Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2) [1984] HCA 73

HIGH COURT OF AUSTRALIA

GIBBS CJ, MASON, WILSON, DEANE AND DAWSON JJ

GIBBS CJ:
I would dismiss this appeal for the reasons given by Deane J., which I have had the advantage of reading and with which I agree.

MASON J:
I would dismiss the appeal for reasons to be given by Deane J.

WILSON J:
I have had the advantage of reading the reasons for judgment prepared by my brother Deane. I agree with those reasons and the conclusions to which they lead. There is nothing that I wish to add.

DEANE J:
This appeal is another skirmish in the hostilities between two large United States-controlled corporate groups over entitlement to use the words " **golden lights** " as a trade mark in relation to cigarettes. The hostilities are, so the Court was told, being waged on a number of different national fronts. They have surfaced twice before in this Court: on a question of jurisdiction (see Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.[1]) and on a question of competency: see Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.[2] The present appeal raises questions of substantive right.

The appellant, Moorgate Tobacco Co. Ltd. ("Moorgate") which is a member of the "British American Tobacco Group", claims that the first respondent, Philip Morris Ltd. ("Philip Morris") which is a member of the "Philip Morris Group", acted in breach of fiduciary obligation, in abuse of confidential information, tortiously ("unfair competition") and in breach of contract when, on 12 July 1977, it made an application to the Australian Trade Marks Office

[1] (1980) 145 C.L.R. 457.
[2] (1983) 46 A.L.R. 400.

to register the trade mark "Golden Lights" in respect of tobacco and tobacco products. The second respondent, Philip Morris Inc. ("P.M. Inc.") which is the holding company of Philip Morris, is a party to the proceedings by reason of an assignment by Philip Morris to it of that mark. Moorgate's action in the Supreme Court of New South Wales for declaratory, injunctive and consequential relief was dismissed by the learned trial judge (Helsham C.J. in Eq.) whose decision was upheld by a unanimous New South Wales Court of Appeal (Moffitt P., Hope and Glass JJ.A.). Moorgate now appeals, as of right, to this Court from the judgment and order of the Court of Appeal.

All of Moorgate's propounded causes of action have their alleged basis in a common substratum of fact. Those facts fall within a narrow compass. It is convenient to refer to them before turning to consider the various claims to relief. The starting point is an agreement ("the licence agreement") which was made on 1 December 1963 between a New Jersey corporation, P. Lorillard Company ("Lorillard"), and a Victorian company, Godfrey Phillips International Pty. Ltd. ("Godfrey Phillips").

Lorillard was the manufacturer and distributor of the " **kent** " brand of "King Size Filter" cigarettes. Those cigarettes, which were and are well known in Australia and other countries, incorporate what is known as a " **micronite** " filter. Lorillard was registered in Australia as the proprietor of the trade mark " **micronite** " and had applied for, and was subsequently to obtain, registration of the trade mark " **kent** ". By the licence agreement Lorillard granted to Godfrey Phillips "a license under the Trademarks Rights" to make and sell "the internationally famous " **kent** " cigarettes with " **micronite** " filters" in the "License Area" which consisted of Australia and its overseas territories. The licence agreement provided that, in the event that the licensor decided to licence "the use of any of its other cigarettes or tobacco products trade marks, in the License Area", the licensor agreed to offer to the licensee, on such terms as the licensor "shall deem reasonable, the right of first refusal of such license or licenses". At the time it entered into the licence agreement, Godfrey Phillips also entered into a related agreement ("the technical assistance agreement") with an associated company of Lorillard which provided for the purchase by Godfrey Phillips of "flavouring" and **micronite** "filter rods" for use in the manufacture of **kent** cigarettes and which also provided for the supply of technical information and assistance to Godfrey Phillips. Both agreements were for a term of seven years from 1 December 1963. In accordance with their respective provisions, they were later extended for a further period of seven years expiring on 1 December 1977.

Subsequent assignments and novations brought about a number of changes in the parties to the two agreements. The changes in parties to the technical assistance agreement reflected the changes in parties to the licence agreement and it is convenient to refer only to changes in the parties to the latter agreement. In 1969, Loew's Theatres, Inc. ("Loew's") acquired Lorillard's business in relation to **kent** cigarettes and became the owner of the **kent** and **micronite** trade marks in Australia and the licensor under the licence agreement. After that acquisition, Lorillard's former business was carried on by what was known as the "Lorillard Division" of Loew's and, in correspondence and discussions, executives of Loew's commonly referred to "Lorillard" as if it remained the relevant corporate entity. On or about 7 April 1970, consequent upon an assignment made to it by the then licensee with the consent of Loew's, Philip Morris became the licensee under the licence agreement. After that assignment and until the expiry of the two agreements on 1 December 1977, Philip Morris manufactured and marketed in Australia cigarettes under the **kent** trade mark. At all relevant times, Philip Morris also manufactured and marketed other tobacco products including cigarettes under the trade mark " **marlboro** ".

About the middle of 1975, Loew's decided to test the United States market for a new type of cigarette with a reduced tar and nicotine content under the brand name " **kent golden lights** ". That brand name was what is known in the tobacco industry, at least in Australia and the U.S.A., as a "line extension" of the "parent" mark " **kent** ", that is to say, a brand name that adds to a "parent" name either other words or a device so that it can be used to give an individual identity to a new product while retaining the advantage of the goodwill or reputation associated with the "parent" name. In October and November 1975, a market test of those new cigarettes under that brand name was conducted in the United States. At about the same time, a market test of the same or a similar product was conducted in Belgium under the name " **kent special mild** ". Between November 1975 and November 1976, there were discussions between representatives of Loew's and Philip Morris about the possible manufacture and marketing by Philip Morris of the new cigarettes in Australia under one or other of those two brand names. It should be mentioned, by way of background to those discussions, that Philip Morris was already manufacturing and marketing its own "low tar and nicotine" cigarettes in Australia under the name " **marlboro lights** " and that it appears to have been common ground that the manufacture and marketing of the new **kent** cigarette in Australia would not be within the licence to manufacture and market contained in the existing licence agreement. Since it is largely upon those discussions, and upon documents and actions associated with them, that Moorgate relies to make good its claims for relief, it is appropriate to refer to them in a little detail.

