

FOREIGN TRADERS AND THE LAW OF PASSING-OFF : THE REQUIREMENT OF GOODWILL WITHIN THE JURISDICTION

This article discusses the requirement of goodwill in the law of passing-off and considers the extent to which the law of passing-off entitles a foreign trader, who may not have a place of business within the jurisdiction, to restrain a local trader from using the same indicia of origin for its products or services. A brief discussion on the requirement of goodwill in other common law jurisdictions will also be made.

I. INTRODUCTION

IN this age of increasing international trade, mass communication and worldwide travel, the goodwill and reputation acquired by a trader in a product or service frequently extends beyond the national frontier of his country and place of business into the international market-place. Products manufactured and marketed in one country can, with little difficulty, find their way to overseas markets. Sometimes this will occur without the consent of the original manufacturer of the product in question. In such cases, tricky issues on parallel imports may arise. The reputation built up in a particular trade or service mark can even more readily cross international frontiers. This can occur even if the product or service has not been made available by the plaintiff in overseas market-places. The advantage of having a "good name", in an overseas country, through fame and reputation, can arise long before the relevant product or service is made available in that territory. Foreign traders who establish goodwill and an international reputation in a relevant indicia of origin, have increasingly been faced with the problem of local traders who adopt these established indicia of origin and seek to "cash-in" on the goodwill and reputation acquired therein by the foreign trader. The relevant indicia of origin may be the name, mark, label, logo or get-up of a product or service of the foreign trader. These acts of "piracy" by the local traders, mostly done "with their eyes wide open", have often been "aimed at one thing and one thing only, namely, to benefit themselves commercially by trading on the [foreign trader's] goodwill."¹ This problem is particularly acute in the case of a foreign trader who does not yet, and may never, have a place of business within the jurisdiction but

¹ *Tan-Jchi Co. Ltd. v. Jancar Ltd.* [1990] F.S.R. 151 at p. 157.

who has, nevertheless, acquired a reputation within the jurisdiction in the product or service in question. In this type of situation the courts have been faced with the difficulty of balancing competing interests; namely, the need to protect the goodwill of a trader from unfair trading and unfair competition, and the public interest of free competition and free trade in an open market economy.² The main remedy³ of the foreign trader would lie in the common law tort of passing-off. As Lord Diplock stated in *Warnink v. Townend & Sons (Hull) Ltd.*:

Unfair trading as a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law. Conspiracy to injure a person in his trade or business is one, slander of goods another, but most protean is that which is generally and nowadays, perhaps misleadingly, described as 'passing off'. The form that unfair trading takes will alter with the ways in which trade is carried on and business reputation and goodwill acquired.⁴

This article seeks to discuss the requirement of goodwill in the law of passing-off and the extent to which the existence of this goodwill is dependent on the foreign trader establishing that he has a business within the jurisdiction. It also seeks to discuss the extent to which the tort of passing-off entitles the foreign trader, who may not have a place of business in Singapore, to restrain the local trader from using the same indicia of origin and thereby "cash-in" on the goodwill and reputation acquired by the foreign trader. A short discussion will also be made on the requirement of goodwill in the tort of passing-off in other common law jurisdictions.

II. GENERAL PRINCIPLES OF THE LAW OF PASSING-OFF⁵

The basic principle underlying the tort of passing-off is that: "nobody has any right to represent his goods as the goods of somebody

² It is unclear as to how far the interests of the *public*, to be protected from confusion as to the origin of a product or service, is relevant in a passing-off action. The gist of the action is the protection of the goodwill of the plaintiff.

³ In the case of a trade mark or service mark which has been registered under the Trade Marks Act, Cap. 332, 1985 Rev. Ed., as amended by the Trade Marks (Amendment) Act 1991, No. 7 of 1991, infringement actions may be available under the statute. Sometimes copyright might be relevant. See "*Kara Step*" T.M. [1977] R.P.C. 255.

⁴ [1979] A.C. 731 at p. 740. It is worth noting that the English common law does not provide a general cause of action in 'unfair competition'. See *Cadbury-Schweppes Pty. Ltd. v. The Pub Squash Co. Ltd.* [1981] R.P.C. 429. See generally, Blanco White and Jacob, *Kerly's Law of Trade Marks and Trade Names* (12th ed., 1986), Chapter 16; Young, *Passing Off: The Law and Practice Relating to the Imitation of Goods, Businesses and Professions* (2nd ed., 1989), p. 9.

⁵ See generally, Blanco White and Jacob, *Kerly's Law of Trade Marks and Trade Names* (12th ed., 1986), Chapter 16; Wadlow, *The Law of Passing-Off* (1990); Cornish,

else",⁶ or as Lord Oliver puts it: "The law of passing off can be summarised in one short general proposition, no man may pass off his goods as those of another."⁷ In the leading case of *Warnink v. Townend & Sons (Hull) Ltd.*⁸ (also commonly referred to as the *Advocaat* case) Lord Diplock formulated principles of the tort of passing-off with which the other members of the House of Lords agreed. Lord Diplock listed the five essential elements of the tort of passing-off as follows:

My Lords, *A.G. Spalding & Bros. v. A.W. Carriage Ltd.* ... and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.⁹

Intellectual Property. Patents, Copyright, Trade Marks and Allied Rights (2nd ed., 1989), Chapter 16; Phillips and Firth, *Introduction to Intellectual Property Law* (2nd ed., 1990), Chapters 19 and 20; Drysdale and Silverleaf, *Passing Off: Law and Practice* (1986); Young, *Passing Off: The Law and Practice Relating to the Imitation of Goods, Businesses and Professions* (2nd ed., 1989); Ricketson, *The Law of Intellectual Property* (1984), Chapters 24-29.

- 6 See *Reddaway v. Banham* (1896) 13 R.P.C. 218 at p. 224, per Lord Halsbury L.C. [cited with approval by Lord Parker in *Spalding v. Carnage* (1915) 32 R.P.C. 273 at p. 283.] and also at p. 228, per Lord Herschell, that: "The fundamental rule is that one man has no right to put [*sic.*] off his goods for sale as the goods of a rival trader, and he cannot therefore ... 'be allowed to use names, marks, letters, or other *indicia*, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person.' It is, in my opinion, this fundamental rule which governs all cases...."
- 7 See *Reckitt & Colman Products Ltd. v. Borden Inc. and Others* [1990] 1 All E.R. 873 at p. 880. In fact the tort of passing-off can take three different forms: (i) passing-off as to the origin of the goods or services; (ii) passing-off involving deception as to the quality of the plaintiff's own product and (iii) passing-off in cases of shared goodwill involving deception in relation to a class of goods produced not by one manufacturer, but by a group of manufacturers. Passing-off is no longer confined to deception as to origin.
- 8 [1979] A.C. 731.
- 9 *Ibid.*, at p. 742. See also Lord Fraser, *ibid.*, at p. 756, who propounded a slightly different set of criteria which was directed towards the particular facts of the *Advocaat* case. In *Anheuser-Busch, Budejovicky Budvar* (also known as the *Budweiser* case) [1984] F.S.R. 413 at pp. 463 and 472, it was suggested by the Court of Appeal that the requirements of Lords Diplock and Fraser were cumulative and had to be taken as a composite, namely, that the two speeches were to be read together. See also *British Broadcasting Corp. v. Talbot Motor Co.* [1981] F.S.R. 228 at p. 233. The better view as set out in *Bristol Conservatories Ltd. v. Conservatories Custom Built Ltd.* [1989] R.P.C. 455 at p. 466, is that they are not cumulative and that Lord Fraser's formulation dealt specifically with the problem of shared goodwill; where a product with certain characteristics is marketed by a group of traders under a particular name. It is, therefore, clear that Lord Diplock's definition is of more general application than that of Lord Fraser's. See also Wadlow, *The Law of Passing-Off* (1990), p. 5; Phillips and Firth, *Introduction to Intellectual Property Law* (2nd ed., 1990), pp. 235-236. Although their Lordships in the *Advocaat* case were

