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The relevance of prior trade mark use in the common law of the United Kingdom*

Summary

In regard to the requirements for passing-off, a reputation is a necessary element. A goodwill in the country is required. With regard to the acquisition of rights, some decisions held that a business could be protected even prior to its commencement of trading. With regard to concurrent use, it can relate to a group of plaintiffs. Use of a mark by unrelated parties can have the effect that neither party can act against the other. Insofar as the honesty of the adoption of a mark is concerned, the position appears to be that it is possible to obtain protection, even though the plaintiff was aware of the use of the mark by another.

Die relevansie van voortydige gebruik in die Verenigde Koninkryk

Die regsposisie in die Britse reg blyk te wees dat, insoverre dit aanklamping betref, die vereiste van reputasie gestel word. "Goodwill" in die land is ook 'n vereiste. Met betrekking tot de verkryging van regte, het sommige sake beslis dat 'n onderneming beskerming kan verkry selfs voordat daar begin is om handel te dryf. Insoverre dit gelyktydige gebruik betref, kan dit in verband gebring word met 'n groep eisers. Gebruik deur onverwante partye kan beteken dat geeneen van die partye teen mekaar kan optree nie. Met betrekking tot die eerlikheid van die aanvaarding van 'n handelsmerk, blyk dit dat beskerming moontlik is, al was die gebruiker bewus van die gebruik van die merk deur 'n ander persoon.

* Based on the author's *The Relevance of Prior Use in Trade Mark Conflicts* unpublished doctoral thesis Unisa (2005) (available at www.bowman.co.za)

1. Introduction

English Law provides protection against the unauthorised use of a trade mark essentially on two bases. That is, firstly, the common law, and, secondly, statutory law. The various principles of the common law will now be considered. The discussion should be seen against the background of prior use as the determining factor insofar as priority of rights is concerned. The particular decisions are relevant to South African jurisprudence as our courts often refer to English cases on the issue of prior use in a common law context.

2. The relevance of prior use in a common law context

2.1 Nature of right being protected

2.1.1 Earlier decisions

It is of interest to briefly note the historical development of views on the nature of the right that is being protected when someone has used a trade mark.¹ Kerly² states that at the time of the introduction of legislation regarding trade marks during 1875, it was accepted that property in a trade mark existed from the moment that it was first used on goods within the market. According to *Nicholson's Application*,³ rights were obtained through mere use. Kerly⁴ states that this judgment distinguishes the case of a mark which is *prima facie* non-distinctive and is to the effect that such a mark does not become a trade mark at all until by reputation in the market it has come to denote the goods of the trader using it. In view of the acceptance that a trade mark was itself a form of property and that the trader who used it might be entitled to protection from the moment when he places goods on the market bearing the trade mark, some form of distinction based on the nature of the mark was necessary. This matter again came to the fore in the well-known decision of *Reddaway v Banham*⁵ where Lord Herschell doubted⁶ whether it is accurate to speak of there being property in a trade mark. In *Burberrys v J.C. Cording*⁷ it was also stated⁸ that there is only property in the goodwill that will be injured through the use of a mark. This view was later confirmed in the decision in *Spalding v Gamage*.⁹

1 Kerly 1951:388.
2 Kerly 1951:388.
3 1931 [RPC] 227.
4 Kerly 1951:389.
5 1896 [RPC] 218.
6 At 228.
7 1909 [RPC] 693.
8 At 701.
9 1915 [RPC] 273.

2.1.2 Modern views

2.1.2.1 Writers

Writers on the matter in a modern context also follow, in general, the approach of stressing the importance of viewing the action for passing off as a remedy to protect the goodwill of the business as a whole. Wadlow¹⁰ states that passing-off does not directly protect trade marks or other indicia, nor does it recognise them as forms of property in their own right. According to him there is no such thing as an action for infringement of a common law trade mark. It has been stated,¹¹ with reference to case law, that the view has been rejected that it was the proprietary rights of the trader in the mark, name or get-up which were themselves protected. That is not to say, however, that the effect of the modern law of passing off is to deny protection to a mark, name or get-up, but rather that the modern law of passing off is not focused upon those indicia as such, but is aimed at something different. It is this distinction which is often lost, hence the many judicial dicta aimed at explaining what is, in truth, a relatively simple legal concept.

Cornish¹² places this aspect in a different perspective. He states that an action for misrepresentation will lie even where the defendant is innocent and relief may be granted without proof of actual damage but simply because of the likelihood of further injury. This would carry passing off further than most other economic torts. In view of this potentially wide-ranging form of liability, judges have in the past been careful to ensure that this form of liability is not imposed in an indiscriminate manner. He states¹³ that this caution is expressed in the refusal to treat rights arising from the use of a trade mark as providing a fully-fledged right of property in that mark. All that the common law protects through the passing off action, is the goodwill that exists between a trader and his customers, which the trade mark helps to sustain. Accordingly, there is no property in the name as such. Furthermore, his rights against imitators last only so long as he does not abandon his business, and he cannot by assignment give another trader the power to sue for passing-off unless he assigns his business at the same time. This principle also restricts the tort to injury in the course of trade. Cornish states this succinctly: "One person cannot object if the name by which his house is known is used by the house next door."¹⁴

2.1.2.2 Case law

The distinction between rights in a common law context as opposed to a statutory context was recognised in *Norman Kark Publications Limited v Odhams Press Limited*.¹⁵ A raised the argument¹⁶ that once they have proved a right to the

10 Wadlow 1995:45.

11 *Morcom et al* 1999:241.

12 Cornish 1999:619.

13 Cornish 1999:619.

14 Cornish 1999:620.

15 1962 [RPC] 163.

16 At 169.

mark by user and reputation, the mark becomes theirs and acquires a status analogous to that of a registered mark. The court, however, adopted¹⁷ the approach that rights are established through user and reputation.