The first of the discussions took place in New York in November 1975 between Mr. Orcutt of Loew's and Mr. Hurley of Philip Morris. It was in the course of negotiations about a further licence agreement to commence when the existing one expired in late 1977. Mr. Orcutt gave evidence of what was said about the new cigarettes:

> I said words to the following effect: "We have test marketed a low tar and nicotine cigarette recently. The cigarette is known as **kent golden lights** and the test market has shown a high degree of acceptance for this product under that name. You have advised us and we are aware that our license agreement will soon terminate. We both desire the development of an ongoing relationship under a new license agreement. Lorillard considers, as a basic part of a new license agreement, the introduction by Philip Morris Australia of a product that would be compatible to our understanding of the consumer interest in Australia for reduced tar and nicotine cigarettes. We feel that the acceptance of **kent golden lights** in the U.S. would make it a strong entry to interest new consumers and strengthen the **kent** franchise in Australia."
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> Hurley replied in substance: "That is very interesting. We'd certainly be pleased to look into it and let you have our impressions."
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> I replied: "We would be only too pleased to give you any assistance that we can. I'll ask Paul Clark (an employee of Loew's based in Hong Kong), Tom Jones, John Howley, and John Roberts (employees of Loew's based in America) to keep in touch with you about the matter and give you any assistance they can."

On 18 December 1975, Mr. Orcutt wrote to Mr. Hurley canvassing a number of matters that had been discussed in the November meeting. After introductory pleasantries, the letter confirmed that Loew's was "prepared to re-negotiate the license agreement with Philip Morris (Australia) Ltd., which would embrace the changes we discussed". There followed a list of "elements" on which it was said that agreement "in principle" had been reached "subject to final framing". Under the heading "royalty", it was noted that Philip Morris had proposed an increase in "the existing rate from Australian $0.30 to Australian $0.35 per thousand" cigarettes and that Loew's proposed "that the new agreement provide for a royalty of Australian $0.45 per thousand". The reference to the new low nicotine and tar cigarettes came immediately before a further reference to the "minimum royalty rate". It read:

> In accordance with our conversation, attached to this letter is a position paper on the proposed line extension for **kent** in Australia. After you have had a chance to review the paper, we would be most interested to receive your proposal for the launch of a " **special** " **kent**, which would include the marketing support that Philip Morris (Australia) would be prepared to commit to this product, as well as the remaining

> pertinent information.
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> As we discussed, the support of this line extension for **kent** would in no way affect Philip Morris' marketing endeavours or continuing emphasis on regular **kent**; i.e. **kent king** and **kent box**.

The "attached position paper" was in the form of an internal Loew's memorandum addressed to Mr. Orcutt. Its contents indicate that it had been prepared as a document to be forwarded to Philip Morris to help persuade Philip Morris of the advantages which it would derive from manufacturing and marketing the "low tar and nicotine line-extension of **kent** in Australia" under licence from Loew's. After setting out arguments favouring the introduction of the product in Australia and referring to test marketing in the United States and Belgium, the document concluded:

> The old cliche of "strike while the iron is hot" was never more valid when discussing marketing opportunities in the low T.&N. segment.
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> I believe that the opportunity obviously exists. The brand has inherent strengths in the white pack and health association, Lorillard has the technological capability to blend a good tasting, easy drawing cigarette within the acceptable range of numbers, and most importantly a **kent** line-extension will give Philip Morris Australia another entry in the low T.&N. segment which appears to be dominated by their competitors.

The "position paper" referred to the fact that in Europe the word "Mild (Milde)" is the universally accepted name that signifies a low tar and nicotine category whereas in the United States "Lights" is the word that signifies that category. It stated that "a carton each of the U.S. and Belgian product, package flats and tear sheets of the advertising campaigns" were enclosed. The evidence, while inconclusive, indicates that this material was forwarded to Philip Morris.

Subsequent discussions relating to the introduction of a **kent** low tar and nicotine cigarette in the Australian market took place between representatives of Loew's and Philip Morris at meetings in April, June and August 1976. Neither those discussions nor documents associated with them greatly advanced the project. The evidence in relation to them discloses that Loew's continued to seek to arouse enthusiasm on the part of Philip Morris for the introduction by Philip Morris, under licence, of the proposed new cigarette in Australia and that Philip Morris was somewhat unresponsive to those efforts. Thus, in the April 1976 discussion, Mr. Hurley indicated that Philip Morris was studying the possibilities but that he feared that any such marketing would not increase the overall volume of sales of **kent** cigarettes. In the June discussion, Mr. Hurley expressed the view that the low tar and nicotine cigarette market in

Australia was a "God-dam leaky bucket". In the August discussion, he indicated that "he was still very much negative about the project" for the reason "that he would prefer to get the parent brand healthy again". It is possible that the apparent enthusiasm for the new product on the part of representatives of Loew's and the apparent lack of it on the part of Mr. Hurley are explained by the fact that the parties were still engaged in negotiations about the rate of royalty to be paid by Philip Morris under any "ongoing license agreement". One factor which did emerge from those discussions was a growing conviction on the part of Loew's that the new product should, if introduced into the Australian market, be under the mark " **kent golden lights** ". In that regard, it is relevant to mention that a successful "national launch" of the low tar and nicotine cigarette under that mark had taken place in the United States during March and April 1976.