Recently, the requirements of the law of passing-off have been restated by Lord Oliver in *Reckitt & Colman Products v. Borden Inc.* as follows:

First, [the plaintiff] must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying 'get-up' (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff's goods or services. Second, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. Whether the public is aware of the plaintiff's identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff.... Third, he must demonstrate that he suffers or, in a quia timet action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant's misrepresentation that the source of the defendant's goods or services is the same as the source offered by the plaintiff.¹⁰

Thus, the tort of passing-off can basically be said to consist of three essential elements: First, the requirement of goodwill; second, that of misrepresentation and third, the need to show damage or likelihood of damage. This article will focus its discussion primarily on the first requirement, namely, that of goodwill. Most of the cases which will be discussed will involve passing-off as to the origin of goods or services.

III. RELEVANCE OF GOODWILL TO THE TORT OF PASSING-OFF

In the past there were some doubts as to the legal nature of the rights which were protected by the tort of passing-off; whether the tort protected "property" in the name, mark or get-up of a product or service, or whether it protected the goodwill which subsisted in these indicia of origin. These doubts were "laid to rest" by Lord Parker in *Spalding v. Gamage* who concluded that:

"concerned with a passing off in connection with the supply of goods, but the principle, as indeed appears from Lord Diplock's speech, is applicable to the provision of services just as much as to provision of goods..." per Knox J. in *Nishika Corp. v. Goodchild* [1990] F.S.R. 371 at p. 375.

¹⁰ See [1990] 1 All E.R. 873 at p. 880. The elements stated by Lord Oliver are in fact similar to those enunciated by Lord Diplock in the *Advocaat* case. Lord Jauncey also laid down similar requirements, *ibid.*, at pp. 889-890.

There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing-off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question — property in what? Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say, property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v. Banham* ... expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view.¹¹

Thus, it is well established that the law of passing-off does not protect the name, mark or get-up of a product or service *per se*, since at common law there is no monopoly or "property" in the indicia of origin; rather, passing-off protects against damage to the goodwill of a business of a trader. The plaintiff must, therefore, establish that he has goodwill.¹²

The difficult issue which arises concerns the meaning of goodwill. As will be seen, goodwill is a concept which raises problems of definition and scope. To what extent is it founded upon business or user of the indicia of origin by the plaintiff,¹³ and to what extent is it necessary to demonstrate a business or user within the jurisdiction in issue? These matters will be addressed below.

¹¹ (1915) 32 R.P.C. 273 at p. 284. See also *per* Lord Herschell in *Reddaway v. Banham* (1896) 13 R.P.C. 218 at p. 228: "The word 'property' has been sometimes applied to what has been termed a Trade Mark at common law. I doubt myself whether it is accurate to speak of there being property in such a Trade Mark" See also Lord Macnaghten in *Reddaway v. Banham*, *ibid.*, at p. 231 where he cites with approval James L.J. in *Singer Manufacturing Co. v. Loog*, (1881) L.R. 18 Ch. D. 395 at p. 412 that: "... there is no such thing as a monopoly, or a property, in the nature of a copyright, or in the nature of a patent, in the use of any name." See also Parker J. in *Burberrys v. Cording* (1909) 26 R.P.C. 693 at p. 701 that: "The principles of law applicable to a case of this sort are well known. On the one hand, apart from the law as to trade marks, no one can claim monopoly rights in the use of a word or name. On the other hand, no one is entitled by the use of any word or name, or indeed in any other way, to represent his goods as being the goods of another to that other's injury. If an injunction be granted restraining the use of a word or name, it is no doubt granted to protect property, but the property, to protect which it is granted, is not property in the word or name, but property in the trade or good-will which will be injured by its use." See also Lord Diplock in *Warnink v. Townend* [1979] A.C. 731 at p. 741 and in *Star Industrial v. Yap Kwee Kor* [1976] F.S.R. 256 at p. 269.

¹² See especially Lord Fraser in the *Advocaat* case, *ibid.*, at p. 754 and *per* Lord Diplock, *ibid.*, at p. 741, that: "what the law protects by a passing off action is a trader's property in his business or goodwill." See also *per* Dillon L.J. in *Marcus Publishing Pic. v. Hutton-Wild Communications Ltd.* [1990] R.P.C. 576 at p. 580, that: "Mere confusion is not enough to warrant the grant of an injunction if the proprietary right and goodwill is not made out...." and see also *Pete Waterman Ltd. v. CBS United Kingdom Ltd.* (Unreported, Chancery Division, 30 July 1990). See generally, Lord Oliver in *Reckitt & Caiman Products Ltd. v. Borden Inc. and Others* [1990] 1 All E.R. 873.

¹³ See *Jordache v. Millennium* [1985] 1 M.L.J. 281.

IV. LEGAL DEFINITION OF GOODWILL

The term goodwill has commonly been used to denote "the possession of a ready-formed 'connexion' of customers, considered as an element in the saleable value of a business, additional to the value of the plant, stock-in-trade, book-debts etc."¹⁴ As a legal concept, it has proved to be rather amorphous. The leading definition, often cited in passing-off actions, is that of Lord Macnaghten in *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd.* where his Lordship stated as follows:

What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation, and connection of a business. It is the attractive force which brings in custom. It is one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates. Goodwill is composed of a variety of elements. It differs in its composition in different trades and in different businesses in the same trade. One element may preponderate here and another element there. To analyze goodwill and split it up into its component parts, to pare it down ... until nothing is left but a dry residuum ingrained in the actual place where the business is carried on while everything else is in the air, seems to me to be as useful for practical purposes as it would be to resolve the human body into the various substances of which it is said to be composed. The goodwill of a business is one whole ,...¹⁵

¹⁴ See *The Oxford English Dictionary* (2nd ed., 1989), p. 680.

¹⁵ [1901] A.C. 217 at p. 224. It is interesting to note the reference made in argument to the "cat, rat and dog" basis of the elements of goodwill in *Whiteman Smith Motor Co. v. Chaplin* [1934] 2 K.B. 35, where Scrutton L.J. stated, at p. 42, that: "The cat prefers the old home to the person who keeps it, and stays in the old home though the person who kept the house leaves. The cat represents that part of the customers who continue to go to the old shop, though the old shopkeeper has gone; the probability of their custom may be regarded as an additional value given to the premises by the tenant's trading. The dog represents that part of the customers who follow the person rather than the place; these the tenant take away with him if he does not go too far. There remains a class of customer who may neither follow the place nor the person, but drift away elsewhere. They are neither a benefit to the landlord nor the tenant, and have been called 'the rat' for no particular reason except to keep the epigram in the animal kingdom.... It is obvious that the division of the customers into 'cat, rat and dog' must vary enormously in different cases and different circumstances." Passing-off has been said to be concerned with the "dog" goodwill since goodwill is the "attractive force which brings in custom". Wadlow, in *The Law Of Passing-Off* (1990) at p. 47, stated that: "[I]t is the dog in this example who is loyal to the person carrying on the business. In modern conditions, trade, and consequently goodwill, need not be associated with specific premises at all. 'Cat'