In the decision in *Taittinger v Allbev Ltd*¹⁸ the concept of dilution seems to have been accepted as a ground for common law protection. There the use of the word Champagne in relation to a carbonated non-alcoholic soft drink was prohibited. The court made reference, *inter alia*, to “The consequences of debasement, dilution or erosion ...”¹⁹ and stated that “Any product which is not Champagne ... must inevitably...erode the singularity and exclusiveness of the description Champagne ...”.²⁰ The ruling of the Court of Appeal, recognising the concept of dilution of an unregistered mark, may, in the view of Annand and Norman,²¹ signify the start of a move towards treating the common law trade mark as an item of property. The provisions of section 56 of the *Trade Marks Act 1994* are also of relevance. This section provides protection for well-known marks as envisaged in the Paris Convention, whether or not the proprietor carries on business, or has any goodwill in the United Kingdom.²² Having regard to the *Taittinger* decision²³ and section 56, writers²⁴ make the observation:

If the presence of goodwill is not required for liability under section 56, but instead merely reputation, why should goodwill continue to be relevant for passing off generally? And if reputation alone suffices, does this not mean that the property right which is being infringed resides in the mark itself? Although this last point would seem heretical, it can be argued that it is entirely in accord with the recognition of the dilution of an unregistered trade mark in *Taittinger v Allbev Ltd* ... *Dilution*, as has been noted, exists not to prevent customer confusion, but to stop the erosion of the advertising power of the trade mark. *The logical conclusion of dilution is that there is property in an unregistered mark.*

2.2 Basis of protection

The basis of protection is the tort of passing off, but the existence of a wider form of liability has sometimes been mooted. There is considerable interaction between Australian and English decisions on the issue at hand, and it is, therefore, relevant to briefly consider, firstly, two leading Australian cases.

17 At 171.

18 1993 [FSR] 641.

19 At 674.

20 At 678.

21 Annand & Norman 1994:24.

22 fn 18.

23 fn 18.

24 Annand & Norman 1994:32 (own emphasis).

2.2.1 Australia

A wider form of liability apparently featured in *Cadbury-Schweppes Pty Ltd v The Pub Squash Co. Ltd*²⁵ where A developed a television and radio advertising campaign based on certain themes and slogans, and also introduced a product with a get-up in accordance with the former. Two years later B launched a product of a similar nature and chose a similar theme for their television advertising campaign. Rejecting the claims based on passing off, the Privy Council stated²⁶ that there is a wider ambit in terms of what is being protected, but there was no suggestion by the court that the remedy concerned is anything other than passing off.

Reference was also made to the term “unfair competition” in the decision of *Moorgate Tobacco Ltd v Philip Morris Ltd*²⁷ in which reliance was placed on certain information passed from a licensor to a licensee, and which was said to be confidential. According to the licensor, the use of the information by the licensee amounted to unfair competition. The court rejected the claim and stated²⁸ that so-called unfair competition does not, in itself, provide a sufficient basis for relief.

2.2.2 English law

Insofar as English law is concerned, the position is that the term “unfair trading” has been used on occasion. For instance, in *Erven Warnink B.V. v J. Townend & Sons (Hull) Ltd*,²⁹ Lord Diplock stated that unfair trading is a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill.

According to Wadlow,³⁰ the guiding principle still seems to be that stated in *Mogul Steamship Co. v McGregor Gow*,³¹ where it was said that to draw a line between fair and unfair competition, between what is reasonable and unreasonable, is a power that falls outside the reach of the courts.³² It is also now settled law that the “drinks” cases³³ are all examples of passing off and that no more general theory of unlawful competition is required to explain them. Wadlow refers to a number of other cases of interest. In the matter of *Harrods v Schwartz-Sackin*,³⁴ the plaintiff adopted the approach that unfair competition may exist in circumstances where the goodwill of someone is appropriated even without a misrepresentation, but the relief granted by the court was based on a contractual arrangement between the parties. In the later decision of *Mail Newspapers v Insert Media (No. 2)*,³⁵ the plaintiff, in a passing-off action, wished to introduce the additional

25 1981 [RPC] 429.

26 At 490.

27 1985 [RPC] 219.

28 At 236.

29 1980 [RPC] 31.

30 Wadlow 1995:38.

31 (1889) 23 Q.B.D. 598 (CA).

32 Wadlow 1995:38.

33 See the discussion at par 2.3 *infra*.

34 1986 [FSR] 490.

35 [1988] All E.R. 420.

ground for relief that the defendant was liable for unfair trading. The court, however, refused the amendment on the basis that it was unarguable and insufficient in law. The legal position is summarised by Wadlow³⁶ by stating that although there is no general tort of unfair competition in English law, the existence of a tort of unlawful interference with business is accepted, and this may perhaps be more “protean” than passing-off. The details of this remedy are, however, still to be fleshed out. Kerly³⁷ concludes that there is no doubt that broad liability on the basis of unfair competition would assist plaintiffs whose cause of action does not fall within the traditional criteria for passing off.

2.3 Requirements for protection

The remedy of passing off is of paramount importance in the common law. There is relatively general agreement regarding the requirements for a passing-off action.³⁸ However, in defining the requirements more closely, a distinction is made in terms of two forms of the tort of passing off, namely the classic form, as typified by the “classical trinity,” and the “extended” form as found in the so-called “drinks” cases, being the *Champagne*,³⁹ *Sherry*⁴⁰ and *Advocaat*⁴¹ decisions. These aspects are now considered.

2.3.1 The classic form

In the case of *Reckitt and Colman Products Limited v Borden*⁴² the court relied on the classical trinity in their definition of the elements of the cause of action of passing off. Lord Oliver stated⁴³ that the following must be proven. First, that a goodwill or reputation exists through public identification with the distinctive mark; that a misrepresentation was made, and that he suffers, or is likely to suffer, damage by reason of the erroneous belief engendered by the misrepresentation.

2.3.2 Extended form

Kerly⁴⁴ states that the reversion to the classical trinity in the *Reckitt* case⁴⁵ followed the attempts by Lords Diplock and Fraser in the *Advocaat* case⁴⁶ to formulate propositions of the law of passing off to take account of its extended form. Lord Diplock’s formulation⁴⁷ involved the requirements of (1) a misrepresentation

36 Wadlow 1995:39.

37 Kerly 2001:441.

38 See Young 1995:2; Drysdale & Silverleaf 1986:11; Cornish 1999:621; Morcom *et al* 1999:242; Wadlow 1995:1; Michaels 1996:115.

