, however, cite the 1923 New Zealand case of National Timber Co. Ltd. v. National Hardware, Timber & Machinery Co. Ltd.[181] as authority for the proposition that proof of deception is not necessary but obviously greatly strengthens the plaintiff's case.[182] And in the course of considering whether the words "Lower Shotover Jet" were merely descriptive, His Honour referred[183] to the statement of Moller J. in New Zealand Insurance Co. Ltd. v. New Zealand Insurance Brokers Ltd.[184] that if words are descriptive, one cannot assume that confusion will arise from the same use by another trader, provided there is some small difference in format and no fraud by the defendant.

It is unfortunate for the purposes of this analysis that Hardie Boys J. did not overtly apply these propositions of law to the facts of the case, although the grant of an interlocutory injunction did not require it.[185]

The fourth case in this category, Lion Breweries Ltd. v. Dominion Breweries Ltd., is more explicit on the relevance of an improper intention. After stating that it was not necessary to prove an intention to deceive the public,[186] Vautier J. went on to find that the defendant's intention was one factor indicating a substantial risk of confusion and loss of sales by the plaintiff, although he did not cite any authorities supporting the connection. His Honour stated:[187]

> I cannot see here any very good reason for the defendant choosing the name 'Double Red' if it has no desire and sees no risk

> of its product being associated with or mistaken for a product of the plaintiff.... The desire to put the defendant's product out as complimentary to its existing 'Double Brown' seems to me an unconvincing reason. Why choose the colour red of all the other colours in the spectrum?... if [the desire to achieve a beer with quite a different taste was its] objective one would have expected that the defendant would strive to pick on a name which had no association at all with the plaintiff's product.

Later he concluded:[188]

> The implication that no name can be devised which would be as successful in promoting sales as the name 'Double Red' is surely a two-edged sword as regards the defendant in that it strongly suggests that only in this way is the plaintiff's beer likely to fulfil the sales expectations which carries with it the implication that the defendant will thereby secure the benefit of some of the reputation built up by the plaintiff for its own bitter beer.

The significance of these four cases being separated from those in the third category (being the cases in which no reasons are given as to why intention should be relevant) is that the approach adopted is in accordance with principle and authority.[189] They cannot therefore be regarded as placing an undue emphasis on the presence of an unfair intention since its relevance in this respect has been established as valid. The cases do, however, contribute to showing that the presence of a dishonest intention has materially influenced the New Zealand courts in granting relief against passing off. As such they must be taken as indicating further that unfair competition will not be tolerated.

This is confirmed by the third category of cases in which the defendant's dishonest intention was considered.

(c) The third category

The court in these eleven cases failed to state why the defendant's intention was relevant, some merely considering it along with the other evidence adduced, others expressly stating it to be relevant in the determination of the dispute. It is of course assumed here that a court does not refer in its judgment to wholly irrelevant material, an assumption which the reader may or may not consider to be valid.

First of all there are four cases in which the defendant's dishonest intention was adverted to in the course of consideration of all the information before the court. In Urban Sports Apparel (NZ) Ltd. v. Urban Sports Apparel (Remuera) Ltd.,[190] the bona fides of the Director of the defendant company in the matter was doubted at the beginning of the judgment before the facts were even set out. This factor was not adverted to again by Gallen J., who granted the interlocutory relief sought.

The defendant's intention seems to have weighed considerably on the judges deciding three of the reputation slopover cases, Esanda, Crusader, and Budget Rent A Car.[191]

In the course of considering whether the plaintiff company had established a sufficient goodwill in New Zealand, Casey J. in the Esanda case observed that the extraordinary coincidence in the choice of identical "fancy" non-descriptive names could give rise to grave doubts as to the good faith of the defendant company's Director and majority shareholder and as to his explanation of how he choses the name "Esanda".

Although disputed questions of credibility were not for him to decide at this interim stage, this was another factor to be taken into account in deciding whether the plaintiffs had shown a serious question to be tried. The approach of the New South Wales Supreme Court in Fletcher Challenge was said to lend support to this contention of the plaintiffs.[192]

Indeed, the Court in Fletcher Challenge was so influenced by the obvious fraud of the defendants that it found goodwill to subsist in a mere reputation, an extreme departure from the traditional school of thought as to the nature of the goodwill of a foreign trader.

That this consideration influenced Casey J. is clear from the fact that His Honour granted interim relief on only slight evidence of a business connection with New Zealand. Had the defendant's intention not been improper, the decision, on the evidence, could well have gone the other way.

In Crusader Oil, Jeffries J. considered how the defendant's personnel came to fix upon the name of "Crusader" and stated it to be "a most important part of this judgment".[193] That name was found to have been decided upon with knowledge that this was the name of an existing Australian company of international repute. His Honour stated that the Court would be failing in its duty not to avert to one of the defendant's director's overall discomfort in the witness box when giving evidence surrounding the choice of the name.[194]

Further, in dealing with the contention that there could be no passing off as the parties were not engaged in the same field of activity, Jeffries J. acknowledged the difference between oil and gas exploration on the one hand and mineral on the other, but found that "the activities of the defendant itself extinguish[ed] that difference to utter irrelevance in this case".[195]

His Honour's final reflection before turning to the law was that[196]

> [a] deliberately chosen policy in writing this judgment has been to make, as far as possible, unambiguous findings on the facts... An important aspect of that fact finding exercise has been the credibility decisions to which the court was driven. Nothing clarifies the case law like the facts of the case before the court.

Although a clear case of passing off had been made out, the approach taken in the interpretation of the law was obviously influenced by the unfairness and mala fides of the defendant's acts.

The Budget case is in much the same vein. Vautier J. was at pains to elucidate the defendants' unequivocally unfair intention and conduct.[197] It must be partly for this reason that the liberal approach to the goodwill requirement was adopted. It should be noted, however, that a conspiracy cause of action was also argued and His Honour was therefore required to make a finding of malicious intent.

In six cases[198] the Court considered the defendant's intention in assessing the balance of convenience and in all but one the interim relief sought was granted. The defendants had either deliberately attempted to deceive the public and appropriate some portion of the plaintiff's goodwill or had embarked upon the course of conduct complained of "with their eyes open".

It was in Meat Services Ltd. v. John Moses that the application for an interim injunction was refused. Although the defendant did not appear to have any dishonest intention, Eichelbaum J. took into account the fact that he commenced marketing his pet food with the particular get-up and label complained of knowing that there was a degree of risk involved. But His Honour said:[199]

> I am not convinced that in borderline cases this is of decisive weight because it seems to me to have an element of circuity. If a trader believes that his proposed design is sufficiently far removed from one in existing use there must be a point where he is entitled to take his stand on that, notwithstanding that a degree of risk is involved.

The statement is apt on the facts of the case, but a note of warning should be sounded against its being applied to situations of dishonest intention. The "point where he is entitled to take his stand on that" must surely be restricted to where, on the evidence, the conduct in question is innocent - and this will be rare in a passing off case. Otherwise, who is to prevent a trader from alleging a belief that his or her get-up or name was novel?

The final case in this third category is Klissers Farmhouse Bakeries Ltd. v. Allied Foods Co. Ltd..[200] Vautier J. granted an interlocutory injunction restraining the defendant company from advertising and marketing its new Milk and Honey Loaf in a bag incorporating the same features and gingham pattern as as the plaintiff's bread bags. His Honour described as too broad the statement in Kerly's Law of Trademarks that[201]

> there can hardly be passing off by get-up alone unless the resemblance between the goods is ... so close that it can hardly occur unless by deliberate imitation; and even then that may not be enough.