From 6 to 9 November 1976, there was a number of meetings in Melbourne between a representative of Loew's and executives of Philip Morris, including Mr. Hurley. In the course of discussion, Mr. Hurley raised the subject of " **kent golden lights** ". He stated that Philip Morris was aware of what was needed to market the product and that he would be visiting New York around 13 November and would "call" Mr. Orcutt. On 16 November, there was a meeting, in New York, between Mr. Hurley and two senior executives of Loew's (Mr. Howley and Mr. Roberts). The discussion is summarized in a Loew's internal document headed "Minutes of Meeting". These "Minutes" indicate that a large part of the "Meeting" consisted of discussions about a new licence agreement after the expiry of the current agreement and that Loew's maintained its position that the royalty under the new agreement should be $A0.45 per thousand units while Mr. Hurley indicated that Philip Morris would be prepared to raise the royalty rate from the then current $A0.30 per thousand units to $A0.40. The Minutes summarize the discussion about " **kent golden lights** " as follows:

> Mr. Hurley stated that the Philip Morris Marketing Department is starting work on the details of a marketing plan for a low tar and nicotine version of **kent**. When the plan is completed and approved by Australian management, Philip Morris will open discussions with Lorillard to obtain the appropriate licences.
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> It was stated that Philip Morris should pursue development of the U.S. Golden Light pack and not the European Special Mild design. Mr. Hurley agreed and stated that Philip Morris marketing will start out by determining the proper name for the product, **golden lights** or Special Mild. Philip Morris, Australia is now conducting research on the **marlboro lights** name and what it means. Current thinking is that Mild appears to be more acceptable to Australian consumers than Lights.

That discussion must, of course, be understood in the context that Loew's had, throughout, been attempting to persuade a seemingly reluctant Philip Morris to manufacture and market the new product in Australia under a licence agreement involving the payment of a royalty to Loew's. In that context, the reference to Philip Morris "starting work on the details of a marketing plan" would appear to be a reference to Philip Morris preparing a marketing plan essentially for its own purposes and setting out its own market assessment and intentions. That this was so is confirmed by the next statement attributed to Mr. Hurley in the above extract, namely, that, when the plan was completed and "approved by Australian management" of Philip Morris, Philip Morris would take steps "to obtain the appropriate licences".

In the absence of objection, Mr. Orcutt was permitted at the trial to say that Loew's "felt" that Philip Morris "had given an obligation to deliver" to Loew's the above-mentioned "marketing plan". Mr. Orcutt was, however, not present at the discussion of 16 November 1976 which was the only occasion on which it is suggested that such a proposed plan was mentioned: "the details" of that discussion had been reported to him by Mr. Howley. Mr. Howley's direct evidence and the contemporaneous record of the discussion contained in the "Minutes", which are plainly to be preferred to Mr. Orcutt's evidence on the point, indicate that no such "obligation" had, in fact, been expressly undertaken by Philip Morris. In the context of previous statements that Philip Morris would let Loew's have its "impressions" and that Loew's would be interested to "receive" a "proposal" from Philip Morris, it is possible that there was a common understanding that Philip Morris would provide Loew's with information about its marketing plans when it "opened discussions with Loew's to obtain the appropriate licenses" to manufacture and market the new product in Australia. Be that as it may however, there is no basis in the evidence for a finding that Philip Morris either undertook to act on behalf of Loew's or was in fact so acting in relation to the preparation of that marketing plan and there is no finding to that effect in any of the judgments in the courts below. To the contrary, the evidence plainly indicates that the marketing plan was to be prepared by Philip Morris acting on its own behalf so that it might be placed before its own "Australian management". The proper conclusion from all the evidence is that expressed by Hope J.A. in the Court of Appeal, namely, that the discussions and communications "in respect of the project of selling the new cigarettes in Australia" were and remained business discussions and communications "between business people dealing, in this regard, at arms length".

The above extract from the "Minutes" of the 16 November 1976 conversation indicates that the question of the name to be used for the new product, if introduced in Australia, remained an open one. While the combination of "Golden" and "Lights" had been devised by Loew's, both words were well-known descriptive words in the trade. Thus, the Australian Register of Trade Marks includes, in respect of tobacco products, many instances of the use of the word "golden" including such evocative examples as "Golden Throat", "Golden Shag", "Golden Arrow" and "Golden Teens": the evidence is that the word "golden" was understood to refer to the "richness" of the product rather than the colour of nicotine stain. The word "Lights" was, as both sides well knew, already being used by the Philip Morris group in Australia in relation to the " **marlboro lights** " low tar and nicotine cigarettes. More importantly, P.M. Inc. was registered in Australia as the proprietor of the trade mark "Lights" in respect of cigarettes and was, while it remained so registered, in a strong prima facie position to prevent either the registration or use of " **golden lights** " as or as part of a trade mark in respect of cigarettes by anyone other than itself.

In March 1977, negotiations commenced between Loew's and the British American Tobacco Company Group ("B.A.T.") for the acquisition by B.A.T. of the "International Sales business" of Loew's in cigarettes "and the goodwill associated therewith". Included in the proposed sale were the Australian **kent** and **micronite** trade marks and the benefit of the licence agreement. The evidence indicates that the view was taken by those executives of Loew's who customarily dealt with Philip Morris in relation to the licence agreement that, if the sale went through, it was likely that B.A.T. would itself, through one of its subsidiaries, commence the manufacture and marketing of **kent** products in Australia. In other words, there would be no "ongoing licence agreement" with Philip Morris. On the other hand, Loew's plainly did not desire summarily to terminate the discussions with Philip Morris about a new licence agreement and the new cigarettes while there was any possibility that the proposed sale to B.A.T. would fall through. To use the phraseology of senior counsel for the respondents, Loew's "began to keep house" and to avoid any discussions with representatives of Philip Morris. Nothing was done to alert Philip Morris to the possibility that any work it was doing or money it was expending in relation to the proposal that it manufacture and market the new product in Australia was likely to be or might be wasted. To the contrary, on 20 April 1977 Loew's wrote to Philip Morris advising that the "long-delayed trip to Australia still seems to be delayed" and stating that "[o]ur feeling is now if we are not able to negotiate a new licence agreement prior to the date of expiration of the existing agreement (November) we should extend this existing agreement by six months or until a new one can be executed".