39 *Bollinger v Costa Brava Wine Company Ltd* 1961 [RPC] 116.

40 *Vine Products v MacKenzie* 1969 [RPC] 1.

41 *Erven Warnink B.V. v J Townend & Sons (Hull) Ltd* 1980 [RPC] 31.

42 1990 [RPC] 341.

43 At 406.

44 Kerly 2001:415.

45 fn 42.

46 fn 41.

47 At 93.

(2) made in the course of trade (3) to customers (4) which is calculated to injure the business or goodwill (in the sense that this is a reasonably foreseeable consequence) concerned, and (5) which causes actual damage.

Insofar as later cases that considered these tests are concerned, it is of relevance to have regard to the decision in *Harrods Limited v Harrodian School Limited*.⁴⁸ Millett LJ said⁴⁹ that he found the approach of Lord Oliver more helpful than that of Lord Diplock in two regards. First, Lord Oliver stated that the claimant must show not a goodwill or reputation in his trade mark, but a goodwill or reputation attaching to the goods or services which is supplied by association with the identifying name or get-up. Secondly, since it was in general not desirable or possible to consider whether there has been a misrepresentation separately from the effect on the minds of the public of the use of the mark or get-up adopted by the defendant, it was appropriate to take the first of Lord Diplock's elements ("misrepresentation") and the fourth element ("calculated to injure") together.

2.3.3 Does compliance with all the requirements imply that passing off is present?

The question arises whether all cases where the requirements set out in the above cases are present would amount to passing off. This question was answered in the negative in the important *Erven Warnink* decision⁵⁰ where Lord Diplock stated⁵¹ that in formulating general propositions of English law, one must be particularly careful to beware of "the logical fallacy of the undistributed middle." In regard to this statement of Lord Diplock, it was said in *SDS Biotech UK Limited v Power Agrichemicals Limited*⁵² that even if the plaintiffs were right in that they fall within the principles set out by their Lordships,⁵³ it did not mean that their complaint does not fall within the undistributed middle that Lord Diplock referred to.⁵⁴

2.3.4 The decisive role of deception

The decisive role that one particular element, namely that of deception plays, was stressed in some cases. It has been stated by writers,⁵⁵ with reference to the decision of Jacob J in *Hodgkinson and Corby Limited v Wards Mobility Services Limited*⁵⁶ that to extend the ambit of the law of passing-off beyond the relevant type of deception could stifle competition. The writers refer to the views of Jacob J⁵⁷ which are to the effect that there is no tort of copying or

48 1996 [RPC] 697.

49 At 711.

50 1980 [RPC] 31.

51 At 93.

52 1995 [FSR] 797.

53 See the *Erven Warnink* case (fn 51).

54 1995 [FSR] 797, at 804.

55 *Morcom et al* 1999:243.

56 1995 [FSR] 169.

57 At 174.

the taking of a man's market or customers; nor is the market or customers the claimant's own; there is also no tort of making use of another's goodwill as such; there is also no tort of competition.

2.4 Use by foreign plaintiffs

Before considering the establishment of a reputation, it is necessary to briefly consider the approach of English law towards the aspect of goodwill. In particular, whether prior use in England is required? This issue is discussed with reference to a number of cases that are grouped according to the nature of the business activity involved.

2.4.1 Fashion industry

The question whether it was necessary to have a business in the United Kingdom, in order to obtain protection, featured in *Poiret v Jules Poiret Ltd*.⁵⁸ A was a well-known designer of women's dresses conducting business in Paris. His products were exported to England. Three to four times a year he sent an assistant to England with dress models which he sold to English dressmaking firms. His products acquired a great reputation in England. He, *inter alia*, displayed his creations at the residence of the Prime Minister. This event engendered a lot of publicity in the English press. The court held⁵⁹ that at all relevant times A had a reputation in England in the name Poiret.

The presence of customers in the country could be sufficient, according to *Globe Elegance B.V. v Sarkissian*.⁶⁰ A was a well known fashion designer conducting business in Rome. His fashion shows were attended by buyers from the United Kingdom. He presented collections in London and clothes made from his patterns were sold in London under his Valentino trade mark. A's activities were accorded publicity in various international magazines and his products were also sold within the United Kingdom.

B wished to establish a men's fashion business in London under the name Valentino. A applied for an interlocutory injunction to restrain B from passing off its business as that of A. The court considered⁶¹ it relevant that there would be a number of English consumers that have been abroad and may have visited one or more Valentino boutiques, and they would include European and American visitors to England who also visited such boutiques. Members of the public will also include readers of newspaper and magazines to whom the name Valentino means a businessman who produces high class fashions which have been the subject of the articles. They may even include people who have some memories of the fashion shows done by A.⁶²

58 1920 [RPC] 177.

59 At 184.

60 1974 [RPC] 603.

61 At 613.

62 At 613.

The court accordingly ruled that there are a sufficient number of persons who might be confused.

2.4.2 Hotel industry

That protection could be available even if the business is carried on primarily abroad, appears from *Sheraton Corporation of America v Sheraton Hotels Ltd.*⁶³ In this matter, A owned a chain of hotels in the United States and various other countries. He placed advertisements for these hotels in the United Kingdom and obtained reservations for them through an office maintained in the country. B concluded an agreement with a government department for the construction of a hotel at an airport. A received enquiries from traders that have been misled by the similarity of names into thinking that A is responsible for the airport hotel project. A applied for an interlocutory injunction to restrain B's passing off. It was accepted by the court that B's choice of its company name was self-evident, and that notwithstanding the fact that A's business was primarily carried on abroad, he nonetheless had a reputation in the United Kingdom which could be injured by confusion. Accordingly, an injunction was granted.

