

HIGH COURT

[1983-1984.

H. C. OF A.  
1983-1984.

MOORGATE  
TOBACCO  
CO. LTD.

v.

PHILIP  
MORRIS LTD.  
[No. 2].

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vain in the majority judgment for any identification of the ingredients of that general wrong.

Not surprisingly in a court of which Holmes J. and Brandeis J. were members, the muddled birth of the new action was not an occasion for unanimity. Holmes J., in what was essentially a dissenting judgment, held that the complainant was entitled to but limited relief on the basis of inverse passing off and that any entitlement to wider relief was a matter for the legislature and not for the court. Brandeis J. filed a strong dissent in which he considered relevant United States and English authorities and concluded that the law did not recognize any general proprietary right in knowledge or information or any general action for unfair competition.

Subsequent decisions of United States courts have tended to isolate rather than develop the doctrine of a general action for unfair competition enunciated in the *International News Service Case* (83). In *Kellogg Co. v. National Biscuit Co.* (84), the Supreme Court reversed decrees of the Third Circuit Court of Appeals which, inter alia, restrained the Kellogg Company from using the term "shredded wheat" in relation to biscuits on the ground that its use constituted "unfair competition". The Supreme Court, in a majority judgment delivered by Brandeis J., implicitly refuted any general doctrine of unfair competition and restricted the relevance of "fairness" to a passing off context: "Fairness requires that it be done in a manner which reasonably distinguishes its product from that of the plaintiff's" (85). In words reminiscent of Brandeis J.'s previous dissent, the majority commented (86):

"Kellogg Company is undoubtedly sharing in the goodwill of the article known as 'Shredded Wheat'; and thus is sharing in a market which was created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the goodwill of an article unprotected by patent or trade-mark is the exercise of a right possessed by all — and in the free exercise of which the consuming public is deeply interested."

In *Sears, Roebuck & Co. v. Stiffel Co.* (87) and *Compco Corp. v. Day Brite Lighting Inc.* (88), the Supreme Court reaffirmed the approach which it had adopted in the *Kellogg* case.

Nor has the doctrine of a general action for unfair competition

(83) (1918) 248 U.S. 215 [63 Law. Ed. 211].

(84) (1938) 305 U.S. 111, at p. 123 [83 Law. Ed. 73, at p. 81].

(85) (1938) 305 U.S., at p. 120 [83 Law. Ed., at p. 79].

(86) (1938) 305 U.S., at p. 122 [83 Law. Ed., at p. 80].

(87) (1964) 376 U.S. 225 [11 Law. Ed. (2d) 661].

(88) (1964) 376 U.S. 234 [11 Law. Ed. (2d) 669].

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enunciated in *International News Service* evoked general enthusiasm in subordinate United States courts. In cases where the broad concept of "unfair competition" has been applied, as distinct from cases where the phrase has been used as a synonym of passing off, the attempts to define it have tended to involve resort to high-sounding and uninformative generalizations such as "fundamental rules of honesty and fair dealing" and "acts that shock judicial sensibilities": see V.L. Knight, "Unfair Competition: A Comparative Study of Its Role in Common And Civil Law Systems", *Tulane Law Review*, vol. 53 (1978), pp. 168-169. The general, though by no means universal, trend in lower courts has been to follow the approach adopted by the Second Circuit Court of Appeals and to restrict the decision in *International News Service* to its particular facts. That approach was most strongly expressed in *Cheney Bros. v. Doris Silk Corporation* (89) in a judgment delivered by Judge Learned Hand:

"... we think that no more was covered than situations substantially similar to those then at bar. The difficulties of understanding it otherwise are insuperable. We are to suppose that the court meant to create a sort of common-law patent or copyright for reasons of justice. Either would flagrantly conflict with the scheme which Congress has for more than a century devised to cover the subject-matter."

As Professor Morison has remarked ("Unfair Competition at Common Law", *University of Western Australia Law Review*, vol. 2 (1951), p. 37), the decision in *International News Service*, which was hailed in the United States as a "landmark" in the law of unfair competition, has been seen even in that country to be more properly described as an island. Indeed, in a recent United States case (*Jacobs v. Robitaille* (90)), the "legal concept" of unfair competition was described as a "child of confusion" which has "spawned a body of law that lacks in judicial definition and scope".