In early June 1977, Mr. Hurley of Philip Morris received information that B.A.T. was negotiating with Loew's for the acquisition of the Loew's tobacco and tobacco products business outside the United States. On 7 June 1977, he called on Mr. Orcutt in New York. He expressed to Mr. Orcutt his understanding that the Loew's "international cigarette business" was "being sold" and said that, if the sale did not go through, Philip Morris "would be very interested in purchasing the **kent** brand". Mr. Orcutt refused to comment on Mr. Hurley's statement. On 22 June 1977, Moorgate and Loew's entered into a formal agreement for the sale to Moorgate of Loew's business outside the United States "in cigarettes, and the goodwill associated therewith". The purchase became effective at 10 a.m. (New York time) on that day. Included in the sale were Loew's Australian trade marks, trade names and rights relating thereto. It is common ground that, pursuant to the assignment of assets effected by that agreement, Moorgate became the licensor under the licence agreement. Thereafter, Loew's moves out of the picture. Its place is taken by Moorgate of the B.A.T. Group which was and is a leading competitor of the Philip Morris Group in the Australian market.

Internal communications within the Philip Morris Group indicate that Philip Morris did not abandon all hope of continuing to manufacture and market **kent** cigarettes in Australia after the expiry of the licence agreement until 21 September 1977 when Mr. Hurley met with Mr. Sheehy, the chairman of Moorgate, in Miami. Mr. Sheehy informed Mr. Hurley that it was not "worth going over" matters that were in the past and that "we had bought this asset in order to develop it world wide, and that it was clearly more beneficial for us as a group to have it manufactured by a group company rather than not, wherever this was possible". Mr. Hurley asked about the possibility of purchasing the **kent** business in Australia and was informed that Moorgate was not interested in such a sale. Mr. Hurley expressed his acceptance of the position that Philip Morris would be unable either to obtain a new licence agreement for Australia or to purchase the **kent** name or business in Australia.

As has been mentioned, the application by Philip Morris for registration in Australia of the trade mark " **golden lights** " was made on 12 July 1977, that is, about three weeks after Loew's had disposed of its Australian interests in the **kent** business and the associated trade marks to Moorgate. The assignment by Philip Morris to P.M. Inc. of its interest in the trade mark " **golden lights** " was made around 21 December 1977, i.e., some three weeks after the expiry of the licence agreement. On 25 July 1977, P.M. Inc. became registered, as from 8 May 1975, as the proprietor in Australia of a trade mark which included the words " **marlboro lights** ".

The marketing by P.M. Inc. or an associated company of low tar and nicotine cigarettes in Australia under the mark " **marlboro lights** " continued, unsuccessfully, until early 1978 when the mark " **marlboro golden lights** " commenced to be used. The latter mark was in use at the commencement of the present proceedings in August 1978. The evidence discloses that, in applying for registration in Australia of the trade mark " **golden lights** " and in commencing to market product under the name " **marlboro golden lights** ", Philip Morris and P.M. Inc. had the related objectives of seeking to obtain and preserve the marks " **golden lights** " and "Lights" for the Philip Morris Group and of preventing B.A.T. from marketing product under the marks " **golden lights** " or " **kent golden lights** ". There was no marketing of " **kent golden lights** " cigarettes in Australia until about August 1978 when there was "a trade mark exercise" involving some marketing by B.A.T. within Australia of imported cigarettes under that name.

In argument in this Court, primary emphasis was placed by Moorgate on its claims based on alleged breach of fiduciary duty and abuse of confidential information. It is, however, convenient to commence the examination of Moorgate's claims to relief with a consideration of those based on the provisions of the licence agreement. It has already been mentioned that it appears to have been assumed by both Philip Morris and Loew's, in their discussions about the new low tar and nicotine cigarettes, that the manufacture and marketing of those cigarettes in Australia was not within the licence to manufacture and market contained in the licence agreement. In my view, that assumption was, as a matter of construction of the licence agreement, correct. Since I agree generally with what was said in the judgment of Hope J.A. in the Court of Appeal on the point, it is unnecessary that I do more than indicate in summary form the reasoning which leads to that conclusion.

The licence to manufacture and market which was contained in the licence agreement was expressly limited to the manufacture and marketing of "Licensed Products". The definition of "Licensed Products" is found in the first sentence of the licence agreement which recites that the licensor "manufactures and sells throughout the world, various tobacco products including, inter alia, the internationally famous " **kent** " cigarettes with " **micronite** " filters (which filter cigarettes are hereinafter called the "Licensed Products")". Plainly enough, that description referred to the regular or standard "King Size" filter cigarettes which were marketed in more than one packet ("Soft Pack" and "Crushproof") and apparently under more than one name (" **kent king** " and " **kent box** ") but which, notwithstanding some minor variations in composition between products in the different packages, were and are all regarded as being the "regular **kent** " cigarette: see e.g., the extract from the letter of 18 December 1975 set out above. The low tar and nicotine cigarette was a new and different product which was not, either at the time of the original licence agreement or at the time of its renewal, included among the "tobacco products" which the licensor "manufactures and sells" and which was clearly distinguishable, both in the trade and by consumers, from the "internationally famous" regular or standard filter cigarettes. Even if sold under a trade mark including the word " **kent** " as well as other words, that new cigarette would not be included in the **kent** filter cigarettes which the licence agreement identified as constituting the "Licensed Products". It follows that Moorgate cannot successfully rely upon those provisions of the licence agreement which are restricted to protecting the rights of the licensor in relation to "Licensed Products".

Moorgate's case based on the licence agreement does not, however, necessarily fail with the conclusion that the new low tar and nicotine cigarettes were not "Licensed Products" for the purposes of that agreement. Two distinct arguments based on the licence agreement remain to be considered. First, it is submitted that Loew's and, by assignment, Moorgate "had the right in Australia to the trade mark **kent golden lights** ". That right was, it is said, a "Trademark Right" for the purposes of the licence agreement which Philip Morris was under an express obligation imposed by the agreement (Art. VI) to respect and to assist Moorgate "in all ways in securing and maintaining". The application for registration of the " **golden lights** " mark was, so the argument proceeds, in breach of that obligation. Secondly, it is submitted that it was an implied term of the licence agreement that Philip Morris "would do nothing to hinder or prevent the development of any line-extension or other right in respect of the trade mark **kent** " and that the application for registration of the mark " **golden lights** " was in breach of that implied term.