But in considering whether there was a substantial question to be tried, His Honour found that the evidence pointed strongly to the defendant having adopted the pattern, colour and format of the bag with the intention of bringing about confusion so that sales which would otherwise have gone to the plaintiff would accrue to it.[202] Two English authorities were cited for the relevance of this consideration in cases of passing off of get-up.[203] His conclusion was further supported by an earlier instance where the defendant had put on the market rolls in a bag similar to that used by the plaintiff.

In assessing the balance of convenience, Vautier J. also took into account, on the authority of Probe Publications Ltd. v. Profile Communications Ltd. and Ors.,[204] that the defendant had gone into this with its eyes open. His Honour said:[205]

> Clearly this is not...a basis which should be used by itself as providing any substantial support for the granting of interlocutory relief. Nevertheless, in the present case there is more to it in my view... in that this defendant... was well aware that it was getting into the field of possible passing off.

Clearly, therefore, the defendant's dishonest intention was an important factor in the conclusion that a strong case of passing off had been made out.

Looking at all three categories of cases as a whole, the foregoing analysis of the courts' treatment of unfair intention confirms the prima facie conclusion that the majority of New Zealand judges regard the presence of this factor in a passing off case as relevant. Had it been possible to examine the facts of these cases in greater detail, it would have been apparent that relief may not have been granted as readily as it was had the defendants' actions not been deliberately dishonest.

The slightly more difficult conclusion to substantiate is that an <u>undue</u> emphasis is being placed on this factor. Only four cases relied upon the principle that proof of an intent to deceive implies success in that aim. Dismissing the notion that in the other twelve cases the same principle was relied upon subconsciously, it can be said with some conviction that the defendant's improper intention was an overall factor relevant either as evidence standing by itself or as an indicator of the approach to be adopted in interpreting the facts and the law.

Bearing in mind that passing off is unfair competition <u>par excellence</u>, it is submitted that the significance accorded to unfair intent is not uncalled for, even though in strict passing off terms it is not required. It is a strong indication that the courts will not allow unfair competition to proceed unchecked.

But to those purists who object to this development, it can be said that the proposed adoption of legislation modelled on the Australian Trade Practices Act 1974 (Cth.) will be likely to obviate the need to take this development any further.

2. Passing off through imitation of get-up

Further indications of the fight against unfair competition can be gleaned from the nine cases in which it was solely the get-up of the goods which was allegedly being passed off.[206] The tort lies in representing through imitation of the appearance of the plaintiff's goods that the goods of the defendant are those of the plaintiff.

Get-up is usually defined very narrowly by the courts, who distinguish between functional and non-functional features of the goods. Get-up is something extraneous to the article:[207]

> If the particular feature is an important ingredient in the success of a product, the interest in free competition permits its imitation [but not if it is] a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality.

The idea that functional parts of a product cannot be protected by passing off stems from a reluctance to grant a Common Law monopoly where the appearance of the goods could be protected by copyright law or registration as an industrial design. Arguably, if the appearance of goods can be protected under these statutes, there is little need for a wider Common Law remedy.

It is partly for this reason that actions based purely on the physical get-up of goods rarely succeed. Another reason is that whilst it is easy to change a deceptive name, it may be difficult or expensive to change the get-up of goods.[208]

The leading overseas cases in which allegations of passing off of get-up have succeeded involve products sold to consumers who were either illiterate[209] or who did not read English.[210]

Relief was granted in six of the nine New Zealand cases involving passing off of get-up alone.[211] In four of these, the defendant's improper intention was considered relevant. In three of the four cases where relief was refused, the defendant's intention did not appear improper.[212]

It should be noted that in both Plix Products Ltd. v. Skyler Packaging Ltd. and Ors.[213] and Plix Products Ltd. v. Elmark Industries Ltd.,[214] which concerned alleged passing off of kiwifruit trays by imitation of their size, shape and general appearance, the get-up of the trays was, it is submitted, a functional feature. While relief was refused in Elmark it was granted in Skyler. The interesting point to note is that the defendant's intention was considered relevant in Skyler,[215] whereas it was not discussed in Elmark.

In Klissers Farmhouse Bakeries Ltd. v. Allied Foods Ltd., relief was granted to restrain imitation of the plaintiff's bread bags, even though Vautier J. found that there was an enormous variety of different breads on the New Zealand market, all in similar packaging. His Honour considered that general market conditions were such that this passing off of get-up should be restrained.[216] This finding appears contrary to the established principle that no trader can acquire a monopoly over a mode of packaging that is "common to the trade".[217] It also conflicts with the authorities establishing that there is no passing off if the defendant has, by labelling, distinguished his or her goods.[218]

Similarly, in Character Developments Ltd. v. Jackpot Promotions Ltd.[219] and in Regan v. Grant, relief was granted despite the fact that the defendants' goods were labelled, although in the latter case this was said not be a decisive factor.[220]

Although in these cases the get-up of the goods could theoretically have been protected under the statutory body of intellectual property law (for example, under the Copyright Act 1962 or the Designs Act 1953), it is significant that the unfair competition of another trader was sought to be enjoined by means of an action for passing off. Despite the accepted principle that it is rare for passing off of get-up to be successfully restrained, it is also significant that in two thirds of the New Zealand get-up cases the relief sought should have been granted. This is apart from those other cases in which the goods themselves as well as their get-up were allegedly being passed off.

Slight though it may be, this is further evidence of the readiness to enjoin unfair competition.

3. <u>Common field of activity</u>

That the New Zealand cases support at least a general doctrine of unfair competition is further reinforced by the fact that, with the possible exception of the <u>Crusader Oil</u> case, the principal parties to each case were in fact competitors. Although on the whole, competitors are the traders most likely to sue for passing off, passing off can affect traders other than competitors and they may bring an action to restrain this conduct.

The traditional requirement of a common field of activity between the litigating traders was absent from the <u>Advocaat</u> formulation of the tort and is now generally accepted to have been dismantled in the law of passing off.[221] It is now regarded as being simply a matter bearing on whether or not confusion and deception of the public has been established.

Apart from two cases, the New Zealand courts do not appear to be requiring a common field of activity either. It is submitted that as regards the requirement, the court in these two cases was operating under somewhat of a misconception as to the present state of the law.

In <u>Shotover Gorge Jetboats Ltd</u>. v. <u>Marine Enterprises Ltd</u>., the plaintiff company commenced proceedings only once the two services were operating on the same waters of the Shotover River. Hardie Boys J. rejected the defence of acquiescence on the ground that any earlier proceedings would have been met with the contention that the two businesses were not in competition.[222] The interim injunction granted to the plaintiff prevented the defendant from using the name "Lower Shotover Jet" only in its operations on that same part of the river used by the plaintiff. Elsewhere on the river it could still use that name because, as the plaintiff acknowledged, the defendant's operations there did not compete with the plaintiff's.

So Hardie Boys J. was requiring not only a common field of activity, but also direct competition. But surely with the parties operating in the same geographical area a similar service, the appropriation by the defendant of the plaintiff's distinctive name anywhere in the area would be likely to confuse or deceive the public. An association between the two businesses would be the obvious conclusion and this could be damaging to the plaintiff's goodwill.

In the <u>Crusader Oil</u> case, Jeffries J. found it necessary to state his acceptance of the fact that, despite distinctions between oil and mineral exploration, the parties' field of activity was very close.[223] He also made the express finding that the defendant's intention in the future was to compete with the plaintiffs.[224] However, as already seen, His Honour did not consider the distinctions important on the particular facts of the case. The implication is that had the circumstances been slightly different, the separate fields of commercial activity may have constituted a bar to the grant of relief against passing off. This is supported by His Honour's concluding words:[225]

> Is not such a company entitled to feel at considerable risk it might suffer damage when another company operating in the same field uses [its name] ?
>
> (Emphasis added).

Even if misconstruing the common field of activity factor, Shotover Gorge and Crusader Oil at least show that passing off is an avenue of relief for aggrieved competitors and further, as has been seen, support the majority of other cases in showing that it is a remedy for unfair competition.