2.4.3 Entertainment industry

The importance of use in the country was emphasised in *Alain Bernardin Et Compagnie v Pavilion Properties Limited.*⁶⁴ A was the owner of a well-known nightclub in Paris, The Crazy Horse Saloon. Promotional material was circulated to hotel authorities and tourist organisations within Great Britain. Evidence was submitted of a number of British customers visiting the business of A as well as its considerable annual turnover. B established a business under the same name and put out advertisements stating, "Crazy Horse Saloon comes to London".

The court made reference to the view of Kerly that it is sufficient if a reputation exists in England, and that it did not matter whether the reputation was acquired by user there or in any other way.⁶⁵ The court said that there must, however, be some kind of user in the country, as was the case in the *Sheraton* decision.⁶⁶

The court concluded⁶⁷ that A has not shown a *prima facie* ground for an injunction as he did not prove any goodwill or reputation existing within the country.

63 1964 [RPC] 202.

64 1967 [RPC] 581.

65 At 587.

66 fn 63.

67 1967 [RPC] 581, at 588.

2.4.4 Liquor industry

The importance of goodwill next to a reputation, was mentioned in *Island Trading Company v Anchor Brewing Company*.⁶⁸ A used the word “steam” in relation to its beer since July 1987. B, which was founded in 1896 in the United States, commenced use of the word steam in relation to imported beer in the United Kingdom in July 1988. He did have a reputation amongst beer connoisseurs in the United Kingdom and the product was referred to in a specialist beer guide. The court held,⁶⁹ with reference to the decision in *Anheuser-Busch v Budjovicky Budvar NP*,⁷⁰ that the basic question is whether there is a misrepresentation, and that a reputation, without goodwill, will not constitute a defence, unless the reputation is of such an extent as to counter the plaintiff’s claim that its mark distinguishes the goods.

2.4.5 Groceries

The fact that mere advertising would not be decisive, is evident from the decision in *S. Chivers & Sons v S. Chivers & Co*.⁷¹ In deciding on a dispute between rival table jelly manufacturers, originally conducting business in different geographical areas, the court rejected the proposition that advertising is sufficient to establish rights in other parts of the countries.⁷² It was said that advertising, distinguished from trade, is nothing.

2.4.6 Renting of equipment

In *Metric Resources Corporation v Leasemetrix Ltd*,⁷³ it was accepted that previous case law does not establish that the owner of a business carried on outside his jurisdiction could establish no protectable goodwill prior to trading. A conducted business in the United States of America and Canada under the name of Leasametric. It rented out electronic equipment. The company advertised extensively, and advertised, among others, in journals with subscribers in the United Kingdom.⁷⁴ A had no place of business in England but for some time it had been considering doing so and recently took some active steps towards achieving that objective. B was also engaged in the business of hiring out electronic equipment, and adopted the name Leasemetrix. B knew about A’s name. The conclusion the court reached, was that it was not satisfied that the law was so plainly against A that the claim for an interlocutory injunction was to be denied.

68 1989 [RPC] 287.

69 At 304.

70 1984 [FSR] 413.

71 1900 [RPC] 420.

72 At 431.

73 1979 [FSR] 571.

74 At 573.

2.4.7 Retail services

In terms of the ruling in *The Athletes Foot Marketing Associates Inc v Cobra Sports Limited*⁷⁵ it is not necessary for a business to actually carry on business in the country. A carried on business in the United States which consisted of the granting of franchises to independent stores to carry on the business of supplying footwear to athletes. They had a large number of franchised stores and an extensive reputation in the United States, and had taken steps to introduce franchises into the United Kingdom. No agreement had, however, been concluded and no sales had been made. Furthermore, no evidence was introduced that disclosed that sales had been made abroad to visitors from the United Kingdom. An injunction was sought to prevent B from carrying on business whilst utilising A's trade mark. In coming to its decision, the court indicated that the main question to be answered is what connection with the country is required before a plaintiff can succeed in an action for passing-off.⁷⁶ In this regard the court distinguished between two schools of thought. In terms of the "hard-line" school, it is maintained that it is essential for the plaintiff to have carried on trade in the country.

Another school of thought, which is less demanding, suggests that something less than that will suffice. The court aligned⁷⁷ itself with a statement in the *Metric Resources* decision,⁷⁸ which was to the effect that the final decision between the two schools of thought is a difficult matter requiring mature consideration and detailed argument, and is best not dealt with on motion. After a review of all the relevant decisions the court summarised the legal position⁷⁹ and said that it does not matter that the plaintiffs are not at present actually carrying on business in the country, provided that they have customers there. Relief was refused.

2.4.8 Summary of discussion on protection of foreign plaintiffs

Whilst the "hard line" approach is current in English law, it appears that the courts often do apply this principle with some reservation. Regard can be had to the following statement in the *Crazy Horse* case:⁸⁰

I conclude with considerable reluctance ... that the plaintiff company has not shown a prima facie ground for an injunction ... If I were able to hold that the plaintiff company had established a reputation in the relevant sense in this country, then I would have no hesitation in holding that the acts of the defendant company were calculated to cause deception or confusion and I would grant an injunction, but I do not think I am entitled to do so.⁸¹

75 1980 [RPC] 343.

76 At 349.

77 At 349.

78 fn 73.

79 1980 [RPC] 343, at 357.

80 fn 64.

81 1967 [RPC] 581, at 588 (own emphasis).

It is submitted that, in this regard, the time may be opportune for a change in the approach of English law towards this issue. There is in any event a discrepancy in this regard between the common law and statutory positions, in view of the provisions of section 56 of the *Trade Marks Act 1994*. This section provides protection for well-known marks as envisaged in the Paris Convention, whether or not the proprietor carries on business, or has any goodwill in the United Kingdom. The latter's impact, in the words of Cornish,⁸² will be to override the "scruple requiring," for passing off, of a business base in the country.

2.5 Acquisition of rights

Various decisions dealt with the question as to when it can be said that a reputation and goodwill has been established which can be protected, and also whether actual trading is a requirement for protection. The relevant date for determining the existence of a reputation is the date on which the defendant commenced use.