The starting point of the first argument is the proposition that, at the time when Philip Morris applied for registration of the trade mark " **golden lights** ", Moorgate had "the right in Australia to the trade mark " **kent golden lights** " ". It is conceded that, unless that proposition is made good, Moorgate can obtain no protection in respect of the mark " **golden lights** " from the provisions of the licence agreement protecting the "Trademark Rights" of the licensor. The only basis upon which Moorgate seeks to make good its claim to such a "right" in Australia is that Loew's had become the proprietor of the trade mark " **kent golden lights** " for the purposes of s. 40(1) of the *Trade Marks Act 1955 Cth* with the result that it was entitled to apply for registration of the mark and to resist the application of anyone else who purported to apply for registration of it as "the proprietor". It was conceded by Moorgate that it could not claim to have become the proprietor of the mark as an unused mark during the currency of the licence agreement since it did not apply for registration of the mark until more than two weeks after the licence agreement had expired. That being so, Moorgate's claim to have become "the proprietor" of the mark " **kent golden lights** " must, of necessity, be based upon prior use: see Kendall Co. v. Mulsyn Paint and Chemicals.[3]

The prior use of a trade mark which may suffice, at least if combined with local authorship, to establish that a person has acquired in Australia the statutory status of "proprietor" of the mark, is public use in Australia of the mark as a trade mark, that is to say, a use of the mark in relation to goods for the purpose of indicating or so as to indicate a connexion in the course of trade between the goods with respect to which the mark is used and that person: see, generally, Shell Co. of Australia Ltd. v. Esso Standard Oil (Australia) Ltd.;[4] *Re Registered Trade Mark Yanx; Ex parte Amalgamated Tobacco Corporation Ltd.*;[5] and the definition of trade mark in s. 6(1) of the *Trade Marks Act*. The requisite use of the mark need not be sufficient to establish a local reputation and there is authority to support the proposition that evidence of but slight use in Australia will suffice to protect a person who is the owner and user overseas of a mark which another is seeking to appropriate by registration under the *Trade Marks Act*. In such a case, the court "seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia": see Seven Up Co. v. O.T. Ltd.;[6] Aston v. Harlee Manufacturing Co.[7] In so far as the trade mark " **kent golden lights** " is concerned, Loew's was the author, owner and user of that mark in the United States. Assuming, in its favour, that evidence of but slight use in the course of trade in Australia would suffice to establish its status as proprietor of the mark, as distinct from merely precluding another from establishing local authorship, the question arises whether there was evidence of even such slight use. For Philip Morris, it is submitted that there was no evidence at all of any relevant use. That submission accords with the conclusion reached by Helsham

[3] (1963) 109 C.L.R. 300, at pp. 304-305.
[4] (1963) 109 C.L.R. 407, at pp. 423-424.
[5] (1951) 82 C.L.R. 199, at pp. 204-205.
[6] (1947) 75 C.L.R. 203, at p. 211.
[7] (1960) 103 C.L.R. 391, at p. 400.

C.J. in Eq., at first instance, and by Glass J.A. who was the only member of the Court of Appeal who found it necessary to determine the question.

To establish prior use of the mark in Australia, Moorgate relies upon evidence that, during or in connexion with discussions between Loew's and Philip Morris about the introduction of the low tar and nicotine cigarette in Australia, packets of cigarettes and associated advertising material displaying the name " **kent golden lights** " were handed personally, or in one instance sent by mail, to representatives of Philip Morris in Australia. That evidence indicates that there were at least three occasions on which such cigarette packets and advertising material were so delivered. At the times when those items were so delivered, there was no intention on the part of Loew's that it would itself trade in the goods in Australia. Nor, for that matter, had it been decided what name would be used if Philip Morris were, under licence from Loew's, to commence to manufacture and market the goods in Australia at some indefinite future time.

The Court was referred to a large number of cases and to some administrative decisions in which consideration has been given to what constitutes a use or user of a trade mark for the purposes of the statutory notion of proprietorship of the mark before registration. The cases establish that it is not necessary that there be an actual dealing in goods bearing the trade mark before there can be a local use of the mark as a trade mark. It may suffice that imported goods which have not actually reached Australia have been offered for sale in Australia under the mark (*Re Registered Trade Mark Yanx; Ex parte Amalgamated Tobacco Corporation Ltd.*[8]) or that the mark has been used in an advertisement of the goods in the course of trade: Shell Co. of Australia v. Esso Standard Oil (Australia) Ltd.[9] In such cases, however, it is possible to identify an actual trade or offer to trade in the goods bearing the mark or an existing intention to offer or supply goods bearing the mark in trade. In the present case, there was not, at any relevant time, any actual trade or offer to trade in goods bearing the mark in Australia or any existing intention to offer or supply such goods in trade. There was no local use of the mark as a trade mark at all; there were merely preliminary discussions and negotiations about whether the mark would be so used. The cigarette packets and associated advertising material were

[8] (1951) 82 C.L.R., at pp. 204-205.
[9] (1963) 109 C.L.R., at p. 422.

delivered to Philip Morris to demonstrate what Loew's was marketing in other countries and what Philip Morris might market, under licence from Loew's, if it decided to manufacture and trade in the goods in Australia and to use the mark locally at some future time. There was no relevant trade in the goods in Australia and the delivery of the cigarette packets and associated material to Philip Morris did not, in the circumstances, constitute a relevant user or use in Australia of the mark " **kent golden lights** " for the purpose of indicating or so as to indicate a connexion in the course of trade between the new cigarettes and Loew's. It follows that Moorgate has failed to establish proprietorship of the mark " **kent golden lights** " either at the time Philip Morris applied to register the mark " **golden lights** " or at the time when the licence agreement expired. It is unnecessary to consider whether, if Moorgate had succeeded in establishing such proprietorship, its rights in respect of the mark " **kent golden lights** " would have been protected by the provisions of Art. VI of the licence agreement notwithstanding that the new low tar and nicotine cigarettes were not "Licensed Products" under that agreement or whether, even if its rights in the mark " **kent golden lights** " were within the protection of Art. VI, that protection extended to preclude Philip Morris from applying for registration of the mark " **golden lights** ". It should, perhaps, be mentioned that Moorgate did not argue in this Court that the fact that advertisements of the United States " **kent golden lights** " cigarettes came into Australia via American magazines meant that there had been a relevant use or user of the name in Australia: see Seven Up Co. v. O.T. Ltd.[10]