The notion of a general action for "unfair trading" or "unfair competition" has received little encouragement in either the House of Lords or this Court. In so far as the House of Lords is concerned, it suffices to refer to the recent decision in *Warnink Bestolen Venootschap v. J. Townend & Sons (Hull) Ltd.* (91). In that case, their Lordships were concerned to decide whether the appellants had a cause of action against the respondents who had, in Lord Diplock's words (92), engaged in "unfair, not to say dishonest trading". It was held that the question fell to be answered not by reference to any

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(89) (1929) 35 F. (2d) 279, at p. 280.

(90) (1976) 406 F. Supp. 1145, at  
p. 1151.

(91) [1979] A.C. 731.

(92) [1979] A.C., at p. 740.

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general notion of unfair trading or competition but by reference to what Lord Diplock (in a speech with which Viscount Dilhorne, Lord Salmon and Lord Scarman agreed) identified as the "five characteristics which must be present in order to create a valid cause of action for passing off" (93). Lord Diplock pointed out (93) that, while it is true that the presence of those five characteristics "indicates what a moral code would censure as dishonest trading", it did not follow that all factual situations which present them "give rise to a cause of action for passing off" in an "economic system which has relied on competition to keep down prices and to improve products". He added that "[t]he market in which the action for passing off originated was no place for the mealy mouthed; advertisements are not on affidavit; exaggerated claims by a trader about the quality of his wares, assertions that they are better than those of his rivals even though he knows this to be untrue, have been permitted by the common law as venial 'puffing' which gives no cause of action to a competitor even though he can show that he has suffered actual damage in his business as a result" (93).

In so far as this Court is concerned, one need go no further than the decision in *Victoria Park Racing and Recreation Grounds Co. Ltd. v. Taylor* (94). In that case, a majority of the Court, in confirming the dismissal of an action to restrain a radio station broadcasting descriptions of horse races conducted on the plaintiff's land made from a platform erected on adjoining land for that purpose, expressed conclusions which correspond closely with those of Brandeis J. in the *International News Service Case* (95). Dixon J. (96) commented that the reasons of Brandeis J. substantially represented "the English view" which he described (97) in terms which involved a rejection of the reasoning underlying the majority judgment in *International News Service*:

"[t]he fact is that the substance of the plaintiff's complaint goes to interference, not with its enjoyment of the land, but with the profitable conduct of its business. If English law had followed the course of development that had recently taken place in the United States, the 'broadcasting rights' in respect of the races might have been protected as part of the quasi-property created by the enterprise, organization and labour of the plaintiff in establishing and equipping a racecourse and doing all that is necessary to conduct race meetings. But courts of equity have not in British jurisdictions thrown the protection of an injunction around all the intangible elements of value, that is, value in

(93) [1979] A.C., at p. 742.

(94) (1937) 58 C.L.R. 479.

(95) (1918) 248 U.S. 215 [63 Law.  
Ed. 211].

(96) (1937) 58 C.L.R., at p. 509.

(97) (1937) 58 C.L.R., at pp. 508-  
509.

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exchange, which may flow from the exercise by an individual of his powers or resources whether in the organization of a business or undertaking or the use of ingenuity, knowledge, skill or labour. This is sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests and not under a wide generalization."

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His Honour added (98) that the judgment of Brandeis J. contained "an adequate answer both upon principle and authority to the suggestion that the defendants are misappropriating or abstracting something which the plaintiff has created and alone is entitled to turn to value". Dixon J. identified that answer as being that "it is not because the individual has by his efforts put himself in a position to obtain value for what he can give that his right to give it becomes protected by law and so assumes the exclusiveness of property, but because the intangible or incorporeal right he claims falls within a recognized category to which legal or equitable protection attaches".