2.5.1 Reputation created by press releases

In the following two decisions the issue was whether protection could be granted to entities that were new, and which had a reputation created, in a sense, only by way of press releases.

In the case of *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd*⁸³ news of the incorporation of A under the name of Fletcher Challenge, which was formed through the merger of three New Zealand companies, was announced to the Stock Exchange of New Zealand on the 22nd of October 1980. On the next day, the 23rd of October 1980, the news appeared in a number of newspapers and financial journals. On the same day, B reserved the company name Fletcher Challenge. A lodged passing-off proceedings. The central question that the court had to answer, and that was raised by the defence, was whether A had a sufficient reputation within the particular state of Australia.⁸⁴ B denied that this existed, either at all or at what was submitted to be the relevant dates, the date of reservation of the name or the date of incorporation. This flowed from the facts, firstly, that at the date of the reservation of the name A did not exist, and secondly, that not only did A not carry on business in the state at either of the relevant dates, but it still does not carry on business in the particular state.

In relation to the first of these facts, the court found that it is not illegitimate for A to be treated as being entitled to the combined goodwill of all three companies and that, in effect, the announcement of the proposed amalgamation created a new reputation which preceded, albeit by only a few hours, the lodgment of the application for a reservation of the company name. In relation to the second fact, the court stated⁸⁵ that the relevant question is whether A has the necessary

82 Cornish 1999:629.

83 1981 [FSR] 1.

84 At 11.

85 At 12.

reputation and not whether it carries on business in the particular state. The court stated⁸⁶ that it was satisfied that on the evidence tendered, it appeared that if B had to commence trading, it is probable that it would in the minds of people in the finance industries be associated with, or be treated as a part of the Fletcher Challenge Group, a situation which if it arose, could well affect the reputation of A. The court accordingly ruled in favour of A.

Wadlow⁸⁷ considers this reasoning to be “doubtful,” as the plaintiff company was not in existence at the relevant time. In his view the best justification for the ruling is to regard the plaintiff as the *de facto* successors to the goodwill of the three predecessor companies and their accrued rights of action.

A similar approach was followed in the decision in *Glaxo Plc v Glaxowellcome Limited*.⁸⁸ Here A issued a press release on the 23rd of January 1995, announcing a take-over bid which, if successful, would form a new entity, namely Glaxo-Wellcome Plc. On the 24th of January 1995 B filed an application to register the company name Glaxowellcome Limited. There was a statutory procedure in terms of the *Companies Act* enabling the Registrar of Companies to require names to be changed, but the court held that the party who is prejudiced by a company name registration is not obliged to follow this procedure. It was said⁸⁹ that in actions for passing off in similar scenarios, the courts have granted relief requiring the registered name of a company to be changed, irrespective of whether the registered company has traded or not.

In both these decisions protection was thus given although the entities, *eo nomine*, had not yet commenced trading.

2.5.2 Promotional activities prior to trading

The placing of advertisements was considered not to provide rights in *Maxwell v Hogg*.⁹⁰ In this matter A registered, in 1863, an intended magazine. The magazine was not published. In 1866 B, unaware of A's actions, prepared a magazine with the same name as A and incurred considerable expense in preparing it, and extensively advertised it in August and September. It was to appear in October. When this fact came to A's attention, he made hasty preparations for bringing out his own magazine before that of B could appear and in the interim also accepted an order from B for advertising his magazine on the covers of his own publication. The first time that A informed B that he objected to his publishing a magazine under the same name was on the 25th of September, the day on which the first number of A's magazine appeared. B's magazine appeared in October. The court held that B's advertisements and expenditure did not give him the exclusive right to the use of the name and that he could not restrain A from publishing a magazine under the same name, the first number of which appeared before B had published his.

86 At 13.

87 Wadlow 1995:72.

88 1996 [FSR] 388.

89 At 391.

90 1867 L.R. 2 Ch 307.

A different approach was followed in *W.H. Allen & Co. v Brown Watson Limited*.⁹¹ A obtained a license to publish a complete edition of a work called "My Life and Loves" by Frank Harris. At the time that the book was written, it could not be published in its entirety in view of its frank account of the author's amorous adventures. A obtained the right to publish the book in an unexpurgated format and promoted the book through advertisements and press notices. Ten thousand copies of the book were printed and pre-publication reviews appeared. B obtained the right to publish an expurgated version and decided to publish it under the same title. Advertisements to this effect were placed. At the stage that the first advertisement was published, the book was not yet published,⁹² but at the stage that the motion for an interlocutory injunction was heard, A's book had been published. The court ruled⁹³ that A had acquired a distinctive reputation in the book's title.

The ruling, which is often relied on, has facts that are not altogether clear. However, it would appear that the principle in this case is that the prior advertisements could suffice for protection. Actual sales of the book were thus not a *sine qua non*.

The impact of extensive public exposure was considered to be relevant, although the product was not yet on the market, in *The British Broadcasting Corporation v Talbot Motor Corporation*.⁹⁴ The BBC experimented with a traffic information system capable of being received in a vehicle. The system was named Carfax. The defendants wished to use the mark in relation to a vehicle spare parts service. The BBC's system was not in operation yet. The court, however, ruled in favour of the BBC, and stated⁹⁵ that the BBC has nonetheless established a goodwill which it was entitled to protect. The evidence, *inter alia*, indicated that the mark was featured on a television programme seen by 3 million people.

The court in *My Kinda Bones Ltd v Dr. Peppers Stove Co. Ltd*⁹⁶ set out a number of perspectives that can be followed in relation to the issue under discussion. In this matter A and B both intended to use names in relation to restaurants specialising in spare ribs which would include the words Rib Shack. Neither restaurant had been opened. A, however, claimed that by virtue of his vast publicity he had acquired a goodwill and reputation in relation to his planned restaurant. The steps taken by him included the following.⁹⁷ He devised a menu, selected premises and concluded a lease, finalised arrangements for the employment of personnel, the design of décor, uniforms, etc. He also caused considerable publicity to appear in the media, made the fact that he was going to open a restaurant known amongst existing customers of his, and also served spare ribs at that restaurant.