The argument that Philip Morris' application for registration of the trade mark " **golden lights** " was in breach of an implied term of the licence agreement may be briefly disposed of. The express provisions of the agreement protect the licensor's right and interest in the trade mark **kent** itself. The suggested implied term is to the effect that "during the agreement [the licensee] would do nothing to hinder or prevent the development of any line-extension or other right in respect of" that trade mark. As a matter of internal linguistics, there is nothing in the agreement itself to indicate that any such term was assumed to exist. Viewed against the factual matrix of the agreement (see Prenn v. Simmonds[11]), such a term would have surprising consequences. It would, for example, preclude the licensee from seeking to maintain or protect

[10] (1947) 75 C.L.R., at p. 211.
[11] [1971] 1 W.L.R. 1381, at p. 1383-1384.

its own trade marks, regardless of how long they had been owned and of the circumstances in which they had been acquired, if the maintenance or protection of them would "hinder or prevent" the development of "any line-extension or other right in respect of the trade mark " **kent** " ". Unless qualified, it would, for example, preclude Philip Morris from seeking to hinder or prevent the introduction by the licensor of a line extension under the name " **kent lights** " or, to take an extreme case, under the name " **kent marlboros** " notwithstanding the fact that " **lights** " and " **marlboro** " were registered trade marks of the Philip Morris group. It would preclude any competition at all between the licensor and licensee for acquisition or use of a name which the licensor might wish to use as a "line-extension" of **kent** notwithstanding the fact that the proposed "line-extension" related to a product which was not covered by the terms of the licence agreement. Plainly, the implication of such an unqualified term cannot be justified on the basis that it would make the agreement correspond with some evident underlying intention of the parties. Nor is it warranted by any need to give the agreement the business efficacy which the parties to it must have intended. It follows that there is no basis for the implication of the suggested term: see, generally, B.P. Refinery (Westernport) Pty. Ltd. v. Shire of Hastings;[12] Secured Income Real Estate (Australia) Ltd. v. St. Martins Investments Pty. Ltd.;[13] Codelfa Construction Pty. Ltd. v. State Rail Authority of N.S.W.[14] If there be, on established principle, any basis for the implication of a provision in the licence agreement precluding the licensee from hindering or preventing the development of a line extension in respect of the **kent** trade mark, it must be confined to a more limited provision applying only to a line extension which was or would be itself a "Licensed Product" under the licence agreement. Philip Morris' application for registration of the trade mark " **golden lights** " would not have constituted a breach of any such more limited provision since, as has been seen, the proposed line extension " **kent golden lights** " was not in respect of cigarettes which were or would be included in the "Licensed Products" under the licence agreement. I turn to Moorgate's claim that Philip Morris was in breach of some fiduciary duty.

The general relationship between licensor and licensee under the licence agreement and the technical assistance agreement was neither that of partnership nor that of agency. Nor was it

[12] (1977) 52 A.L.J.R. 20, at pp. 26, 30.
[13] (1979) 144 C.L.R. 596, at pp. 605-606.
[14] (1982) 149 C.L.R. 337, at pp. 351-352, 404.

fiduciary in its nature. The rights and obligations of the parties were as defined by the agreements and neither party was under a general obligation to avoid any conflict between its own interests on the one hand and the interests of the other party or the joint interests of them both on the other or to prefer the interests of the other party or the joint interests to its own interests if and when any such conflict arose. That does not, however, preclude the possibility that, within or arising from that general relationship, duties of a fiduciary nature might well exist. Particular property, corporeal or incorporeal, might be held by one party on behalf of the other; particular provisions of one or other of the two agreements might require the pursuit by one party of the interests of the other without regard to its own; one party might undertake to act on behalf of the other in relation to a particular matter arising within or outside the area governed by the two agreements. The continuing relationship between the parties under the agreements — involving shared objectives, accounting obligations and the provision of information — provided a context in which it would be easier to imply an undertaking by one party to act on behalf of the other in relation to a particular matter or venture than would be the case if that relationship had not existed.

The necessary starting point of Moorgate's claim of breach of fiduciary duty is the identification of some fiduciary duty on the part of Philip Morris which precluded Philip Morris from seeking to obtain for itself the benefit of registration of the mark " **golden lights** ". It is not suggested that any such fiduciary duty flowed from the general relationship of licensee and licensor. What is submitted is that, in the context of that general relationship, Philip Morris "undertook the fiduciary duty of acting for or in its licensor's interest in respect of the brand and mark **kent golden lights** ". As I read the judgments of Helsham C.J. in Eq., at first instance, and of Hope J.A. (with whom Moffitt P. was in general agreement) in the Court of Appeal, that submission, which essentially is one of fact, is in conflict with the findings of both the trial judge and the Court of Appeal. Its basis is an assertion that Philip Morris undertook to act on behalf of Loew's in preparing the marketing plan mentioned in the discussion between Mr. Hurley (of Philip Morris) and Messrs. Howley and Roberts (of Loew's) which took place in New York on 16 November 1976 and which has been already examined in some detail. As has been seen, that assertion is not supported by the evidence and must be rejected. The effect of its rejection is that the submission that Philip Morris was under a fiduciary duty to act on behalf of Loew's in respect of the brand mark " **kent golden lights** " is bereft of any factual basis and Moorgate's claim of breach of fiduciary duty must fail. It is unnecessary to consider whether, if Philip Morris had undertaken a fiduciary duty to act on behalf of Loew's with respect to the investigation of the marketability of the new cigarettes in Australia, the content of that fiduciary duty would, in the circumstances of the present case, have precluded Philip Morris from pursuing its own interests by seeking to register the mark " **golden lights** " after Loew's had, by assignment to Moorgate, deprived itself of any ability to enter into any arrangement with Philip Morris for the manufacture or marketing in Australia of the proposed cigarettes.