However, the term "goodwill" has sometimes been confused and used interchangeably with the term "reputation". As Oliver L.J., as he then was, in *Anheuser-Busch v. Budejovicky Budvar* puts it: "[T]hat, as it seems to me, is to confuse goodwill, which cannot exist in a vacuum, with mere reputation which may, no doubt, and frequently does, exist without any supporting local business, but which does not by itself constitute a property which the law protects."¹⁶

It is, therefore, important to distinguish between these two closely related concepts. Reputation alone does not constitute goodwill and is not, as such, protected by the tort of passing-off. However, where goodwill in the indicia of origin is found to exist, it invariably follows that the relevant indicia of origin will also enjoy a reputation.¹⁷ If goodwill is distinct from reputation, what other ingredient is there to goodwill apart from reputation or proof of the distinctiveness of an indicia of origin of the plaintiff's goods or services? It has been suggested that in order to establish goodwill the foreign plaintiff must also show that he has a business within the jurisdiction. Lord Macnaghten in *Inland Revenue Commissioners v. Mullet- & Co.'s Margarine Ltd.* stated that:

[I]f there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business, and the goodwill perishes with it, though elements remain 'which may perhaps be gathered up and be revived again. No doubt, where the reputation of a business is very widely spread or where it is the article produced rather than the producer of the article that has won popular favour, it may be difficult to localise goodwill.¹⁸

Lord Lindley also opined that:

Goodwill regarded as property has no meaning except in connection with some trade, business, or calling. In that connection I understand the word to include whatever adds value to a business In this wide sense, goodwill is inseparable from the business to which

goodwill is irrelevant to passing-off. Customers represented by the cat... are ... unlikely to be wooed to another location by a misrepresentation that the person trading there is connected with the plaintiff."

¹⁶ [1984] F.S.R. 413 at p. 470. Thus, goodwill is a "property" right protected by the tort of passing-off whereas, reputation *per se*, is the mere fact that an indicia of origin is known in the minds of the public.

¹⁷ This is so as the indicia of origin will be those by which members of the public, in the relevant trade, associate the product or service with the plaintiff. They will be recognised by the public as being distinctive specifically of the plaintiff's goods or services. Note, however, that it is not necessary that the public be aware of the actual identity of the plaintiff, "as long as they are identified with a particular source which is in fact the plaintiff", *per* Lord Oliver in *Keckitt & Caiman Products Ltd. v. Borden Inc.* [1990] 1 All E.R. 873 at p. 880.

¹⁸ [1901] A.C. 217 at p. 224.

it adds value, and, in my opinion, exists where the business is carried on. Such business may be carried on in one place or country or in several, and if in several there may be several businesses, each having a goodwill of its own. That in some cases and to some extent goodwill can and must be considered as having a distinct locality, is obvious....¹⁹

The established view, then, is that goodwill cannot exist in a vacuum and has no independent existence apart from the business to which it is attached and that goodwill may be local in character.²⁰ A similar approach was adopted by the Privy Council in *Star Industrial Co. Ltd. v. Yap Kwee Kor*. Lord Diplock expressed the view that:

Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired a goodwill the goodwill in that country perishes with it although the business may continue to be carried on in other countries.²¹

Although that case was concerned with the tort of passing-off, the court there was concerned with plaintiffs who had stopped trading and abandoned their business within the jurisdiction and had assigned their residual goodwill within the jurisdiction to a third party subsidiary company (which was not a party to the action). In such a situation it is accepted that such a plaintiff will no longer have a protectable goodwill within the jurisdiction to found an action for passing-off. This passage of Lord Diplock's was quoted by Thean J. in *Tan Gek Neo, Jessie v. Minister for Finance and Another*.²² This was a case where an American retail chain, under the style of "J.C. Penney" tried unsuccessfully to stop a local retailer from registering the name "J.C. Penney Collections" under the Business Registration Act.²³ Thean J., who appears to support the "hard line" approach, stated that: "The American corporation was not carrying on, and [had] not carried on, any business in Singapore; nor [had] it or its associated or related company used either of the trademarks here. It therefore [had] no reputation ... or goodwill in Singapore in

¹⁹ *Ibid.*, at p. 235. See also Lord James, *ibid.*, at p. 228, and Lord Robertson, *ibid.*, at p. 233.

²⁰ However, it is worth noting that the *Midler* decision was a stamp duty case and was not a decision on the tort of passing-off. It may be that for the purposes of the Stamp Act a narrower interpretation of goodwill is required so that clear lines can be drawn for determining whether *ad valorem* duty is chargeable. The case is not authority for the proposition that goodwill cannot extend beyond the national frontier into a country in which the foreign plaintiff has no place of business.

²¹ [1976] F.S.R. 256 at p. 269. This was a Privy Council decision on appeal from Singapore.

²² [1991] 2 M.L.J. 301.

²³ Cap. 32, 1985 Rev. Ed.

relation to its business."²⁴ Recently, in *R.H. Macy & Co. Inc. v. Trade Accents*,²⁵ the applicants, a large American retail chain under the name of "MACY'S", successfully removed the local trademark "MACY'S" registered in the name of the local retailers, Trade Accents, from the Trade Marks register. The applicants did not have any retail stores in Singapore but had a local representative (purchasing) office. Rubin J.C. was of the view that the applicants had the reputation and goodwill in Singapore which they were entitled to retain and exploit within the jurisdiction.²⁶

From these cases it would appear that in order to establish²⁷ goodwill in a passing-off action, the plaintiff would have to prove not merely the

²⁴ *Ibid.*, at p. 306. The learned judge also stated, *ibid.*, at p. 305, that: "Nor could the proprietor of these trademarks maintain an action against [the local trader] for passing-off, as the trademarks had not been used here and the proprietor had not acquired any reputation in relation thereto." However, it is worth noting that he was not dealing with passing-off but with the registration of business names under section 11 of the Business Registration Act (Cap. 32, 1985 Rev. Ed.).

²⁵ (1991) (Unreported). Originating Motion No. 2 of 1991 (Singapore).

²⁶ It is worth noting that the judicial commissioner was not dealing with a passing-off case but with an application under the Trade Marks Act, Cap. 332, 1985 Rev. Ed., to expunge a local registered trade mark. Rubin J.C. approved of and quoted an observation on the future development of the law of passing-off, which appears akin to unfair competition, from the decision of Leonard J. of the Hong Kong Supreme Court in *J.C. Penney Co. Inc. v. Punjabi Nick (otherwise Punjabi Narain)* [1979] F.S.R. 26, see *infra*, note 96, which was a case which appeared to support the "soft" line school of thought. As in the latter case, the foreign retailer had no retail business within the jurisdiction but had a representative (purchasing) office within the jurisdiction. See also *Haw Par Brothers International Ltd. v. Jack Chiarapurk* [1991] 2 M.L.J. 428, *infra*, note 89.