4. The sufficiency of passing off

The foregoing analysis reveals how the New Zealand courts have felt able to grant relief against what amounts to no more than unfair competition. As a question of morality and fairness, it can hardly be said that the result in any case was unjust.

To achieve justice, the courts have not considered the scope of a passing off action to be unduly restrictive. On the contrary, it has been perceived as a flexible instrument of economic regulation. Because of this, and despite opportunities for doing so, no judge has ventured into the realms of a separate tort of unfair competition.

Although it would be desirable for the peace of mind of acadaemia and for the sake of consistency with other Common Law jurisdictions to have the status of this somewhat nebulous tort authoritatively settled by judicial pronouncement, the writer is in entire agreement with the approach of our courts.

The nature of a passing off action is undergoing change in New Zealand and this is not necessarily undesirable. However, to prevent further distortion, the adoption in New Zealand of proposed trade practices legislation is to be welcomed.

IV PASSING OFF AND PROPOSED NEW ZEALAND LEGISLATION

The importance which the Common Law courts attach to the desirability of avoiding a situation where members of the public are likely to be deceived or confused[226] is paralleled in several jurisdictions by legislation aimed at achieving the same result.[227]

In New Zealand, preparations are currently under way for the introduction into Parliament of proposed trade practices or "fair trading" legislation. There is a strong likelihood of the inclusion within it of the provisions of Part V, Division 1, of the Australian Trade Practices Act 1974 (Cth.).[228]

Despite its heading "Consumer Protection", Part V of the Australian Act contains provisions which have been regularly relied upon by traders whose goods or services have been or are being passed off by another. The relevant provisions are set out below:

s.52 (1): A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or that is likely to mislead or deceive.

s.53 : A corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services-

(a) ...

(aa) ...

(b) ...

(c) Represent that the goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have;

(d) Represent that the corporation has a sponsorship, approval or affiliation it does not have; ...

s.55 : A person shall not, in trade or commerce, engage in conduct that is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose or the quantity of any goods.

Section 55A reproduces section 55 in relation to a corporation.

Although section 52 refers only to conduct by a corporation, sections 5 and 6 of the Act give it an extended operation so that in certain circumstances individual non-corporate activity is prohibited.

Contravention of these provisions may result in the order of an interlocutory or permanent injunction (section 80) and an award of damages (section 82). In addition, section 87 confers on the court the power to make a large number of orders of a kind which could not be made under the general law. For example, it is possible that an order under the section could compel corrective advertising.[229]

For present purposes, section 52(1) is the most important provision. It provides an additional remedy to the private tort of passing off. Indeed, although designed as a consumer protection measure, in the vast majority of cases it has been invoked by "traders seeking to defend private industrial and intellectual property rights rather than by plaintiffs attempting to vindicate the public interest in the protection of consumers".[230] The reason why almost all actions under section 52 of the Act have been brought by traders alleging conduct by trade rivals which was likely to be deceptive or misleading to consumers is thought to be the expense of litigation.[231] An aggrieved trader will probably have more at stake than a mere consumer. Litigation under an equivalent New Zealand provision, however, will probably not be any less expensive than a passing off action.

The relationship between sections 52 and 53 and the private law tort of passing off were discussed by Stephen J. in the leading and first High Court decision on section 52, <u>Hornsby Building Information Centre</u> v. <u>Sydney Building Information Centre</u>, in the following terms:[232]

> It is, no doubt, somewhat of a novelty that a quite extensive jurisdiction in passing off actions, traditionally the concern of the Supreme Court of the States, should be conferred upon the Industrial Court and that this should be done by an Act described as one 'relating to certain Trade Practices' and by sections not very explicitly directed to such a subject matter. However this is, I think, but a consequence of the very direct relationship which necessarily exists between the deception of consumers in the course of trade and the injury caused by the unfair practices of a trade rival. Such deception will quite often be the means adopted to

> produce that injury. Legislation which aims at the prevention of the former will at the same time tend to put an end to the latter. If, moreover, the legislative prohibition can be enforced by an injunction which 'any other person' may seek (see s.80(1)), it then becomes possible for a trader, injured by the competition of his trade rival, to gain a remedy under the Act instead of having recourse to civil action by way of proceedings for passing off. The remedy in such a case will not, as in passing off, be founded upon any protection of the trader's goodwill but, being directed to prevent that very deception of the public which is injuring his goodwill, it will nevertheless be an effective remedy for that of which he complains. The provisions of s.82, ... which allow a person who suffers loss by another's act which is in contravention of s.52 to recover by action the amount of his loss, may render the statutory remedy even more complete.

It is not therefore surprising that, in the Australian experience, the same principles developed by the courts in relation to passing off should have been held relevant and applied in decisions under section 52 of the Act.[233] This has been so despite strong opposition voiced by the courts to the suggestion that section 52 is no more than a statutory re-enactment of passing off principles. Indeed, in <u>Taco Company of Australia</u> v. <u>Taco Bell Pty. Ltd.</u>, Deane and Fitzgerald JJ. in the Federal Court referred to the relationship between section 52 and passing off and stated that[234]

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

Cases under section 52 reveal that the courts have been reluctant to abandon their Common Law predilections and that the replacement of the Common Law's caveat emptor philosophy with a pro-consumer policy has accordingly been frustrated.[235] It has been noted that "in each of the decisions in which the tension between protection of consumer rights and freedom of competition is referred to, the courts resolve the tension in favour of unrestrained competition".[236]

Only an educated guess can be made as to how the New Zealand courts will interpret the equivalents of section 52 and its surrounding provisions. That they will probably follow the Australian precedent in applying the Common Law principles is perhaps pre-empted by the observation of Vautier J. in the Budget Rent A Car case that in Australia, Mutual Avis NZ could not have acted as it had in New Zealand because its actions would have been in breach of section 53 of the Trade Practices Act. His Honour said:[237]

> It is important to note that in passing off actions in Australia since the enactment of this statute the Courts have of course to take into account the provisions of the statute.

With respect, it may be doubted whether the latter half of this statement is actually correct. Although the statement is the wrong way around to support directly the proposition being advanced here, the implication of it is that the scope of the two causes of action is so similar that passing off principles will be highly relevant in decisions under the Act in New Zealand.

How the New Zealand judges may differ from their Australian counterparts, however, is in their interpretation of the relevant passing off principles to be applied. As has been seen, the New Zealand courts have tended to follow the Advocaat approach in being more sensitive to consumer protection and unfair competition concerns than to the notion of untrammelled competition. Accordingly, even though most actions may be brought by traders, the consumer protection policy of the Act may not necessarily be frustrated.

The effect of an equivalent provision to section 52, in particular, can be seen from the following comparison which has been made of the two causes of action in Australia.[238]

1) Under section 52, consumers may sue to complain of passing off by a rival trader by the use of the name or get-up of another, or for any conduct constituting passing off; whereas at Common Law, only a rival trader or a person who can establish the necessary goodwill can sue.

2) To come within section 52, conduct must mislead or deceive, or be likely to mislead or deceive, the public as consumers. So the kind of misrepresentations relevant for section 52 may in general be narrower than the kind for passing off.

3) Under section 52, it is not necessary for a rival trader to prove reputation or goodwill or distinctiveness. But if the conduct complained of involves a misrepresentation as to a trade name or get-up, it may be necessary for him or her

to establish these elements in order to convince the court that the public has been, or is likely to be, misled or deceived.

4) It is unnecessary in section 52 cases for the court to consider whether the traders are engaged in a common field of activity, though it is probable that it is unnecessary to establish this in a passing off action.[239]

5) Discretionary considerations as to the grant of an injunction under section 52 are wider and less restricting than those in relation to passing off.