The rejection of a general action for "unfair competition" or "unfair trading" does not involve a denial of the desirability of adopting a flexible approach to traditional forms of action when such an approach is necessary to adapt them to meet new situations and circumstances. It has not, for example, prevented the adaptation of the traditional doctrine of passing off to meet new circumstances involving the deceptive or confusing use of names, descriptive terms or other indicia to persuade purchasers or customers to believe that goods or services have an association, quality or endorsement which belongs or would belong to goods or services of, or associated with, another or others: see, e.g., *Warnink v. Townend & Sons* (99); *Henderson v. Radio Corporation Pty. Ltd.* (1). 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 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,

(98) (1937) 58 C.L.R., at p. 509.

(1) [1960] S.R. (N.S.W.) 576.

(99) [1979] A.C., at p. 739ff.

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under high-sounding generalizations, for judicial indulgence of idiosyncratic notions of what is fair in the market place.

In the result, Moorgate has failed to establish any right to relief in Loew's or itself by reference to any recognized cause of action. That being so, its suit against Philip Morris was rightly dismissed. It is unnecessary to consider whether, if it had been established that Philip Morris had acted in breach of some fiduciary or other non-contractual duty which it had initially owed to Loew's, it was also established that the benefit of the duty owed or the right to sue for its breach had been effectively assigned to Moorgate.

The appeal should be dismissed with costs.

DAWSON J. I have had the advantage of reading the reasons for judgment of Deane J. I agree with those reasons and with the conclusions which he reaches. There is nothing which I can usefully add.

*Appeal dismissed with costs.*

Solicitors for the appellant, *Allen Allen & Hemsley.*

Solicitors for the respondents, *Dawson Waldron.*

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ANNEX 2

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THE SHELL COMPANY OF AUSTRALIA	}	APPELLANT ;
LIMITED . . . . .		
RESPONDENT,		
AND		
ROHM AND HAAS COMPANY AND	}	RESPONDENTS,
ANOTHER . . . . .		
APPLICANT AND REGISTRAR,		

<i>Trade Mark—Rectification of register—Expunging mark—" Person aggrieved"—</i>	H. C. of A.
<i>Registration of mark lodged subsequent to but accepted and registered prior to</i>	1948-1949.
<i>acceptance of application previously lodged and then pending for registration of</i>	1948.
<i>similar mark in respect of same class—Opposition proceedings—Resemblance</i>	SYDNEY,
<i>of marks—Likelihood of deception—Proceedings by proprietor of later accepted</i>	Sept. 22.
<i>mark to expunge from register entry re prior accepted and registered mark—</i>	MELBOURNE,
<i>Registrar—Duty to deal with applications in order of date—" Already on the</i>	Oct. 7.
<i>register"—Date of application or date of registration—Proprietorship of mark</i>	Williams J.
<i>—Proceedings—Notice to registrar—Joining of registrar as party—Trade Marks</i>	1949,
<i>Act 1905-1936 (No. 20 of 1905—No. 75 of 1936), ss. 16, 25, 27-29, 32, 33,</i>	SYDNEY,
<i>47, 71 (1), (3), 114.</i>	April 21, 22 ;

The provisions in s. 47 of the *Trade Marks Act* 1905-1936, that the date of lodging an application for the registration of a trade mark shall be deemed to be the date of registration implies that as between two persons who apply to register marks proposed to be used upon the same goods or description of goods which are identical or so nearly resemble one another as to be likely to deceive, the person who lodges the application which is prior in point of time is, in the absence of the second applicant having a prior or superior title to the mark, entitled, before he obtains registration of his alleged mark, to oppose the other mark being registered, or if it has been registered to have the mark expunged on the ground that it was wrongly made in the register.

So held by Williams J. and, on appeal, by Rich, Dixon and McTiernan JJ. and semble by Webb J., Latham C.J. dissenting.

The registrar of trade marks should not be made a party to an application by a " person aggrieved," but notice of such application, as required by s. 71 (3) of the *Trade Marks Act* 1905-1936, should be given him.

Williams J.  
1949,  
SYDNEY,  
April 21, 22 ;  
Aug. 3,  
Latham C.J.,  
Rich, Dixon,  
McTiernan and  
Webb JJ.