91 1965 [RPC] 191.

92 This interpretation of the facts is that of Wadlow 1995:69.

93 1965 [RPC] 191, at 194.

94 1981 [FSR] 228.

95 At 233.

96 1984 [FSR] 289.

97 At 294–295.

The court set out⁹⁸ the requirements which it considers would be relevant in a case such as that under consideration. The basic principle is that a substantial number of customers or potential customers must at least have had the opportunity to assess the merits of those goods or services for themselves. Furthermore, at least some entry on the market by the particular goods or services under the particular relevant name was ordinarily necessary. Although the court ruled in favour of A, its judgment should be seen in context.

Wadlow's⁹⁹ view is that advertising directed at a specific market in actual preparation for trading should be considered to generate sufficient goodwill for a passing off action. He refers to *Terrapin v Ariston Buildings*¹⁰⁰ where advertisements were considered in a similar light as goods actually sold and bought. As stated, the approach followed in the *My Kinda Bones* case¹⁰¹ was that consumers can only evaluate goods if they are actually on the market. This view is criticised by Wadlow¹⁰² as being too narrow, and he states the following in this regard:

If there is a demand for the plaintiff's goods it ought not to matter whether it has arisen from their inherent qualities, their cheapness, the dictates of fashion, advertising, press comment, personal recommendation, or for no good reason at all. Provided the plaintiff is actually on the market, it has never been suggested that he has to prove why the public buys his goods. A drink such as Advocaat is probably bought mainly by people who have drunk it before; but a book may be bought on the strength of reviews, and few will buy a second copy however much they liked it.

2.5.3 Sabotage marketing

Sabotage marketing, in the sense of the pre-emption of a marketing campaign, featured in *Alida Gibbs Limited v Colgate Palmolive Limited*.¹⁰³ Here A decided in March 1982 to launch a marketing campaign for a new toothpaste, Mentadent, which would be based on a tree theme. A made presentations to the trade in August 1982, and in September it was introduced to the press, professional bodies, and government departments. The public and in particular the television campaign, was to start on Monday, the 18th of October. B became aware of A's intended public marketing campaign to be launched on the latter date, and on Sunday the 17th of October it placed an advertisement featuring a tree theme in a national Sunday newspaper, and the next day in two national newspapers, in an attempt to pre-empt A's campaign and to assert their entitlement to the theme in question. On Monday the 18th of October A placed his advertisement in national newspapers. B adopted the approach that on the 17th and the morning of the 18th of October, A had no reputation amongst the general public to the tree theme and could not positively have acquired it because its television programme did not begin to show until some later time on the 18th. The court

98 At 299.

99 Wadlow 1995:67.

100 1964 [FSR] 218.

101 fn 96.

102 Wadlow 1995:68 (own emphasis).

103 1983 [FSR] 95.

ruled in favour of A, and stated¹⁰⁴ that B had no motive of promoting a present trade of its own in the United Kingdom, but only that of defeating the plaintiff's campaign for some possible future utility to the defendant.

2.5.4 Short periods of trading

The case of *Stannard v Reay*¹⁰⁵ establishes that rights can be built up even in a very short period. A commenced business with a mobile fish and chip van under the trade mark Mr Chippie in October 1966 on the Isle of Wight. B commenced a similar business in November 1966. Although A had only been trading for about three weeks, there was evidence of a substantial decrease in A's business. The court held¹⁰⁶ that it was not impossible for goodwill in a new kind of business to be built up in such a short period of time, and ruled in favour of A.

2.5.5 Use of descriptive marks

The protection of marks of a descriptive nature is a vexed issue. It is, of course, in principle, possible to obtain protection for marks of a descriptive nature, and in given circumstances the duration of use may be a factor. In the celebrated decision of *Reddaway v Banham*¹⁰⁷ the name "Camel-hair belting" was used, for approximately 17 years, in relation to belting made mainly of camel hair. In granting relief, the court stated:¹⁰⁸

The name of a person, or words forming part of the common stock of language, may become so far associated with the goods of a particular maker that it is capable of proof that the use of them by themselves, without explanation or qualification by another manufacturer, would deceive a purchaser into the belief that he was getting the goods of A, when he was really getting the goods of B.

This explanation would be in line with decisions such as that in *Burberrys v J.C. Cording & Co. Ltd.*¹⁰⁹ There the term "Slip-on" for overcoats was at issue. The plaintiff had extensively advertised their product, seen to be in use as a noun and an adjective denoting garments which easily slipped on and off. In refusing relief, the court stated:¹¹⁰

It is only rarely that an English word *primarily descriptive* and which has become the name of a particular article of commerce, can be so distinctive of the goods of a particular manufacturer that the Court will restrain its use as calculated to deceive where there has been no actual deception and no intention to take any fraudulent advantage of another by using the word.

104 At 100.

105 1967 [RPC] 589.

106 At 592.

107 1896 [RPC] 218.

108 At 228.

109 1909 [RPC] 693.

110 At 709 (own emphasis).

2.6 Geographical dimension

A particular problem of concurrent use features in the case where a mark is used in different geographical areas.

2.6.1 The presence of a reputation in the disputed area

That protection will not necessarily be limited to the actual area of use, appears from *Brestian v Try*.¹¹¹ A conducted business as a ladies' hairdresser under the name Charles of London, in London, Wembley and Brighton. B carried on business in Tunbridge Wells. A commenced use in 1952, and B adopted the name honestly and in ignorance of A's use in 1955. Evidence was introduced to the effect that persons thought that B's business was associated with that of A. B argued¹¹² that it was necessary for A to prove the existence of a reputation in Tunbridge Wells. The court observed¹¹³ that B's case turned on the approach that the prospect of any person knowing of A's establishment and coming in contact with B's establishment and mistaking it for A's was so remote that it had to be disregarded. The court stated in this regard that:¹¹⁴

But the matter cannot be decided by mere allocation of goodwill by areas. The question in cases of this sort must surely be whether, given the proprietary interest in the goodwill attached to a name, that name is being used by an interloper in circumstances in which such use is calculated to cause confusion or deception. Distance may no doubt in some cases reduce and sometimes even remove the likelihood of confusion or deception, but that must be a question of fact depending on the circumstances of the particular case. If the present case is to be judged by reference simply to the Plaintiff's Brighton branch — and I think that having regard to the Plaintiff's general reputation in the trade this is too narrow a view — nevertheless the Plaintiff must, in my judgment, be regarded as having made out a sufficient possibility of confusion to entitle him to succeed in his action. Brighton and Tunbridge Wells are only some 30 miles apart and ladies living between the two places might well go to either for the purpose of having their hair attended to.