6) A trader can complain about a rival trader misrepresenting the rival trader's own goods or services, as a contravention of section 52, whereas this type of conduct may still not found an action for passing off.

7) The measure of damages for passing off may be more generous than the damages available for breach of section 52.

The elements of the two causes of action clearly overlap in some respects. Generally speaking, the equivalent New Zealand provision will afford relief to a wider class of complainants and may be an easier action to satisfy than passing off. But this will depend on how the courts interpret the provision and on whether they continue to treat passing off actions in the same vein as indicated by the recent jurisprudence (for example, granting relief more readily where the defendant has been motivated by an unfair or dishonest intention).

It can be postulated that the adoption of a section 52 equivalent will have a bearing on the number of passing off actions brought in the future in New Zealand. In Australia, it has not been uncommon for litigants to bring a double-barrelled action in which they plead infringement of section 52 of the Trade Practices Act as well as passing off. However, the enactment of the provision has not expressly been found by commentators to have reduced the number of passing off actions instituted.

But once the statutory remedy is available in New Zealand, whilst aggrieved traders are most likely to plead as many causes of action as possible, strictly speaking there will be no need to plead passing off as well as breach of the statutory provision. In this respect it must be recalled that the statutory action in Australia has been found to be more accommodating than the private tort action.

Whether the existence of this statutory remedy for unfair competition will hinder or precipitate development of an equivalent Common Law tort is debatable. On the one hand, there may be no need for a tort of unfair competition if the proposed legislation is enacted. On the other hand, it may be considered that the Common Law should reflect the approach of Parliament. This would certainly have been the view adopted by Lord Diplock, as proved by his comments in the <u>Advocaat</u> case[240] and cited with approval in subsequent

New Zealand decisions.[241] Although the enactment of trade practices or "fair trading" legislation will not call for rectification of the course which passing off has been seen to have taken over recent years in New Zealand, it is likely to prevent the tort from becoming too far removed from its traditional formulation.

All in all, in the interests of traders, consumers and the sanctity of the tort of passing off, the adoption of legislation based on Part V of the Australian Trade Practices Act is to be eagerly awaited.

V CONCLUSION

It has been attempted in this paper to analyse various aspects of and recent trends in the law of passing off in New Zealand. Particular reference has been made to the modern nature of the tort in the context both of national and international trading activity and of a general doctrine of unfair competition. It can indeed be said that in New Zealand, passing off is the "most protean of torts". The effect on the cause of action of proposed fair trading legislation will add a further contemporary edge to this description.

The dramatic increase in passing off litigation since 1979 has provided ample material upon which to base the views advanced herein as to the current and future status of the tort in New Zealand.

With new products and services being offered to the consuming public all the time and competition amongst traders becoming increasingly fierce, the goodwill of a business will continue to be one of its most valuable intangible assets. As such, the need for protection against the deceptive practices of other traders will always be strong. Fair trading legislation will go a long way towards providing the necessary relief, but passing off will nevertheless remain a tort ripe for litigation.

Whilst the basic ingredients of a passing off action are still the same, the recent judicial interpretations of these are such that the recipe for success in future actions is no longer to be found exclusively in the older decisions of New Zealand and other Common Law courts. In particular, the recent cases are significant for their confirmation of the circumstances in which a foreign trader may sue to restrain passing off in New Zealand and for the importance attached to a dishonest intention on the part of the defendant. It is hoped that this paper has provided some guidance as to these and other aspects of the passing off action in New Zealand.

APPENDIX : AN OVERVIEW OF PASSING OFF LITIGATION IN NEW ZEALAND COURTS, 1979 - AUGUST 1985 (INCLUSIVE)

CASES:	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	TOTAL
PARTIES:																														
pl: incorporated company		✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	25
individual	✓										✓		✓																	3
other (incorporated society)																									✓					1
deft: incorporated company	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	26
individual											✓				✓															2
other (corporation)													✓																	1
ACTION RE:																														
goods: including get-up			✓		✓														✓	✓						✓	✓			6
get-up alone						✓	✓	✓	✓		✓			✓	✓						✓								✓	9
service/business name	✓	✓		✓	✓					✓		✓	✓			✓	✓	✓				✓	✓	✓	✓			✓		15
ALSO TRADE MARK INFRINGEMENT ACTION:			?																								✓			1
RELIEF IMMEDIATELY SOUGHT:																														
interim injunction	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓			✓		✓		✓	22
injunction + damages/ account of profits		✓								✓			✓										✓	✓		✓		✓		7
RELIEF GRANTED:																														
interim injunction (proceeding no further)	✓		✓	✓	✓		✓	✓	✓		✓	✓				✓	✓	✓	✓	✓	✓	✓			✓		✓		✓	19
injunction + damages/account where no interim relief sought																							✓	✓				✓		3
injunction + damages/account where interim relief granted		✓																												1
injunction + damages/account where interim relief refused										✓																✓				2
MAIN AREA(S) OF DIFFICULTY FOR PLAINTIFF:																														
goodwill				✓				✓					✓			✓	✓		✓			✓	✓	✓						9
distinctiveness	✓	✓	✓			✓		✓	✓		✓	✓			✓			✓	✓	✓	✓					✓	✓	✓	✓	17
confusion									✓				✓		✓											✓		✓	✓	6
all-none in particular					✓		✓			✓				✓											✓					5
DEFENDANT'S INTENTION:																														
relevant/considered		✓		✓	✓		✓	✓	✓		✓				✓	✓	✓		✓			✓	✓	✓						14
expressly said irrelevant but still considered										✓																				1
not discussed	✓		✓			✓						✓	✓	✓				✓		✓	✓				✓	✓	✓	✓	✓	14

Cases numbered 1-29 in the preceding Table, are, in chronological order, as follows:

1. Sutton v. The House of Running Ltd. [1979] 2 NZLR 750.

2. The New Zealand Farmers' Cooperative Association of Canterbury Ltd. v. Farmers Trading Co. Ltd. and Calder McKay Co. Ltd. (1979) Unreported, Christchurch Registry, A 496/78.

3. Bacardi & Co. Ltd. v. Totara Lodge Ltd. (1980) Unreported, Wellington Registry, A 109/80.

4. Dominion Rent A Car Ltd. v. Papanui Service Station (1965) Ltd. and Mutual Rental Cars Ltd. (1981) Unreported, Christchurch Registry, A 33/80.

5. Armoured Transport & Security Services Ltd. and Mayne Nickless Ltd. v. Rhino Securities Ltd. and Ors. (1981) Unreported, Auckland Registry, A 561/81.

6. Simon's Bakery Ltd. v. Tiffany Frozen Foods Ltd. (1981) Unreported, Christchurch Registry, A 149/81.

7. Plix Products Ltd. v. Skyler Packaging Ltd. and Ors. (1981) Unreported, Napier Registry, A 75/81.

8. Character Developments Ltd. and Anor. v. Jackpot Promotions Ltd. and Ors. (1981) Unreported, Christchurch Registry, A 219/81.

9. Klissers Farmhouse Bakeries Ltd. v. Allied Foods Co. Ltd. (1982) Unreported, Auckland Registry, A 240/82.

10. Budget Rent A Car Systems (1970) Ltd. v. Mutual Rental Cars (Auckland) Ltd. and Dominion Rent A Car Ltd. (1982) Unreported, Auckland Registry, A 1654/77.