²⁷ The plaintiff in a passing-off action will normally have to establish goodwill at the date of the writ. However, in certain cases the courts have been prepared to accept the relevant date for establishing goodwill as "the date of commencement of the conduct of the Defendants complained of," per Thean J. in *mJordache v. Millennium* [1985] 1 M.L.J. 281 at p. 283. See also the *Budweiser* case [1984] F.S.R. 413 at p. 462. The reason for this was clearly stated by Graham J. in *J.C. Penney Co. Inc. v. Penneys Ltd.* [1975] F.S.R. 367 at p. 373, as follows: "In most cases about legal rights, one regards the date of the writ as being the date at which those rights must be judged; and such, indeed, is the normal position. I do not, however, think that, where one is judging the nature and extent of the reputation of the plaintiff for the purpose of interlocutory proceedings in a passing-off action, to take the date of the writ would necessarily be just. Where, for example, as here the plaintiff has made it clear to the defendant that he can expect trouble if he extends his activities into the area where the plaintiff is already active, then, if the defendant, in spite of such warning, ignores it and decides to take the risk, he has only himself to blame if he ultimately turns out to be wrong. In such a case, provided the plaintiff has acted with reasonable promptitude as soon as he has learned of the start or the extension of the defendant's activities, he ought to be entitled to contend successfully that his reputation should be judged at least as early as the time the defendant, with his eyes open to the consequences, started his operations in the plaintiff's area. To hold otherwise would be to allow a defendant improperly to build up a reputation which he could use against the plaintiff when ultimately sued. That would be to enable the defendant to profit by and found a defence on his own wrong, a thing which equity will not readily permit." It is also worth noting that in certain circumstances the plaintiff's action for passing-off may be barred on the grounds of estoppel, acquiescence and laches. See *Habib Bank Ltd. v. Habib Bank A G Zurich* [1981] 2 All E.R. 650; Coleman, "Habib Bank Ltd. v. Habib Bank A G Zurich: International Goodwill and Passing Off [1982] 1 E.I.P.R. 24.

existence of a "reputation" within the jurisdiction, in the sense of proving that the indicia of origin has become distinctive of the plaintiff's goods or services,²⁸ but also the existence of a business to which that goodwill can be attached. The difficulty which now arises is whether that business must itself exist within the jurisdiction. Although, Lord Diplock was of the view that goodwill was "local in character",²⁹ Graham J. in *Baskin-Robbins Ice Cream Co. v. Gutman* stated that: "... it is not right, ... to read the phrase 'it is local in character', in the narrowest territorial sense automatically limiting goodwill to the boundaries of the country where the particular business is registered or established ... and I do not believe that Lord Diplock intended his words to be read in the narrow sense suggested."³⁰

Although the *Muller* and the *Star Industrial* cases appear to have imposed territorial restrictions on the scope of goodwill, neither case was concerned with the position of a foreign plaintiff seeking to extend the protection of its goodwill to a country in which he had no business activities. With respect, there is much to be said for Graham J.'s proposition, *obiter*, in *Baskin-Robbins Ice Cream Co. v. Gutman* that:

... the existence and extent of the goodwill acquired by virtue of a trader's business and reputation seems to me ... to be one of fact. This being so, I do not see how one can properly lay down artificial limits as to the geographical areas over which reputation and goodwill can or cannot extend, nor state rules as to what a trader must or must not do to prove the existence of such reputation and goodwill. Being questions of fact the court must be guided, and guided only by what the proved facts establish.³¹

Although "goodwill cannot exist *in vacua* without an associated business",³² the problem still exists as to whether the tort of passing-off will protect the goodwill of a foreign plaintiff, which is attached to a business situated outside the jurisdiction of the courts. Will a foreign trader be entitled to protection under the tort of passing-off where he has no business in this country? What is the connecting factor with Singapore that the foreign trader must establish, before he can maintain an action for passing-off?³³ These questions have given rise to two opposing lines of cases which have adopted two different schools of thought, namely,

²⁸ That is, that the public associates the relevant indicia of origin with the plaintiff's goods or services such that the use of the relevant indicia "will be understood by the trade and the public in this country as meaning that the goods are the plaintiff's goods." See Jenkins L.J., *infra*, at note 37, in *Oertli v. Bowman* [1957] R.P.C. 388 at p. 397.

²⁹ See the *Star Industrial* case, *supra*, at note 21.

³⁰ [1976] F.S.R. 545 at p. 547. See also Graham J.'s judgment in *Maxim's v. Dye* [1977] F.S.R. 364 at p. 367.

³¹ [1976] F.S.R. 545 at p. 547.

³² *Maxim's Ltd. v. Dye* [1977] F.S.R. 364 at p. 367.

³³ See Walton J. in *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd.* [1980] R.P.C. 343 at p. 349.

the "hard line" school of thought "which maintains that it is essential for the plaintiff to have carried on a trade in this country" in order to establish goodwill within the jurisdiction, and the "soft line" school which "suggests that something less than that will do."³⁴

V. NEED FOR BUSINESS WITHIN THE JURISDICTION"

A. *The Hard Line School of Thought*

The cases which have adopted this approach have maintained that goodwill is territorial in nature and that business within the jurisdiction is an essential requirement in establishing goodwill. This "hard line" school argues that in order to establish goodwill, it is not enough for the plaintiff merely to show that he has a tremendous reputation within the jurisdiction; for fame alone does not generate goodwill in an indicium of origin. It is also necessary to show that he has some sort of business activity within the jurisdiction out of which goodwill can arise.³⁶ The case commonly cited to support this is *Alain Bernardin et Compagnie v. Pavilion Properties Ltd.* (the *Crazy Horse* case) where Pennycuik J.³⁷ confirmed earlier authorities in saying that: "... a trader cannot acquire goodwill in this country without some sort of user in this country. His user may take many forms and in certain cases very slight activities have been held to suffice."³⁸

³⁴ *ibid.*

³⁵ See Coleman, "Protection of Foreign Business Names and Marks Under the Tort of Passing off" (1986) 6 *Legal Studies* 70; S. Lane, "Passing Off and the Foreign Plaintiff [1984] 10 E.I.P.R. 279; F. Mostert, "Is Goodwill Territorial or International? Protection of the Reputation of a Famous Trade Mark Which Has Not Been Used in the Local Jurisdiction" [1989] 12 E.I.P.R. 440. See also the materials referred to in note 5, *supra*.

³⁶ Thus, a reputation within the jurisdiction, however great that may be, which has been acquired without any user within the jurisdiction is not relevant to the tort of passing-off. As Templeman J., in *Globelegance v. Sarkissian* [1974] R.P.C. 603 at p. 611, puts it: "If a passing off action is to protect goodwill, and if goodwill exists where the business is carried on, then one starts with the contention that there can be no goodwill where the business is not carried on."

³⁷ The learned judge in the interlocutory decision cited from *Oertli v. Bowman* [1957] R.P.C. 388. See especially *per Jenkins L.J.*, in *Oertli v. Bowman*, *ibid.*, at p. 397, that: "It is, of course, essential to the success of any claim in respect of passing-off based on the use of a given mark or get-up that the plaintiff should be able to show that the disputed mark or get-up has become by user in this country distinctive of the plaintiff's goods so that the use in relation to any goods of the kind dealt in by the plaintiff of that mark or get-up will be understood by the trade and the public in this country as meaning that the goods are the plaintiff's goods." This decision was upheld by the House of Lords in [1959] 1 R.P.C. 1. Note, however, that Graham J. in *Baskin-Robbins v. Gutman* [1976] F.S.R. 545 at p. 548, was of the view that the words of Jenkins L.J. "ought not to be read as going further than requiring that in the normal case distinctiveness must be established by showing user of the disputed mark or get-up by the plaintiff on his goods or premises in this country, so that the public here understand such mark or get-up to mean him."