The court accepted that there may be a decreased likelihood of confusion if there is a sufficient distance between the geographical areas where business is being conducted. In this case, however, the reputation of A did spread to and was present in the particular area.

2.6.2 Limitations on future expansion

The protection of a goodwill even beyond the actual area of operations, was also recognized in principle in *D.C. Thomson & Co. Limited v Kent Messenger Limited and South Eastern Newspapers Limited*.¹¹⁵ Strong reliance was placed on the

111 1958 [RPC] 161.

112 At 173.

113 At 170.

114 At 170 (own emphasis).

115 1975 [RPC] 191.

case of *Hiltons Press Ltd v White Eagle Youth Holiday Camp Ltd*.¹¹⁶ The court interpreted that decision as follows:¹¹⁷

In that case, the proprietor of a boys' weekly paper called "Eagle" ran a club in connection with the paper; they encouraged camping, and were considering providing holiday camps for boys under the name "Camp Eagle". The defendants proposed to run a holiday camp under this name "White Eagle Youth Holiday Camp", and on the facts of the case the plaintiffs were held to be entitled to an interlocutory injunction to restrain the defendants from carrying on such a camp under this name. The subject-matter of that case was, of course, entirely different, but its importance lies in the recognition that an active proposal by the defendants may in a proper case be enjoined at the suit of plaintiffs who are merely considering carrying on a rival venture, *so that to this extent the court may protect mere future possibilities*.

2.6.3 Localised goodwill as the basis of nationwide protection

A rather drastic application of the above principle of wider protection occurred in *Chelsea Man Menswear Limited v Chelsea Girl Limited*.¹¹⁸ A had been involved in the menswear trade for a number of years under the name Chelsea Man. They had shops in Coventry, Leicester and London. B had a chain of shops retailing ladieswear throughout the United Kingdom, operating under the name Chelsea Girl, and wanted to use the name Chelsea Man. Insofar as the geographical dimension of the relief to be granted to A was concerned, the court accepted¹¹⁹ that, as a minimum, A had established a clear reputation and goodwill in Coventry, Leicester and a particular area of London. However, of particular relevance to the court¹²⁰ was the fact that it was common for people to move about all parts of the country and that they can thus encounter goods labeled with B's trade mark. An unlimited injunction was granted.

2.6.4 The possibility of a stalemate

The decision in *Evans v Eradicure Ltd*¹²¹ illustrates the practical difficulties that can be involved in the demarcation of areas of protection. Here A established his business in the East Kent area. B established its business in the Welling and Bexley Heath areas. Each chose virtually identical names honestly and independently from each other and for a number of years no conflict occurred between the parties as they operated in different areas. As their businesses expanded, A grew westwards and B grew eastwards with the result that a conflict arose. A commenced use of his name prior to that of B. The court, however,

116 1951 [RPC] 126.

117 1975 [RPC] 191, at 197 (own emphasis).

118 1987 [RPC] 189.

119 At 197.

120 At 204.

121 1972 [RPC] 808.

stressed that this is not decisive because a passing off action depends on the plaintiff having acquired a reputation with respect to the name he seeks to protect.¹²²

In coming to its decision, the court stated the following:¹²³

This is apparently a problem which has not previously been decided by the courts or indeed, as far as the industry of counsel at this stage goes, averted to in any of the cases. I do not think it is a correct approach to say that the plaintiff is suing on an age-old form of action and the defendants are maintaining a novel defence. It is a novel problem ... *It may well be that the answer is in such circumstances that there is a stalemate, and, unless the parties can resolve the matter by agreement, neither can obtain relief against the other and each may take the name which he has used in respect of which he has acquired a reputation into the alleged territory of the other.* When it comes to the trial, the court will have to consider analogies of the use by the person of his own name, analogies of conflicting rights and so forth, but this is a novel question and certainly not a situation in which in my view the plaintiff can say he has shown a strong prima facie case that he is right in law. I do not say, of course, that he will not succeed at the trial, but he has not in my view discharged the onus upon him that he has to discharge in order to obtain interlocutory relief.

2.7 Concurrent use

The basis of any passing off action is, in principle, that the plaintiff has built up a reputation and goodwill through the exclusive use of a particular trade mark. However, in the case of multiple persons claiming entitlement to the use of a particular mark, this principle seems to be subject to qualification. This principle comes to the fore crisply in the case of the various decisions dealing with alcoholic products sharing a common origin, or complying with certain requirements. Wadlow¹²⁴ sheds light on the issue by stating that the goodwill might be said to be held in common.

The co-existence of individual and collective rights also appears from the ruling in *J Bollinger v The Costa Brava Wine Co Ltd*.¹²⁵ Here the plaintiffs, twelve producers of champagne from the particular region in France, were held to be entitled to protection of the term, and to obtain relief against the defendants on the basis that the latter's products may be wrongly considered to be genuine champagne. The producers as a group, and not only the particular producers on an individual basis, were held to be able to institute proceedings, having regard to the following pronouncement of the court:¹²⁶

In my view, it ought not to matter that the persons truly entitled to describe their goods by the name and description are a class producing goods in a certain locality, and not merely one individual.

122 At 809.

123 At 810 (own emphasis).

124 Wadlow 1995:136 (own emphasis).

125 1960 [RPC] 16.