11. Regan v. Grant and Ors. (1982) Unreported, Wellington Registry, A 342/82.

12. Hills Floorings Ltd. v. Carpet Corner Ltd. (1983) Unreported, Auckland Registry, A 289/83.

13. Hugh Hughes Green v. Broadcasting Corporation of New Zealand (1983) Unreported, Wellington Registry, A 662/79.

14. Plix Products Ltd. v. Elmark Industries Ltd. (1983) Unreported, Auckland Registry, A 547/83.

15. Meat Services Ltd. v. John Moses (1983) Unreported, Blenheim Registry, A 14/83.

16. Esanda Ltd. and ANZ Banking Group (NZ) Ltd. v. Esanda Finance Ltd. (1983) Unreported, Auckland Registry, A 833/83.

17. Keg Restaurants Ltd. and Ors. v. Brandy's Restaurant Tavern Ltd. and Ors (1983) Unreported, Auckland Registry, A 1042/83.

18. Shotover Gorge Jetboats Ltd. v. Marine Enterprises Ltd. [1984] 2 NZLR 154.

19. Lion Breweries Ltd. v. Dominion Breweries Ltd. (1983) Unreported, Auckland Registry, A 1157/83.

20. Johnson & Johnson and Anor. v. The Caxton Printing Works Ltd. (1983) Unreported, Wellington Registry, A 455/83.

21. Klissers Farmhouse Bakeries Ltd. v. Quality Bakers NZ Ltd. (1983) Unreported, Auckland Registry, A 1288/83.

22. Urban Sports Apparel (NZ) Ltd. v. Urban Sports Apparel (Remuera) Ltd. (1984) Unreported, Hamilton Registry, A 237/83.

23. Crusader Oil NL and Anor.v. Crusader Minerals NZ Ltd. (1984) Unreported, Wellington Registry, A 156/84.

24. Budget Rent A Car Systems Pty. Ltd. and Ors. v. Mutual Rental Cars Ltd. and Anor. (1984) Unreported, Auckland Registry, A 9/84.

25. Auckland University Students Association Inc. v. Tisa-Card Ltd. (1984) Unreported, Wellington Registry, A 330/84.

26. Plix Products Ltd. v. Frank M. Winstone (Merchants) Ltd. and Ors. Reference unknown but interim injunction refused in (1983) Unreported, Auckland Registry, A 1128/83. Appeal from grant of injunction dismissed in (1985) Unreported, CA 178/84.

27. Sodastream Ltd. and Ors. v. S.W. & M.P. Smith Ltd. and Ors. (1985) Unreported, Rotorua Registry, A 20/85.

28. Noel Leeming Television Ltd. and Ors. v. Noel's Appliance Centre Ltd. (1985) Unreported, Christchurch Registry, A 102/85.

29. Klissers Farmhouse Bakeries Ltd. v. Harvest Bakeries Ltd. and Ors. (1985) Unreported, Auckland Registry, A 497/85. Appeal from grant of interim injunction dismissed in (1985) Unreported, CA 120/85.

FOOTNOTES

1 In New Zealand, Patents Act 1953, Designs Act 1953, Copyright Act 1962 and Trade Marks Act 1953.

2 The following nineteen passing off cases were found to have been reported prior to 1979:

- Cassidy, Young & Co. v. Campbell & Co. [1893]11 NZLR 124;
- Loasby's Wahoo Manufacturing Co.(Ltd.) v. Dutton [1898] 16 NZLR 182;
- Eady and Anor. v. Lewis R. Eady & Sons Ltd. [1920]NZLR 636;
- J.J. Craig Ltd. v. E.A. Craig and H.R. Craig [1922] NZLR 199;
- National Timber Co. Ltd. v. National Hardware, Timber & Machinery Co. Ltd. [1923] NZLR 1285;
- Fashions Ltd. v. Burtson [1927] NZLR 21;
- Black and White Cabs Ltd. v. Hagen
  Black and White Cabs Ltd. v. Sandford
  Black and White Cabs Ltd. v. Neale
  Black and White Cabs Ltd. v. McEneany
  [1927] NZLR 535, 862;
- Black and White Cabs Ltd. v. Nicholsons and Ors [1928] NZLR 273, 610;
- G.J. Coles Ltd. v. G.J. Coles (NZ) Ltd. [1933] NZLR 1189;
- The Stanley Works Ltd. v. Stanley Ironworks Ltd.[1935] NZLR 865;
- New Zealand Towel Supply & Laundry Ltd. v. Tri-Cleaning Co. Ltd. and Ors (No.2) [1935] NZLR 204;
- Cooper v. Frost [1937] NZLR 1071;
- New Zealand Farmers Co-operative Association of Canterbury Ltd. v. Farmers' Car Sales Ltd. [1955] NZLR 904;
- Waiwai Ltd. v. Grey & Menzies Ltd. [1957] NZLR 71;
- Hansells (NZ) Ltd. v. Baillie [1967] NZLR 774;
- Pest Control Service Ltd. v. McClelland and Anor [1968] NZLR 482;
- Bar's Leaks (NZ) Ltd. v. Motor Specialties Ltd. [1970] NZLR 826;
- Customglass Boats Ltd. and Anor. v. Salthouse Brothers Ltd. and Anor. [1976] 1 NZLR 36;
- New Zealand Insurance Co. Ltd. v. New Zealand Insurance Brokers Ltd. [1976] 2 NZLR 40.
- See also: Littlejohn v. Mulligan [1885] 3 NZLR 446 and Canterbury Frozen Meat & Dairy Produce Exports Co. Ltd. [1890] 8 NZLR 49.

3 Use was made of all possible reference sources to identify all cases since 1979 but it is possible that one or two cases may not have come to the writer's attention.

4 For example, the courts' attitude to market survey evidence. See, in particular, the judgments in Esanda Ltd. and ANZ Banking Group (NZ) Ltd. v. Esanda Finance Ltd. (1983) Unreported, Auckland Registry, A 833/83 (also reported in [1983] 2 IPR 182); Klissers Farmhouse Bakeries Ltd. v. Harvest Bakeries Ltd. and Ors. (1985) Unreported, Auckland Registry, A 497/85 and Noel Leeming Television Ltd. and Ors. v. Noel's Appliance Centre Ltd. (1985) Unreported, Christchurch Registry, A 102/85.

5 (1618) Poph 143 at 144.

6 However, according to another report, the plaintiff was not the owner of the mark, but a deceived customer (Cro Jac 468 at 471). Yet another report indicates that Doderidge J. did not make clear which of them was the plaintiff (2 Roll Rep 26 at 28). Cited in Lord Hailsham of St. Marylebone (ed.) Halsbury's Laws of England (4 ed. Butterworths, London, 1984) vol.48. Passing Off, para 145, note 1, p. 100.

7 Millington v. Fox (1838) 3 My & Cr 338.

8 Perry v. Truefitt (1842) 6 Beav 66.

9 [1901] AC 217 at 223-224.

10 A.G. Spalding & Bros. v. A.W. Gamage Ltd. (1915) 32 RPC 273.

11 Britains Ltd. v. M. Morris & Co. (London) Ltd. [1961] RPC 217.

12 Rolls Royce Motors Ltd. v. Zanelli [1979] RPC 148 at 152.

13 F.W. Woolworth & Co. Ltd. v. Woolworths (Australia) Ltd. (1930) 47 RPC 337.

14 Sony K.K. v. Saray Electronics (London) Ltd.[1983] FSR 302.

15 [1979] AC 731.

16 Ibid. at 742. Affirmed by the Privy Council in Cadbury Schweppes Pty. Ltd. v. Pub Squash Co. Pty. Ltd. [1981] 1All E.R. 213.

17 Sections 8 and 9.

18 T.A. Blanco White and R. Jacob (eds.) Kerly's Law of Trade Marks and Trade Names (11 ed. Sweet & Maxwell, London, 1983), para. 16-09.

19 See Trade Marks Act, ss. 8 and 31.

20 T.A. Blanco White and R. Jacob, op.cit. para. 16-11.

21 See definition of "trademark" in s.2 and ss. 7, 8 and 9.

22 New Zealand Industrial Property Advisory Committee Service Marks, Report to the Minister of Justice (Wellington, August 1983), para. 1.2.