Moorgate relied in two distinct ways on the alleged confidentiality of certain of the information which Loew's communicated to Philip Morris. First, it was said that that allegedly confidential information had been obtained by Philip Morris as a result of its having undertaken the fiduciary duty of acting for Loew's in relation to the proposed introduction of the new cigarette in the Australian market. If Philip Morris had acquired confidential information by use or by reason of such a fiduciary position or of opportunity or knowledge resulting therefrom, it would, on well established principles, be precluded from using the information to its own advantage or to the detriment of Loew's. As has been said however, Moorgate has failed to establish that Philip Morris undertook any such fiduciary duty. Alternatively, it was submitted that the effect of the combination of the confidential nature of the relevant information and the circumstances in which it was communicated was that Philip Morris was under a duty, enforceable in personam by equitable remedies, not to disclose or make use of the confidential information other than for the purposes for which it was communicated to it: see, e.g., Saltman Engineering Co. Ltd. v. Campbell Engineering Co. Ltd.;[15] Interfirm Comparison (Australia) Pty. Ltd. v. Law Society of New South Wales;[16] Talbot v. General Television Corporation Pty. Ltd.[17]

It is unnecessary, for the purposes of the present appeal, to attempt to define the precise scope of the equitable jurisdiction to grant relief against an actual or threatened abuse of confidential information not involving any tort or any breach of some express or implied contractual provision, some wider fiduciary duty or some copyright or trade mark right. A general equitable jurisdiction to grant such relief has long been asserted and should, in my view, now be accepted:

[15] (1947) 65 R.P.C. 203, at p. 215.
[16] [1975] 2 N.S.W.L.R. 104, at p. 117ff.
[17] [1980] V.R. 224, at p. 230.

see The Commonwealth v. John Fairfax & Sons Ltd.[18] Like most heads of exclusive equitable jurisdiction, its rational basis does not lie in proprietary right. It lies in the notion of an obligation of conscience arising from the circumstances in or through which the information was communicated or obtained. Relief under the jurisdiction is not available, however, unless it appears that the information in question has "the necessary quality of confidence about it" (per Lord Greene M.R., *Saltman*[19]) and that it is significant, not necessarily in the sense of commercially valuable (see Argyll v. Argyll[20]) but in the sense that the preservation of its confidentiality or secrecy is of substantial concern to the plaintiff. That being so, the starting point of the alternative argument must be the identification of the relevant confidential information. Again, the argument breaks down at the threshold.

The allegedly confidential information is identified by Moorgate as being the "marketing results, advertising, position paper and the knowledge that [Loew's] wanted to introduce the brand in Australia". Putting to one side for the moment information about what Loew's desired or intended to do, examination of the designated material discloses that it consisted of the type of general information and argument that one would expect a company desiring to license the manufacture and marketing in Australia of a new type of cigarette under a "line extension" of its parent mark to communicate to an "arms-length" potential licensee which already manufactured and marketed a competing product. In particular, the evidence did not establish that any of the material was in fact regarded as confidential by Loew's or that Loew's at any time requested Philip Morris to treat or regard it as confidential. In argument, senior counsel for Moorgate tended to restrict the suggested confidential information to the information that Loew's wanted to introduce the new cigarettes in Australia under the brand mark " **kent golden lights** ". In that regard however, the evidence established neither that any such information was communicated to Philip Morris nor that, if it had been, it was even accurate. All that the evidence indicated was that Loew's was anxious that Philip Morris agree to manufacture and market the new cigarettes, possibly under the name " **kent golden lights** ", in Australia under an agreement which would provide for the payment by Philip Morris to Loew's of a royalty upon sales. It is probably implicit in the material in evidence that Loew's would have wished,

[18] (1980) 147 C.L.R. 39, at pp. 50-52.
[19] (1947) 65 R.P.C., at p. 215.
[20] [1967] Ch. 302, at p. 329.

in the event that Philip Morris was not interested, to obtain some other licensee but the evidence is quite silent as to whether Loew's ever had any desire or intention itself to manufacture or market the new product here. If the allegedly confidential information is restricted to the information that Loew's desired to obtain a licensee who would manufacture and market the new product in Australia, there was nothing in the evidence nor in the nature of that information that established that it was regarded by Loew's as confidential or that it was, in fact, confidential. In the result, the evidence failed to establish that any part of the designated information possessed the necessary element of confidentiality or secrecy or that the preservation of its confidentiality or secrecy was of substantial concern to Loew's. Indeed, senior counsel who then appeared for Moorgate expressedly conceded, in his final address on the trial, that the information acquired by Philip Morris from Loew's in relation to the possible introduction of the new cigarettes in the Australian market was "non-confidential".

It should be mentioned that the claim that Philip Morris acted in abuse of confidential information appears to have been abandoned at first instance. Moorgate was, however, allowed to rely on the claim in the Court of Appeal apparently without objection by Philip Morris. That being so, I consider that Moorgate was entitled in this Court to attack the decision which the Court of Appeal gave against it on the question. The failure to establish the confidentiality of the relevant information means, however, that that attack must fail. It is unnecessary to consider whether, if Philip Morris had been under an enforceable obligation to observe the confidentiality of any information that Loew's "wanted to introduce the brand [**kent golden lights**] in Australia", its application for registration of the mark " **golden lights** " would have constituted a breach of that obligation.

Moorgate's final claim against Philip Morris is based upon what is described as the "tort" of "unfair competition". In Moorgate's written outline of argument, the "necessary ingredients" of such a tort are stated to be that Philip Morris acted unfairly to the disadvantage of Moorgate. The question arises whether the law of this country knows any such general tort.