³⁸ [1967] R.P.C. 581 at p. 584. See also *Renter v. Mulhens* (1953) 70 R.P.C. 235, where Evershed M.R. said: "Still I do not think the Defendant is entitled to succeed in his claim for passing-off. He is conducting in England no business, selling here no goods. As it

Thus, it would appear that some sort of trading or business activity, albeit slight, in the form of "user" within the jurisdiction is needed. The problem, however, is to determine where the threshold lies. Some activities might be so slight as to be caught by a "*de minimis*" type principle. This is considered in greater detail below. The *Crazy Horse* case was followed in *Amway Corporation v. Eurway International Ltd.*³⁹ where the court found that there was insufficient business activity within the jurisdiction to entitle the plaintiffs to protection. Similarly, Lord Diplock in *Star Industrial v. Yap Kwee Kor* "stressed the equation that without a business in the country to which the goodwill could be attached, there could be no goodwill."⁴⁰ Lord Diplock⁴¹ and Lord Fraser⁴² in the *Advocaat* decision also re-emphasised the territorial nature of goodwill. Oliver L.J., as he then was, in the *Budweiser* case also adverted to the point that "goodwill (as opposed to mere reputation) does not exist here apart from a business carried on here."⁴³ Another case which has been generally regarded as belonging to the "hard line" school is *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd.* where Walton J. reviewed the earlier authorities and stated as follows:

Passing off is a tort; and the gist of the action is damage. If there can be no damage, therefore, there can be no action. This would,

seems to me, he has not in this country any proprietary right which he is entitled to protect." Romer L.J. was also of the view that: "I cannot but think that the goodwill in question was attached, and solely attached, to the business which the Defendants carried on in this country as a distinct and severable enterprise.... If so, then the goodwill did possess a locality and that locality was Britain."

³⁹ [1974] R.P.C. 82.

⁴⁰ *per* Walton J. in *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd.* [1980] R.P.C. 343 at p. 355. See also, *supra*, note 21, for a more detailed discussion of Lord Diplock's view.

⁴¹ Lord Diplock, in the *Advocaat* case [1979] A.C. 731 at p. 744, adverted to the fact that a plaintiff "must have himself used the descriptive term long enough *on the market* in connection with his own goods and have traded successfully enough to have built up a goodwill for his business." (Emphasis added). This statement was made in relation to a new entrant on the market in the passing-off cases on shared goodwill. However, it was cited by Oliver L.J. in the *Budweiser* case [1984] F.S.R. 413 at p. 464, to emphasise the territorial nature of goodwill. In the case of passing-off on shared goodwill, on the question of whether it is necessary that members of the class of manufacturers who are maintaining a cause of action in passing-off, must have traded within the jurisdiction; see *Consorzio Del Prosciutto Di Parma v. Marks & Spencer pic.* [1990] F.S.R. 530 at pp. 535 and 536, where Morritt J. held that: "The essence of a claim in passing off is damage to established goodwill and reputation in the United Kingdom. Producers who have never supplied the United Kingdom market cannot have any cause of action.... Accordingly, unless and until the class is properly confined and a suitable representative plaintiff has been joined, the action is improperly constituted as a representative action."

⁴² See the first element of Lord Fraser's formulation of the tort of passing-off, *supra*, note 9. His Lordship also stated, *ibid.*, at p. 755, that: "In my opinion its meaning in countries other than England is immaterial because what the court is concerned to do is to protect the plaintiff's property in the goodwill attaching to the name in England and it has nothing to do with the reputation or meaning of the name elsewhere."

⁴³ [1984] F.S.R. 413 at p. 464.

therefore, be a complete answer to any claim by the well known London store if a Bedouin trader were to set himself up in the middle of the desert as "Harrods". He would neither be diverting custom which should go to the real Harrods into his own shop, nor would there be any possibility of any confusion which could harm the real Harrods ... as a matter of principle, no trader can complain of passing off as against him in any territory - and it will usually be defined by national boundaries, although it is well conceivable in the modern world that it will not - in which he has no customers, nobody who is in a trade relation with him. This will normally shortly be expressed by saying that he does not carry on any trade in that particular country ... but the inwardness of it will be that he has no customers in that country: no people who buy his goods or make use of his services (as the case may be) there.⁴⁴

Walton J. then concluded as follows:

Having therefore commented upon all the cases on this point which were cited to me, unless the 'hard line' alleged to have been taken by the Privy Council in the *Star Industrial* case, and by the House of Lords in the *Advocaat* case represents the law - in which case the plaintiffs' case is even more wholly unarguable than I think it to be - the position in law appears to be relatively clear. That is to say, it does not matter that the plaintiffs are not at present actually carrying on business in this country, provided that they have customers here. Equally, it is of no moment, if they have no customers here, that they have a reputation in the general sense of the word in this country. It is also of no moment that that reputation may have been brought about by advertising: this can be of no moment, unless ... it brings in customers, when, of course, once again there is no need to rely upon it.⁴⁵

The learned judge was of the view that the mere existence of a trading reputation within the jurisdiction was insufficient in the absence of customers within the jurisdiction and noted that on the facts before him:

There [was] not even a single instance given of a transaction by one of the plaintiffs' franchisees in the U.S.A. (or Australia or Japan, for that matter) with anybody normally resident in England or Wales at all. Whether such an instance by itself would be of assistance to the plaintiffs [might] well be a moot point on several different grounds; but there [was] not even one such offered.⁴⁶

⁴⁴ [1980] R.P.C. 343 at p. 350.

⁴⁵ *Ibid.*, at p. 357.

⁴⁶ *Ibid.*, at p. 357. The learned judge found it "astonishing ... that not a single person in this country, as far as the evidence goes, has actually bought anything in any one of the franchised shops in the U.S.A., or elsewhere." *Ibid.*, at p. 347.

Walton J. then refused the grant of an interlocutory injunction on the basis that the plaintiff had failed to establish any goodwill within the jurisdiction; the mere *intention* to merchandise the plaintiff's product in the United Kingdom through franchise agreements alone was not enough. Walton J., however, does not seem to have fully subscribed to the 'hard line' view that goodwill within the jurisdiction is predicated on the existence of an actual business within that jurisdiction: the plaintiff need not actually be carrying on any business within the jurisdiction provided he has customers there, someone who is in a trade relation with him: somebody who buys his goods or makes use of his services. Walton J.'s emphasis on the existence of customers within the jurisdiction or someone who is in a trade relation with the plaintiff would appear to be in line with Lord Macnaghten's definition⁴⁷ of goodwill as the "attractive force which brings in custom." The decision of Walton J. throws up the need for a careful examination of the relationship between goodwill, business and custom. The learned judge was satisfied that it would not be necessary for the plaintiff to have, as a matter of 'form', an actual business. What is necessary is to look for the 'substance' of any business; namely, customers. At the very least, this decision raises the difficult issue of what constitutes business.⁴⁸

Meaning of business

It is not in doubt that where the plaintiff has no reputation within the jurisdiction, his action for passing-off must fail since without it he has no protectable goodwill. It is also well established that the existence of a reputation *per se* is not sufficient to establish a protectable goodwill.⁴⁹ The "hard line" school argues that goodwill is established by showing a reputation which is attached to a relevant business within the jurisdiction. What then constitutes a business within the jurisdiction? Not every activity in this country which might loosely be called a "business" activity qualifies as the carrying on of a business here.⁵⁰

If there is actual trading by the plaintiff within the jurisdiction, then that would be sufficient to establish business within the jurisdiction. However, it is not necessary for the plaintiff to show that he has a place of business within the jurisdiction." It is sufficient if the plaintiff has some sort of business activity within the jurisdiction, for example, where the goods of the plaintiff are sold in this country whether directly by the foreign plaintiff himself, or indirectly through his local im-

⁴⁷ See the *Muller* case, *supra*, note 15.

⁴⁸ Recently, *Knox J. mNishika Corporation v. Goodchild* [1990] F.S.R. 371 at p. 376, has re-emphasised the need for the plaintiff in a passing-off action to establish that "there is a business in this jurisdiction to be protected which belongs to the plaintiffs."

⁴⁹ See *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd.* [1980] R.P.C. 343 and the *Budweiser* case [1984] F.S.R. 413 at p. 465.