23 For further discussion on service marks, see infra. Part I,C.

24 These cases are set out chronologically in both tabular and listed form in the Appendix.

25 See, for example, the judgments in the cases referred to infra. Part III, B., 1, 2 and 3; G. Dworkin "Unfair Competition: Is the Common Law Developing a New Tort?" (1979) E.I.P.R.241; G.Dworkin "Passing Off and Unfair

Competition : An Opportunity Missed" (1981) 44 Mod. L. Rev. 564 and J. Lahore "The Pub Squash Case - Legal Theft or Free Competition" [1981] 2 E.I.P.R. 54.

26 This was evidenced, for example, by the high level of attendance at the Legal Research Foundation's seminar on "Intellectual Property Law in New Zealand and Australia" in Auckland, February 1985. See (1985) 8 T.C.L. 5/1.

27 Halsbury, op.cit. para. 158.

28 Sodastream Ltd. and Ors. v. S.W. and M.P. Smith Ltd. and Ors. (1985) Unreported, Christchurch Registry, A 102/85. The trade mark infringement action failed. In Bacardi & Co. Ltd. v. Totara Lodge Ltd. (1980) Unreported, Wellington Registry, A 109/80, the plaintiff company had registered the Bacardi trademark in New Zealand. In granting an interim injunction to restrain passing off of Cockspur Rum for Bacardi Rum, Ongley J. stated (at p.4) that the facts, "except as to the validity of the trademark, are not unlike those in the case Showerings Ltd. v. The Blackpool Tower Co. Ltd." The judgment does not otherwise refer to a trade mark action. Moreover, His Honour could have been referring to a trademark action in the Showerings case.

29 New Zealand Industrial Property Advisory Committee, op.cit. para. 4.1.

30 Ibid. para. 3.2. See Trade Marks Act 1955 (Cth.) as amended by Trade Marks Amendment Act 1978 (Cth.).

31 Ibid. para. 4.2.

32 The New Zealand Farmers Cooperative Association of Canterbury Ltd. v. Farmers Trading Co. Ltd. and Calder McKay Co. Ltd. (1979) Unreported, Christchurch Registry, A 496/78.

33 See, for example, Hills Floorings Ltd. v. Carpet Corner Ltd. (1983) Unreported, Auckland Registry, A 289/83, at 3-4 and Meat Services Ltd. v. John Moses (1983) Unreported, Bleinheim Registry, A 14/83, at 4-5.

34 Whether there is a serious question to be tried in the substantive action is the first matter with which a court deciding an interlocutory application must be satisfied: American Cyanamid Co. v. Ethicon Ltd. [1975] AC 396, as adopted in Sutton v. The House of Running Ltd. [1979] 2 NZLR 750 at 752-753. If this is answered affirmatively, whether interim relief will be granted then depends upon a finding as to where the "balance of convenience" lies.

35 Newsweek Inc. v. British Broadcasting Corporation (1979) RPC 441 at 448 (although this case may be distinguishable in that all the essential evidence was available to the Court and was virtually uncontradicted at the time of the interim hearing) and Parnass/Pelly Ltd. v. Hodges (1982) FSR 329.

36 (1985) Unreported, CA 120/85.

37 Supra n.4.

38 Supra n.36, at 7.

39 Ibid. at 7-8.

40 Supra n.4, at 1-2.

41 The difficulty in establishing distinctiveness may explain why, as regards those actions concerning goods (with the exception of the Sodastream case, supra, n.28), a) there appeared to be no registered trade mark in respect of those goods and b) why no trade mark infringement action was brought in conjunction with the passing off action. In almost all such cases the relief sought was granted and accordingly distinctiveness was satisfactorily proved. On the other hand, the dual requirement under ss.14 and 15 of the Trade Marks Act that the mark applied to the goods be both inherently adapted to distinguish (or inherently capable of distinguishing) and in fact adapted to distinguish (or in fact capable of distinguishing) makes proof of distinctiveness that much more onerous. In this respect at least, it is easier to succeed in a passing off action than to obtain registration or restrain infringement of a trade mark.

42 J.G. Fleming The Law of Torts (The Law Book Co. Ltd., Sydney, 1983) p. 672.

43 Erven Warnink B.V. v. J. Townend & Sons (Hull) Ltd. supra. n.15, at 740, per Lord Diplock.

44 J.G. Fleming, op.cit. p. 674.

45 Supra n.9.

46 Halsbury,op.cit. para. 155.

47 It is to be noted that the learned editors of Kerly's Law of Trade Marks and Trade Names (op.cit. para. 16-18) find it difficult to see any rational basis for the distinction. Further, in detailing the specific elements of the passing off cause of action, the editors discuss not "goodwill" but "reputation" (paras. 16-10 and 16-11).

48 [1967] RPC 581.

49 [1974] RPC 82.

50 [1980] RPC 343.

51 [1984] FSR 413.

52 Ibid. at 464.

53 Supra n.50, at 350.

54 [1976] FSR 256.

55 Supra n.50, at 355.

56 Supra n.9, at 224.

57 (1901) 18 RPC 405.

58 (1920) 37 RPC 177.

59 [1964] RPC 202.

60 [1977] 1 WLR 1155.

61 [1978] FSR 126.

62 The Times, November 11, 1981.

63 [1979] FSR 571.

64 (1979) FSR 381.

65 (1929) 42 CLR 352.

66 Ibid. at 364.

67 (1977) 51 ALJR 254.

68 [1981] 1 NSWLR 196.

69 Esanda Ltd. and ANZ Banking Group (NZ) Ltd. v. Esanda Finance Ltd. supra. n.4, at 8; Crusader Oil NL and Anor. v. Crusader Minerals NZ Ltd. (1984) Unreported, Wellington Registry, A 156/84, at 19-21; Budget Rent A Car Systems Pty. Ltd. and Ors. v. Mutual Rental Cars Ltd. and Anor. (1984) Unreported, Auckland Registry, A 9/84, at 98-99.

70 Supra n.68, at 202.

71 [1967] RPC 636.

72 Green v. Broadcasting Corporation of New Zealand (1983) Unreported, Wellington Registry, A 662/79; Esanda Ltd. v. Esanda Finance Ltd. supra. n.4; Crusader Oil NL v. Crusader Minerals NZ Ltd. supra n.69 and Budget Rent A Car Systems Pty. Ltd. v. Mutual Rental Cars Ltd. supra. n. 69.

73 [1933] NZLR 1189.

74 Ibid. at 1195-1197.

75 Ibid. at 1197.

76 Ibid. at 1198.

77 Ibid. at 1199.

78 Ibid. at 1200.

79 Ibid. at 1202-1203.

80 (1977) Unreported, Auckland Registry, A 408/76.

81 Ibid. at 76.

82 (1981) Unreported, Auckland Registry, A 561/81.

83 Ibid. at 7-8.

84 (1980) Unreported, Wellington Registry, A 109/80.

85 Supra n.69, at 21.

86 Supra n.69, at 94-103, particularly at 98 and 103.

87 [1976] FSR 545. Observation made, in relation to the Green, Esanda and Crusader Oil cases, by J.W. Dwyer in "Reputation Slopover" in Intellectual Property Law in New Zealand and Australia (Legal Research Foundation Inc., Auckland, 1985) pp.85-115 at p.98.

88 Supra n.87, at 547.

89 Supra n.72, at 10-12.

90 Ibid. at 14-15.

91 Ibid. at 10.

92 This view is supported by Dwyer, op.cit. at p.96.

93 Dwyer, op.cit. at 95.

94 Supra n.4, at 6.

95 Ibid. at 7.

96 Ibid. at 8.

97 Idem.

98 Supra n.69, at 20.

99 (1983) New Zealand Treaty Series, No.1.