126 At 32 (own emphasis).

Wadlow¹²⁷ points out that a particular producer would still retain the right to institute proceedings in his own name. Young¹²⁸ states that a mark can denote, not only a particular person's goods or services, but also that of a limited number of persons. The concept of some exclusivity is thus maintained. It is submitted that the apparent anomaly of more than one person having a right to prevent the use of a particular trade mark can be explained on this basis. In other words, it is still in a sense a "closed club". The focus is thus more on the position of the defendant, and whether he is making a misrepresentation. In this context the decision in *Habib Bank Limited v Habib Bank A.G. Zurich*¹²⁹ is of relevance. Here the approach adopted was that if two traders have been concurrently using in the United Kingdom the same or similar names for their goods or business, one could find a situation in which neither of them can be said to be guilty of any misrepresentation. The concurrent use of a mark in the same area can entail that the users would, in a certain sense, have to endure what the public may perceive to be a misrepresentation, according to *Anheuser-Busch Inc v Budejovicky Budvar N.P.*¹³⁰ Here both products were sold in the country, and the approach was that a dual reputation was at hand. The above aspect was explained in more detail in the leading decision of *GE Trade Mark*.¹³¹ The rationale of protection for both parties in the case of concurrent use was set out by the court, and it was said to relate primarily to the need to balance the right of the public not to be deceived with the rights of the trader that has concurrent use.

2.8 Honesty of adoption

Another question that arises is whether, as in the case of the statutory concept of "honest concurrent use",¹³² honesty in the adoption of a mark is relevant. In other words, can a defence of concurrent right be defeated if a proper explanation as to the reason for the adoption of the mark is not forthcoming? In particular, is protection excluded where a party is aware of another party's rights to a mark? Wadlow¹³³ adopts the approach that said term is derived from the statutory trade mark concept, and is inappropriate in passing-off.¹³⁴ He is of the opinion that if there has been concurrent user, *de facto*, it is not relevant whether it was honest. He states the following in this regard:¹³⁵

The distinctiveness of marks is frequently destroyed by conduct which would have been actionable, even fraudulent, had the plaintiff acted in time. *A fortiori*, a concurrent right to use the mark, or more properly an immunity, can thus be obtained by use which was less than honest in its inception.

127 Wadlow 1995:135.

128 Young 1995:6.

129 1982 [RPC] 1.

130 1984 [FSR] 413.

131 1973 [RPC] 297.

132 See s 7 of the *Trade Marks Act* 93 of 1994.

133 Wadlow 1995:494.

134 See also *Drysdale & Silverleaf* 1986:71.

135 *Drysdale & Silverleaf* 1986:71.

Insofar as case law is concerned, the ruling in *Rolls Razor Ltd v Rolls Lighters Ltd*¹³⁶ establishes that the choice even of a well-known name will not necessarily exclude protection. In this matter the parties used the trade mark Rolls in relation to razors and lighters respectively. The court accepted¹³⁷ that the name was adopted in order to represent to the public that the Rolls Razor was in its class as good as the Rolls Royce car was in its class. This factor in itself, however, did not exclude protection. In this regard the court remarked as follows:¹³⁸

There is one peculiarity in this case which differentiates it from the ordinary case, and which, in our view, increases somewhat the burden on the Plaintiffs. On the facts as found by the learned judge and accepted by us, both parties took the name of "Rolls" because of its "Rolls-Royce" reputation. Were one to personify the goods, the Plaintiffs safety razor is saying: 'I am the Rolls-Royce of Razors'. The Defendant's lighter is saying: 'I am the Rolls-Royce of Lighters'. *Prima facie*, therefore, the Defendant's goods are not asserting origin in the Plaintiffs. This fact, namely, the common contribution to "Rolls Royce," is not, of course, fatal. It means, however, that the Plaintiffs must prove, notwithstanding their choice of a name for which they can only acquire a limited reputation, because of its existing association with the *Rolls-Royce Company*, they have by trading for twenty years in substantially one article created a goodwill for themselves in that name so that they can prevent a similar use of it in connection with another article.

Reference can also be made to *DaimlerChrysler AG v Javid Alavi (t/a Merc)*¹³⁹ where the court said the following:¹⁴⁰

I should just add that there must come a time after which the court would not interfere with a continued course of trading which might have involved passing off at its inception but no longer did so: logically, this point would come six years after it could safely be said that there was no deception and independent goodwill had been established in the market by the protagonist.

The approach of the courts thus seems to be that the mere fact that a mark is adopted with the knowledge that it is the trade mark of another, even in the case of a well-known mark, does not exclude protection.

3. Summary

In early decisions it was held that there was a right of property in the trade mark that was being used itself, but later decisions held that the property concerned does not relate to the mark concerned, but to the goodwill which will be injured through its unlawful use. It was seen that there is no general

136 1949 [RPC] 299.

137 At 301.

138 At 304 (own emphasis).

139 2001 [RPC] 813.

140 At par 67 (own emphasis).

basis of protection for such goodwill, although the term “unfair competition” has been used. In regard to the requirements for protection on the basis of passing-off, it was stated, in cases dealing with passing off in its classic form, that a reputation is a necessary element in order to qualify for protection. A goodwill in the country is required. On this basis relief was refused to a number of foreign plaintiffs, and English law can accordingly be said to follow the “hard line” approach to the matter.

With regard to the acquisition of rights, it was noted that some decisions held that a new business could be protected even prior to its commencement of trading. Furthermore, even a short period of trading could suffice to provide protection. In cases dealing with geographical disputes, the courts were prepared to grant protection in areas outside of where the plaintiff was actually trading. It could be difficult, however, to decide on disputes where two parties extend their use to a new territory.

With regard to concurrent use, it was noted that it can relate to the exclusive right to use a mark, but a group of plaintiffs can also institute action. It is also possible that the use of a mark by unrelated parties can have the effect that neither party can act against the other. Insofar as the honesty of the adoption of a mark is concerned, the position appears to be that it is possible to obtain protection, even though the user was aware of the use of the mark by another, prior to adopting same.

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