⁵⁰ See Oliver L.J. in the *Budweiser* case [1984] F.S.R. 413 at p. 466.

⁵¹ See Young, *Passing Off: The Law and Practice Relating to the Imitation of Goods, Businesses and Professions* (2nd ed., 1989), p. 16.

porter,⁵² that is, that the plaintiff's goods have a market and are available within the jurisdiction. In *Panhard et Levassor v. Panhard Levassor Motor Co.*,⁵³ the plaintiff had no place of business in England but an English company bought their cars and imported them into England for resale and individual customers also bought the cars from Paris and imported them into England. Thus, goods of the plaintiff were available within the jurisdiction and the court held that the foreign plaintiff had a market in England which the court would protect. Similarly, in *Poiret v. Jules Poiret Ltd.*,⁵⁴ the plaintiff was entitled to succeed in his passing-off action even though he had no place of business within the jurisdiction. However, the plaintiff did conduct an exhibition of his dresses within the jurisdiction and there was evidence that the plaintiff had many customers within the jurisdiction. There was sufficient business use of the plaintiff's name within the jurisdiction since the plaintiff had sold clothes patterns, dresses and costumes to persons in England. More recently, in *Nishika Corp. v. Goodchild*, Knox J. held that "the defendants' own activities have created a sufficient goodwill in this country to give the plaintiffs a sufficient *locus standi* and business for the court to interfere to protect it."⁵⁵ The learned judge admitted that in that respect the case was unusual, but nonetheless concluded that: "The lawful part, that is to say, the selling [by the defendants] of the plaintiffs' cameras as the plaintiffs' cameras in this country, is in my judgment sufficient to confer upon the plaintiffs an interest adequate to support the interlocutory injunction"⁵⁶ Thus, the judge was of the view that the defendants' lawful activities of making the plaintiffs' goods available within the jurisdiction, by importing and supplying the plaintiffs' goods, was capable, at least for the purpose of granting an interlocutory injunction, of

⁵² Note, however, that the issue may arise as to whether the goodwill belongs to the foreign manufacturer or to the local importer. See Blanco White & Jacob, *Kerly's Law of Trade Marks and Trade Names* (12th ed., 1986), p. 361; Wadlow, *The Law of Passing-Off* (1990), pp. 72-82. As to the ownership of the goodwill in the case of an international business which establishes a local branch, see *Habib Bank Ltd. v. Habib Bank A G Zurich* [1981] 2 All E.R. 650 at p. 661, where Oliver L.J. (as he then was) stated that: "Where an internationally known business establishes a branch in this country through a limited company ... it may be that technically the goodwill and reputation of that business 'belongs' to the limited company in the sense that the company may be the proper and only plaintiff in an action taken here to protect it. But it does not cease to be the goodwill and reputation of the international business because it is also the goodwill and reputation of the local branch. And that reputation inheres ... equally in any other local branch which the international business may set up in the same place."

⁵³ (1901) 18 R.P.C. 405. This case was expressly approved of by Dillon and O'Connor L.J.J. in the *Budweiser* case [1984] F.S.R. 413 at pp. 477 and 472 respectively.

⁵⁴ (1920) 37 R.P.C. 177. See also *Globelegance v. Sarkissian* [1974] R.P.C. 603, a case similar to the *Poiret* case, where the trading activities of the plaintiff within the jurisdiction were held sufficient for a passing-off action. In that case the plaintiff conducted fashion shows within the jurisdiction and clothes patterns and the plaintiff's Valentino ties were also sold in England. The plaintiff, therefore, had customers within the jurisdiction and some of his goods were available within the jurisdiction.

⁵⁵ [1990] F.S.R. 371 at p. 376.

⁵⁶ *Ibid.*

conferring a sufficient business interest on the plaintiff. Similarly, where the plaintiff's goods are available to customers within the jurisdiction through mail order service, that may be sufficient. In *Sheraton Corporation of America v. Sheraton Motels Ltd.*,⁵⁷ an interlocutory injunction was granted to a plaintiff who had no business within the jurisdiction but who had a booking office within the jurisdiction where customers could make bookings and reservations to stay at the plaintiff's hotel outside the court's jurisdiction. The existence of "business within the jurisdiction" was very tenuous in that case.

Whilst slight trading activities may suffice, a caveat was imposed by Oliver L.J., as he then was, in the Court of Appeal in the *Budweiser* case that the plaintiff has to show that the business activities consist of sale on the open market to the general public and not merely a sale on a closed or restricted market. The sale of the plaintiff's beer to United States servicemen on the American bases in the United Kingdom was regarded as part of the American business and not regarded as sufficient English business to give rise to a protectable goodwill within the jurisdiction. Furthermore, the sporadic and occasional sale of the plaintiff's beer on the American bases on open days and elsewhere was held by Oliver L.J. to be insufficient to constitute business within the jurisdiction. As Oliver L.J. puts it: "... all those cases have this feature in common, that the sales relied on were sales on the open market to the public generally. None was concerned with ... sales on a closed and separate market to a particular section of the public only ..."⁵⁸ O'Connor L.J., however, was of the view that: "... American servicemen are members of the public in [England] like any other visitor, and I do not think that it matters if goods are available in a particular place to a category of the public which is itself not open to all."⁵⁹ However, the learned judge concluded that there was no damage to the plaintiffs' business since the "plaintiffs' beer was not available elsewhere, and the goodwill in this country was limited to the business in the American bases. This was a highly specialised form of trading not susceptible to damage by the first defendants' entry into the English market."⁶⁰

⁵⁷ [1964] R.P.C. 202.

⁵⁸ [1984] F.S.R. 413 at p. 470. See also Dillon L.J.'s view, *ibid.*, at p. 476, that: "If the question were whether, by sales of their beer to the general public, the plaintiffs had acquired a goodwill in this country, I would not think it right to exclude tourists, or foreign nationals working here, from the general public. But the special arrangements with regard to sales in the American bases make them ... essentially an extension of the plaintiffs' American Market, and not a market with the public in this country. The public cannot buy in the bases ... there were two separate markets ... the limited market in the P.X. stores and canteens in the American bases, which was the plaintiffs' market which the first defendants could not enter and did not seek to enter, and conversely there was the general market with the general public in the country...." The learned judge concluded that the defendants' sale was unlikely to damage the plaintiff's goodwill in the American bases, which was the plaintiffs' only business in this country.

⁵⁹ *Ibid.*, at p. 472.

⁶⁰ *Ibid.* See Wyand, "The Budweiser Case: Passing Off - The Foreign Plaintiff [1984] 12 E.I.P.R. 353.