100 Dominion Rent-a-Car Ltd. v. Papanui Service Station Ltd. and Mutual Rental Cars Ltd. (1981) Unreported, Christchurch Registry, A 33/80: interim injunction granted to restrain passing off by defendants, discharged by Cooke J. on 30 March 1984; Budget Rent A Car Systems (1970) Ltd. and Mutual Rental Cars (Auckland) Ltd. v. Dominion Rent A Car Ltd. (1982) Unreported, Auckland Registry, A 1654/77: injunction granted to restrain passing off; B.M. Auto Sales Pty. Ltd. v. Budget Rent A Car Systems Pty Ltd. supra n.67: injunction granted to restrain passing off.

101 Supra n.69, at 40.

102 However, an appeal has been lodged against the decision of Vautier J. Personal communcication from defence counsel, August 1985. It is submitted that it is unlikely to succeed.

103 Supra n.69, at 52-53.

104 Ibid. at 56-58.

105 Ibid. at 60-66.

106 Ibid. at 98-104.

107 Ibid. at 88.

108 Ibid. at 94.

109 Supra n.15 at 742.

110 See infra Part IV.

111 Supra n.69, at 103-104.

112 Ibid. at 98.

113 Ibid. at 99.

114 Supra n.68, at 205.

115 "Prior user" may be advanced as a defence, and, of course, to support a counterclaim, in a passing off action. It is simply an allegation that the defendant acquired the Common Law rights to the trade name concerned before the plaintiff did and that therefore there has been no passing off by the defendant. This defence failed in the Budget case - see supra n.69 at 110-112.

116 This argument is supported by Morcom in "Passing Off Actions by Foreign Traders" (1979) E.I.P.R. 321 at p. 322.

117 (1983) Unreported, Auckland Registry, A 1042/83.

118 University of London Press Ltd. v. University Tutorial Press Ltd. [1916] 2 Ch. 601 at 610.

119 Supra n.69, at 24.

120 Supra n.42.

121 Supra n.15, at 743.

122 G. Dworkin "Unfair Competition : Is the Common Law Developing a New Tort?" (1979) E.I.P.R. 241.

123 (1972) 828 United Nations Treaty Series 307. New Zealand is not a signatory to this Convention.

124 G. Dworkin, op.cit. p.245.

125 "Property" was not defined but it is submitted that the word denotes property in the goodwill of a business.

126 G. Dworkin, op.cit. p.241.

127 Heydon Economic Torts (2 ed. Sweet & Maxwell, London, 1979) p.31.

128 248 U.S. 215 (1918).

129 Ibid. at 240.

130 Cheney Bros. v. Doris Silk Corporation 35 F 2d. 279 (1929). Rejecting the doctrine, Learned Hand stated (at 281): "Congress might see its way to create some sort of temporary right, or it might not. Its decision would certainly be preceded by some examination of the result upon the other interests affected. Whether these would prove paramount we have no means of saying; it is not for us to decide. Our vision is inevitably contracted, and the whole horizon may contain much which will compose a different picture."

131 Victoria Park Racing and Recreation Grounds Ltd. v. Taylor (1937) 58 CLR 479, in particular per Dixon J. at 508-509. See also the other Australian and English authorities referred to in sections 2 and 3 of the text.

132 Supra n.15, at 740.

133 Idem.

134 Supra n.15, at 756.

135 Supra n.16.

136 (Equity Division), (1983) Unreported. See J. Lahore (1979) Austl. Bus. L. Rev. 106.

137 The appeal was dismissed on the ground that the relevant misrepresentation necessary to found a passing off action had not been established.

138 Supra n.16 at 218.

139 See Lahore, op.cit.; Lahore "The Pub Squash Case - Legal Theft or Free Competition" [1981] 2 E.I.P.R. 54; and Dworkin, op.cit.

140 Supra n.131.

141 (1984) Unreported. Cited in Garnsey "Unfair Trade Practices and Intellectual Property Rights - The Australian Experience" in Intellectual Property Law in New Zealand and Australia, op.cit. pp.31-85 at p.83.

142 Lion Breweries Ltd. v. Dominion Breweries Ltd. (1983) Unreported, Auckland Registry, A 1157/83.

143 Supra n.32.

144 (1962) RPC 265, at 278.

145 Supra n.32, at 13.

146 Supra n.100.

147 Ibid. at 9.

148 Budget Rent A Car Systems Pty. Ltd. and Ors. v. Mutual Rental Cars Ltd. and Anor. supra n.69.

149 (1982) Unreported, Wellington Registry, A 342/82.

150 Ibid. at 12.

151 Idem.

152 Supra n.142.

153 Supra n.16, at 218-219.

154 Supra n.142 at 27-28. Vautier J. actually referred to what was said by Lord Diplock in the "Solo" case (Pub Squash) but the context and page number cited indicate that the intention was to refer to the Advocaat case.

155 Ibid. at 36.

156 Reported sub nom A B Consolidated Ltd. v. Europe Strength Food Co. Pty. Ltd. [1978] 2 NZLR 515.

157 [1984] 1 NZLR 354.

158 Ibid. at 360.

159 Keg Restaurants Ltd. and Ors. v. Brandy's Restaurant Tavern Ltd. and Ors.. supra n.117, at 21-24; and Budget Rent A Car Systems Pty. Ltd.and Ors. v. Mutual Rental Cars Ltd. and Anor. supra n.69, at 131-134.

160 See infra II, C, 4.

161 Supra n.69 at 84.

162 Ibid. at 85-87 and 93-94.

163 Per Lord Diplock in Advocaat, supra n.15, at 731.

164 Personal communication from New Zealand's leading barrister in this area, August 1985.

165 R.F.V. Chambers and R.S. Heuston (eds.) Salmond and Heuston on the Law of Torts (18 ed. Sweet & Maxwell, London, 1981) pp.380-381.

166 Lever Bros. Ltd. v. Bedingfield (1898) LT 100; Lloyd's v. Lloyd's(Southampton) Ltd. (1912) 29 RPC 433; Claudius Ash Sons & Co. Ltd. v. Invicta Manufacturing Co. Ltd. (1912) 29 RPC 465; Australian Woollen Mills Ltd. v. Walton (F.S.) & Co. (1937) 58 CLR 641 at 657. In Payton & Co. Ltd. v. Snelling, Lampard & Co. Ltd. (1899) 17 RPC 48 at 56, Romer L.J. said: "You may well infer...that a man who was going to do a scroundrelly action for his own benefit would take care to do it effectually"!

167 John Brinsmead & Sons Ltd. v. Stanley Brinsmead (1913) RPC 493 at 507; B.M. Auto Sales Pty. Ltd. v. Budget Rent A Car Systems Pty. Ltd. supra n.67, at 258.

168 See Appendix.

169 Sutton v. The House of Running Ltd. supra n.34; Hills Floorings Ltd. v. Carpet Corner Ltd. supra n.33; Shotover Gorge Jetboats Ltd. v. Marine Enterprises Ltd. [1984] 2 NZLR 154; Johnson & Johnson and Anor. v. The Caxton Printing Works Ltd. (1983) Unreported, Wellington Registry, A 455/83; Klissers Farmhouse Bakeries Ltd. v. Quality Bakers NZ Ltd (1983) Unreported, Auckland Registry, A 1288/83; Auckland University Students' Association Inc. v. Tisa-Card Ltd. (1984) Unreported, Wellington Registry, A 330/84; Sodastream Ltd. and Ors. v. S.W. & M.P. Smith Ltd. and Ors. supra n.28; Noel Leeming Television Ltd. and Ors. v. Noel's Appliance Centre Ltd. supra n.4; Klissers Farmhouse Bakeries Ltd. v. Harvest Bakeries Ltd. and Ors. supra n.4. Admittedly, the relief granted in the Shotover Gorge case was very limited.