The phrase "unfair competition" has been used in judgments and learned writings in at least three distinct ways, namely, (i) as a synonym of the doctrine of passing off; (ii) as a generic name to cover the range of legal and equitable causes of action available to protect a trader against the unlawful trading activities of a competitor; and (iii) to describe what is claimed to be a new and general cause of action which protects a trader against damage caused either by "unfair competition" generally or, more particularly, by the "misappropriation" of knowledge or information in which he has a "quasi-proprietary" right. The first and second of the above uses of the phrase are liable to be misleading in that they may wrongly imply that the relevant action or actions are restricted to proceedings against a competitor. The second use is also liable to imply that there exists a unity of underlying principle between different actions when, in truth, there is none. The third use of the phrase is, in an Australian context, simply mistaken in that "unfair competition" does not, in itself, provide a sufficient basis for relief under the law of this country. It is in that third and mistaken sense that "unfair competition" was called in aid of Moorgate's case in the present appeal.

The genesis of the notion of a general cause of action for "unfair competition" is to be found in the majority judgment of the United States Supreme Court in International News Service v. Associated Press.[21] As the name would indicate, that case was concerned with published news or information. The complainant, a co-operative association of newspaper publishers, gathered news which it telegraphed to its member publishers throughout the United States. The defendant was a corporation which was engaged in the business of gathering news for other publishers. The defendant made a practice of obtaining news from the early publications of the complainant's members and sending it by telegraph to its own customers thus enabling them, in some parts of the United States, to publish news gathered by the complainant for its members as soon as or even earlier than it was published in the newspapers published by those members. The majority judgment, delivered by Pitney J.,[22] denounced the actions of the defendant as "an unauthorized 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 defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news". That fulsome description of the defendant's actions was immediately followed by the conclusion that the "transaction speaks for itself and a court of equity ought not to hesitate long in characterising it as unfair competition in business".

[21] (1918) 248 U.S. 215 [63 Law. Ed. 211].
[22] (1918) 248 U.S., at p. 240 [63 Law. Ed., at p. 221].

The majority judgment in International News Service assumed, rather than sought to establish, that such "unfair competition in business" was, in itself, an actionable wrong. The "underlying principle" was stated to be "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. Pom. Eq. Jur. § 981".[23] That equitable principle is, however, applicable to determine beneficial ownership of property which is capable of being the subject of a trust (see Pomeroy's Equity Jurisprudence, 5th ed. (1941), vol. 3, § 981) and cannot logically either found a conclusion that published news, as distinct from copyright in its presentation or arrangement, itself constitutes property, or provides any basis for a general cause of action for unfair competition. The judgment went on to assert[24] that the "news matter" should be regarded as "the mere material from which [the] two competing parties are endeavouring to make money" and be treated as "quasi-property for the purposes of their business because they are both selling it as such" and that, so regarded and treated, the "news material" had been "misappropriated" by the defendant. It is not explained why the information which had been published should have been regarded by the majority of the Supreme Court as "mere material from which" a party was endeavouring to make money, why that information should have been "treated" as "quasi-property" when it had long been the common law that, in the absence of rights of patent, trade mark or copyright, information and knowledge are not the property of an individual, or why a person who had gathered and published information about world events should be seen as owning the information in the sense that the "unfair" use of it by another in competition in a manner that was contrary to that party's business interests constituted "misappropriation". In addition to misappropriation, the judgment[25] identified "elements of imitation — of false pretense — in defendant's practices" but stated that "these elements, although accentuating the wrong, are not the essence of it". It is difficult to know whether "misappropriation" of "news material" should be regarded as a separate basis of the decision or as but one instance of the general wrong of "unfair competition in business" to which the judgment had earlier referred. Either way, one searches in vain in the majority judgment for any identification of the ingredients of that general wrong.

[23] (1918) 248 U.S., at p. 240 [63 Law. Ed., at p. 221].
[24] (1918) 248 U.S., at p. 242 [63 Law. Ed., at p. 222].
[25] (1918) 248 U.S., at p. 242 [63 Law. Ed., at p. 222].

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.[26] In Kellogg Co. v. National Biscuit Co.,[27] 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".[28] In words reminiscent of Brandeis J.'s previous dissent, the majority commented:[29]

> 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.[30] and Compco Corp. v. Day Brite Lighting Inc.,[31] 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 enunciated in International News Service evoked general enthusiasm in subordinate United States courts. In cases where the

[26] (1918) 248 U.S. 215 [63 Law. Ed. 211].
[27] (1938) 305 U.S. 111, at p. 123 [83 Law. Ed. 73, at p. 81].
[28] (1938) 305 U.S., at p. 120 [83 Law. Ed., at p. 79].
[29] (1938) 305 U.S., at p. 122 [83 Law. Ed., at p. 80].
[30] (1964) 376 U.S. 225 [11 Law. Ed. (2d) 661].
[31] (1964) 376 U.S. 234 [11 Law. Ed. (2d) 669].

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[32] 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[33]), 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.[34] 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,[35] engaged in "unfair, not to say dishonest trading". It was held that the question fell to be answered not by reference to any general notion of unfair trading or competition but by

[32] (1929) 35 F. (2d) 279, at p. 280.
[33] (1976) 406 F. Supp. 1145, at p. 1151.
[34] [1979] A.C. 731.
[35] [1979] A.C., at p. 740.

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".[36] Lord Diplock pointed out[37] 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".[38]

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.[39] 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.[40] Dixon J.[41] commented that the reasons of Brandeis J. substantially represented "the English view" which he described[42] 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 exchange, which may flow from the exercise by an individual of his powers or

36 [1979] A.C., at p. 742.
37 [1979] A.C., at p. 742.
38 [1979] A.C., at p. 742.
39 (1937) 58 C.L.R. 479.
40 (1918) 248 U.S. 215 [63 Law. Ed. 211].
41 (1937) 58 C.L.R., at p. 509.
42 (1937) 58 C.L.R., at pp. 508-509.

> 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.

His Honour added[43] 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;[44] Henderson v. Radio Corporation Pty. Ltd.[45] 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

[43] (1937) 58 C.L.R., at p. 509.
[44] [1979] A.C., at p. 739ff.
[45] [1960] S.R. (N.S.W.) 576.

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.

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.