So far we have discussed cases where the plaintiff has some sort of business activity within the jurisdiction. In cases where the plaintiff has no business within the jurisdiction but where he has conducted massive advertising and incurred substantial expenses in pre-launch activities, it is unclear whether such activities would be sufficient to give rise to a protectable goodwill. In *Chivers v. Chivers*, Harwell J. was of the view that mere advertisement alone was not sufficient to create a protectable goodwill. The learned judge stated that: "Advertisement, distinguished from trade, is nothing. No doubt if you have the trade the advertisement assists the trade, but to say that a man can by advertising alone make his name known in connection with particular goods so as to assist him in obtaining a monopoly of those goods seems to be untenable as a proposition."⁶¹

However, in *B.B.C. v. Talbot*⁶² Megarry V-C granted the plaintiff an interlocutory injunction to protect the goodwill in the name "CARFAX" even though the system had not yet been put into operation. The evidence showed that the plaintiff had carried out considerable preparatory work and that "there [was] ample evidence that a significant part of the public knew about the name CARFAX as distinctive of the [plaintiff's] system."⁶³ Megarry V-C expressed the view that the fact that the scheme had not yet been launched did not prevent the plaintiff from having built up a protectable goodwill. Similarly, in *My Kinda Bones Ltd. v. Dr. Pepper's Stove*,⁶⁴ Slade J. refused to strike out the plaintiff's passing-off claim where the plaintiff's restaurant was not yet opened, but had been advertised. The learned judge also observed that: "It may well be that, if the goods or services are placed on the market after extensive preparatory publicity, a very short time thereafter will suffice for the public to assess their merits and for the relevant reputation to be acquired."⁶⁵

More recently, Dillon L.J. in *Marcus Publishing Pic. v. Hutton-Wild Communications Ltd.*⁶⁶ held that "there [was] no basis for claiming goodwill in the name of a newspaper or magazine if the newspaper or magazine [was] not yet on the market."⁶⁷ The learned judge was also of the view that expenditure alone incurred upon a work not given to the world was quite incapable of creating a protectable right and also that "an advertisement is nothing more than an announcement of an intention on the part of the plaintiff ,..."⁶⁸ However, Dillon L.J. concluded that: "On the facts of this case, even if pre-publication activity could confer goodwill, what little

⁶¹ (1900) 17 R.P.C. 420 at p. 431. See also the *Crazy Horse* case [1967] R.P.C. 581 at p. 585, where Pennycuik J. observed that "the sending of advertisements to this country and the recollection of returned travellers, fall very far short of constituting the sort of goodwill which could be protected by passing off actions in this country."

⁶² [1981] F.S.R. 228.

⁶³ *Ibid.*, at p. 233.

⁶⁴ [1984] F.S.R. 289.

⁶⁵ *Ibid.*, at p. 299.

⁶⁶ [1990] R.P.C. 576.

⁶⁷ *Ibid.*, at p. 581.

⁶⁸ *Ibid.*, at p. 581.

had been done by either party is far too insignificant to qualify them to establish goodwill in a name consisting of ordinary words in the English language."⁶⁹ Staughton L.J. also left the question open on whether pre-launch activity was sufficient to create a protectable right in passing-off. The learned judge stated as follows:

As appears from the cases ... it was established law by 1888 that a supplier of goods or services could not complain of passing-off unless he had already established goodwill for his product in the market to which it was directed, and that he could not have existing goodwill unless he had already begun to supply that product. I suspect that when those cases were decided there was not the habit of elaborate pre-launch publicity which prevails today. It may be ... that it is now possible to create goodwill for a future product by lavish hospitality or advertising of some other kind, and that a competitor ought not to be allowed to appropriate to himself goodwill so engendered. But I agree that on the facts of this case it is not necessary to reach any decision on that point.⁷⁰

In deciding whether pre-launch activities are sufficient to constitute "business within the jurisdiction", a distinction should be made between a "future product or service", that is, one which has not yet been made available anywhere before, and a product or service which is available elsewhere but not yet available in Singapore. In the former case it may be difficult to see how goodwill, as opposed to mere reputation, can subsist in the relevant indicia of origin by virtue of extensive advertising or mere preparations for trading since there is no product or service in which the goodwill can subsist. However, in the latter case the elaborate pre-launch activity carried out by the foreign trader, such as extensive advertisement coupled with considerable expenditure incurred in preparation to commence trading in Singapore,⁷¹ may be sufficient to constitute "business activity" to which the goodwill can be attached. To adopt a strict approach to the "business user" test in such a case and to hold that the plaintiff has no protectable goodwill until the opening day of his business in Singapore may be too artificial.

Finally, where the plaintiff has ceased to trade, the goodwill in his business will not be lost immediately. A distinction would have to be made between permanent abandonment of a business and temporary cessation of a business. In the former case where the plaintiff has stopped and abandoned his business in Singapore in which it had acquired goodwill, the "goodwill in that country perishes with it ... [and] it cease[s] to have any proprietary right in Singapore which [is] entitled to protection in any

⁶⁹ *Ibid.*, at p. 583.

⁷⁰ *Ibid.*, at p. 585.

⁷¹ For example, acquiring leases of premises for their Singapore business. For the position of goodwill in the case of an amalgamation or merger of titles of magazine, see *Norman Kark Publications Ltd. v. Odhams Press Ltd.* [1962] R.P.C. 163.

action for passing-off brought in the courts of [Singapore]."⁷² Thus, once the business within the jurisdiction has been abandoned, it would appear that the abandoned goodwill cannot be revived even where the former business is re-commenced. The plaintiff in such a case would have to start to create a fresh goodwill.⁷³ In the case of temporary cessation of business, Pennycuik V-C in *Ad-Lib Club Ltd. v. Granville* held that the plaintiff company, which had stopped carrying on the business of a club for five years, may still have had a residual goodwill capable of protection by the tort of passing-off. The Vice-Chancellor stated that:

It seems to me clear on principle and on authority that where a trader ceases to carry on his business he may none the less retain for at any rate some period of time the goodwill attached to that business It further seems to me clear in principle and on authority that so long as he does retain the goodwill in connection with his business he must also be able to enforce his rights in respect of any name which is attached to that goodwill. It must be a question of fact and degree at what point in time a trader who has either temporarily or permanently closed down his business should be treated as no longer having any goodwill in that business or in any name attached to it which he is entitled to have protected by law.⁷⁴

This concludes the discussion on the "hard line" school of thought. Whilst this approach traditionally required some form of business or trading activity within the jurisdiction (with its attendant problems of definition), the emphasis now appears to be on whether the plaintiff has customers within the jurisdiction. This raises the issue of the relevance of the place where the custom is satisfied. Does it matter, for example, that the customers within the jurisdiction can only acquire the goods by purchase outside of the jurisdiction? If not, then the law will be moving towards a "softer line" on the issue of goodwill.

B. *The Soft Line School of Thought*

The cases which subscribe to this school of thought have adopted a softer approach to the legal nature of goodwill. Goodwill can exist within a

⁷² Per Lord Diplock in *Star Industrial Co. Ltd. v. Yap Kwee Kor* [1976] F.S.R. 256 at p. 269.

⁷³ See Wadlow, *The Law of Passing-Off*(1990), p. 111. However, the plaintiff in such a case may be able to argue that his business was not abandoned but had temporarily ceased and thus adopt an *Ad-Lib* type of argument. See *infra*, at note 74.

⁷⁴ [1972] R.P.C. 673 at p. 677. The learned judge then concluded, *ibid.*, that: "... the plaintiff company has indeed a residual goodwill to which [the] name is attached and that that goodwill is an asset of value in the hands of the plaintiff company which it is entitled to exploit ... in future and which it cannot be said to have abandoned. That being the position, the name is something which it is entitled to have protected by injunction." Note that: "A mere intention not to abandon the name is ... not enough", per Wilberforce J. (as he then was) in *Norman Kark Publications Ltd. v. Odhams Press Ltd.* [1962] R.P.C. 163 at p. 170.

jurisdiction even if there is no business there, particularly in the case where the plaintiff can establish an international reputation in the famous indicia of origin of his product or service. Goodwill can therefore transcend the national boundary and is not confined to the territory in which the business is situated. This approach is exemplified by *Maxim's v. Dye*⁷⁵ where Graham J. granted an injunction to the plaintiff, who was the owner of the *Maxim's* restaurant in Paris, even though he never carried on any business within the jurisdiction. The restaurant was, however, well known in England. The learned judge said:

If it is in law correct to say that a plaintiff cannot establish that he has goodwill in England which will be protected by our courts without actually showing that he has a business in England, then of course, that is the end of the matter and the plaintiff cannot recover here, but in my judgment that is not the law ... a plaintiff's existing goodwill in this country, which derives from and is based on a foreign business, such as one in Paris or elsewhere in the Common Market, may be regarded as prospective but none the less real in relation to any future business which may later be set up by the plaintiff in this country.⁷⁶

He also held that "there was no requirement of English law that a plaintiff in a passing-off action must have traded in this country in order to succeed. The geographical extent of a business' goodwill was a question of fact. A business could have goodwill in this country although based on trading carried on abroad."⁷⁷ However, it would appear that even *Maxim's v. Dye* does not go so far as to establish that a foreign trader is entitled to protection under the law of passing-off simply based on the fact that he is known to persons within the jurisdiction (that is, based on mere reputation alone). The facts of the case clearly showed that the plaintiff's restaurant in Paris was extensively patronised by residents in the United Kingdom.⁷⁸ The learned judge

⁷⁵ [1977] F.S.R. 364.