170 Supra n.100.

171 Ibid. at 11-12.

172 Ibid. at 12.

173 Ibid. at 13.

174 Supra n.32.

175 Ibid. at 14.

176 Ibid. at 18.

177 Supra n.149.

178 A case in the third category. (1982) Unreported, Auckland Registry, A 240/82.

179 Supra n.149, at 10.

180 Supra n.169. This case is referred to as a "borderline" case within the second category as the statements of law as to intention which were enunciated were not actually applied to the facts of the case. It is for this reason that when the number of cases in each category are added together, they exceed by one the number of cases (fifteen) earlier referred to as discussing the defendant's intention.

181 [1923] NZLR 1258 at 1270-1271.

182 Supra n.169, at 157.

183 Ibid. at 159-160.

184 [1976] 2 NZLR 40.

185 As shall be seen in relation to the Court's approach to the common field of activity requirement, the plaintiff in this case, with respect to its counsel, does not appear to have fully appreciated the modern scope of the passing off cause of action.

186 Supra n.142 at 23.

187 Ibid. at 41.

188 Ibid. at 45.

189 Whilst only the first two cases expressly rely on the authorities for the notion that deception can be inferred from an intention to deceive, they all indicate that this is the reason for the relevance of the defendant's improper intention.

190 (1984) Unreported, Hamilton Registry, A 237/83.

191 See infra II, C, 2, 3 and 4.

192 Supra n.4, at 7.

193 Supra n.69, at 15.

194 Ibid. at 17.

195 Idem.

196 Supra n.69, at 18.

197 Ibid. at, for example, 2 and 56-59.

198 Dominion Rent A Car Ltd. v. Papanui Service Station (1965) Ltd. and Mutual Rental Cars Ltd. supra n.100, at 9; Armoured Transport & Security Services Ltd. and Mayne Nickless Ltd. v. Rhino Securities Ltd. and Ors. supra n.82, at 6-7; Plix Products Ltd. v. Skyler Packaging Ltd. and Ors. (1981) Unreported, Napier Registry, A 75/81, at 12; Character Developments Ltd. and Anor. v. Jackpot Promotions Ltd. and Ors. (1981) Unreported, Christchurch Registry, A 219/81, at 7; Meat Services Ltd. v. John Moses supra n.33, at 7; Keg Restaurants Ltd. and Ors. v. Brandy's Restaurant Tavern Ltd. and Ors. supra n.117, at 28.

199 Supra n.33, at 7.

200 Supra n.178.

201 Ibid. at 15-16.

202 Ibid. at 18.

203 Hymac Ltd. v. Priestman Brothers [1978] RPC 495 and William Edge & Sons Ltd. v. William Nicholls & Sons Ltd. [1911] AC 693,703.

204 (1981) Unreported, Auckland Registry, A 318/81. This is not a passing off case but rather, deals with breach of confidence, breach of implied term in a contract and breach of fiduciary duty. It is interesting to note that the point made in the case was also taken into account in Plix Products Ltd. v. Skyler Packaging Ltd. and Ors. supra n.198, at 12.

205 Supra n.178, at 22.

206 See Appendix.

207 Pagliero v. Wallace China Co. 198 F 2d. 339 (1952) at 343, per Orr J.

208 Heydon, op.cit. at p.92. But note the comments of Cooke J. in Harvest Bakeries Ltd. v. Klissers Farmhouse Bakeries Ltd. supra n.36, at 6.

209 William Edge & Sons Ltd. v. William Nicholls & Sons Ltd. supra n.203.

210 White Hudson & Co. Ltd. v. Asian Orgnization Ltd. [1964] 1 W.L.R. 1466 and Lee Kar Choo v. Lee Lion Choon [1967] 1 AC 602.

211 See Appendix.

212 Plix Products Ltd v. Elmark Industries Ltd. (1983) Unreported, Auckland Registry, A 547/83; Meat Services Ltd. v. John Moses supra n.33 and Simon's Bakery Ltd. v. Tiffany Frozen Foods Ltd. (1981) Unreported, Christchurch Registry, A 149/81.

213 Supra n.198.

214 Supra n.212.

215 Supra n.198, at 12.

216 Supra n.178, at 17-18. Similar considerations were present in Klissers Farmhouse Bakeries Ltd. v. Quality Bakers NZ Ltd. supra n.169, at 15.

217 M. Blakeney and J. McKeough "Recent Developments in the Law of Passing Off" (1984) 12 Aust. Bus. L. Rev. 17 at p.37. This principle appears to have been observed in Simon's Bakery Ltd. v. Tiffany Frozen Foods Ltd. supra n.212.

218 Parkdale Custombuilt Furniture Pty. Ltd. v. Puxu Pty. Ltd. (1982) 56 ALJR 715 at 716; Adidas Sportschuh Fabriken Adi Dassler K.G. v. Charles O'Neill & Co. Ltd. [1983] FSR 76 (Irish High Court). cf. Taverner Rutledge Ltd. v. Specters Ltd. [1959] RPC 355.

219 Supra n.198.

220 Supra n.149, at 7.

221 See Heydon, op.cit. at pp.100-102; Fleming, op.cit. at p.675; Blakeney and McKeough, op.cit. at pp.27-31. The latter authors completed a comprehensive review of the English and Australian authorities and showed how the common field of activity requirement may still be regarded as subsisting in Australia. The requirement is discussed in detail by I. Phillips and A. Coleman in "Passing Off and the 'Common Field of Activity'" (1985) 101 LQR 242.

222 Supra n.169, at 10.

223 Supra n.69, at 7.

224 Ibid. at 10.

225 Ibid. at 24-25.

226 Budget Rent A Car Systems Pty. Ltd. and Ors. v. Mutual Rental Cars Ltd. and Anor. supra n.69, at 109.

227 In the United States, there is s.43(a) of the Lanham Act 1946 (60 Stat.427) and in Canada, certain types of activity broadly within the scope of passing off are prohibited by legislation which then refers to "any act or...business practice contrary to honest industrial or commercial usage in Canada" (R.S.C. 1970 C.T.-10 s.7(e)). Both statutes are noted in Dworkin, op.cit. at p.241. In Australia, the provisions of Part V of the Trade Practice Act 1974 (Cth.) enable protection of the consumer public and other traders by prohibiting unfair trade practices.

228 See Garnsey, op.cit. at p.83; and (1985) T.C.L. 5/1. The preparation for this legislation has been unofficially confirmed by several barristers working in this area in Wellington (personal communications, July-September 1985). It is understood that a Bill, though of course officially it does not yet exist, has been drafted and will be laid in the House of Representatives in October 1985.

229 Garnsey, op.cit. at p.79.

230 M. Blakeney "The Protection of Industrial and Intellectual Property Rights under Section 52 of the Trade Practices Act 1974" (1984) 7 UNSWLJ 39 : see Trade Practices Commission Private Actions under the Trade Practices Act (Canberra, 1981).

231 M. Blakeney "Old Wine in New Bottles: Influence of the Common Law on the Interpretation of Section 52 of the Trade Practices Act" (1984) 58 ALJ 316 at p.317.

232 (1978) 140 CLR 216 at 226.

233 See, for example, Weitmann v. Katies Ltd.(1977) 29 FLR 336 at 339.

234 (1982) 42 ALR 177 at 197.

235 Blakeney, supra n.231 at p.326.

236 Idem.

237 Supra n.69. at 92.

238 Garnsey, op.cit. at pp.65-66.

239 But whether the traders are engaged in the same field of activity may be relevant in considering whether the public has been deceived.

240 Supra n.15 at 743.

241 See, for example, Budget Rent A Car Systems Pty. Ltd. and Ors. v. Mutual Rental Cars Ltd. and Anor. supra n.69, at 94.

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