⁷⁶ *Ibid.*, at p. 368. The learned judge concluded, *ibid.*, at p. 371, that: "On the fact ... that the plaintiff company here has a reputation and goodwill in respect of the name 'Maxim's,' which derives from the restaurant business in Paris with that name, they are, in my judgment, for reasons of English law ... entitled to relief for which they ask against the defendant. I see no reason why the reality of the reputation in the United Kingdom should not be protected and I believe that our courts could properly be regarded as being out of touch with reality if they have not the power to protect such goodwill." Note, however, that the judgment was given in default of defence and thus, no argument was heard on the defendant's part. Hunter J. in *Hong Kong Caterers Ltd. v. Maxim's Ltd.* [1983] H.K.L.R. 287 at p. 292, pointed out that: "the judge's references to prospective goodwill have to be read in the light of his definition at page 370. This shows that he was speaking not of some goodwill arising in the future but of the future effects of present goodwill."

⁷⁷ See the headnote of the case, *ibid.*, at p. 364.

⁷⁸ See Ricketson, *The Law of Intellectual Property* (1984), p. 551. See also the remarks of Walton J. in *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd.* [1980] R.P.C. 343, on the relevance of customers.

also relied on his earlier judgment in *Baskin-Robbins v. Gutman* where he stated that:

Some businesses are ... to a greater or lesser extent truly international in character and the reputation and goodwill attaching to them cannot in fact help being international also. Some national boundaries such as, for example, those between members of the EEC are in this respect becoming ill-defined and uncertain as modern travel, and Community rules make the world grow smaller. Whilst therefore not wishing to quarrel with the decisions in question ... I believe myself that the true legal position is best expressed by the general proposition ... that the existence and extent of the plaintiffs' reputation and goodwill in every case is one of fact however it may be proved and whatever it is based on.⁷⁹

Thus, Graham J. appeared to have adopted a liberal definition of goodwill and was prepared to accept that goodwill could transcend the national borders of the country in which the business is situated such that a plaintiff in a passing-off action need not establish trading activities in this country before he can succeed. A similar approach appeared to have been taken by Sir Robert Megarry V-C in *B.B.C. v. Talbot* where he held that the fact that "the [CARFAX] scheme [had] not yet been launched ... [did] not prevent the BBC from having built up goodwill in it which [was] entitled to protection."⁸⁰ Similarly, in *Metric Resources Corporation v. Leasemetrix Ltd.*, the Vice-Chancellor rejected the argument that "the owner of a business carried on outside a jurisdiction could establish no protectable goodwill within it before beginning to trade there."⁸¹

Recently, Sir Nicolas Browne-Wilkinson V-C in *Pete Waterman Ltd. v. C.B.S. United Kingdom Ltd.*^{*2} also adopted a similar approach. The plaintiff ("PWL") was engaged in the pop music industry and, unlike a normal recording studio, it conducted nearly the whole of its operation, of handling artists, songs, recording, production, mixing, release and promotion, within one organisation, PWL. It came to be known in the media and to sections of the public as "The Hit Factory",⁸³ due to its

⁷⁹ [1976] F.S.R. 545 at p. 548.

⁸⁰ [1981] F.S.R. 228 at p. 233. See also *My Kinda Bones Ltd. v. Dr. Pepper's Stove Co. Ltd.* [1984] F.S.R. 289. In *Suhner & Co. v. Suhner Ltd.* [1967] R.P.C. 336, the existence of an "international reputation and goodwill" in the relevant indicia of origin has been held to be sufficient for the plaintiff to establish *prima facie* case of goodwill such as to be entitled to relief. See also *Habib Bank Ltd. v. Habib Bank AC Zurich* [1981] 2 All E.R. 650.

⁸¹ [1979] F.S.R. 571 at p. 579.

⁸² Unreported, Chancery Division, 30 July 1990.

⁸³ It is worth noticing that the naming of the PWL organisation as 'The Hit Factory' was "a naming done by the public or the media, not by PWL itself.... The name 'The Hit Factory' in relation to PWL was and is a nickname or accolade or mantle conferred on PWL by the public, not a name adopted by PWL under which it traded." *Per* Sir Nicolas Browne-Wilkinson V-C in *Pete Waterman Ltd. v. CBS United Kingdom Ltd.*, *ibid.*

success in producing hit records. It had, however, never actually traded under that name but had issued compilation albums entitled "The Hit Factory". Its recording studio fell into the highest class and was said to be in "division 1". The plaintiff claimed to be entitled to the exclusive use of the name "The Hit Factory" in the United Kingdom and brought an action for passing-off to restrain the defendant from using the name "The Hit Factory".

The defendant ("CBS") had entered into a joint venture agreement with a Mr. Germano and one of his New York Companies, The Hit Factory Inc., for the refurbishment of its London studio and for the grant of a licence to use the name "The Hit Factory". The Hit Factory Inc. (New York) traded under the name "The Hit Factory" and enjoyed an international reputation as a "division 1" recording studio in New York, and that reputation extended to and drew substantial custom from the United Kingdom. However, it did not have a place of business or an agent in the United Kingdom and its services were rendered exclusively outside the United Kingdom. However, it was credited on the sleeves of albums which were widely circulated in the United Kingdom. The plaintiff's action for passing-off failed, since it was unable to establish that the name "The Hit Factory" was distinctive of its organisation. However, the Vice-Chancellor went on to consider the issue of whether the English Courts will protect "the trade connection with the United Kingdom customers of non-U.K. traders".⁸⁴ He stated as follows:

The changes in the second half of the 20th century ... have produced worldwide marks, worldwide goodwill and brought separate markets into competition with the other. Radio and television with their attendant advertising cross national frontiers. Electronic communication via satellite produces virtually instant communication between all markets This has led to the development of the international reputation in certain names [T]he law will fail if it does not try to meet the challenge thrown up by trading patterns which cross national and jurisdictional boundaries due to a change in technical achievement As a matter of legal principle, I can see no reason why the Courts of this country should not protect the trading relationship between a foreign trader and his United Kingdom customers by restraining anyone in this country from passing himself off as the foreign trader. The essence of a claim in passing off is that the defendant is interfering with the goodwill of the plaintiff. The essence of the goodwill is the ability to attract customers and potential customers to do business with the owner of the goodwill. Therefore any interference with the trader's customers is an interference with his goodwill. The rules under which for certain purposes a specific local situation is attributed to such goodwill appear to me to be irrelevant. Even if under such rules the situs

⁸⁴ *Ibid.*

of the goodwill is not in England, any representation made to customers in England is an interference with that goodwill wherever it may be situate. Only if English law refuses to recognise the existence of rights locally situate abroad, should the English courts refuse to protect such rights. But English law in general is not so chauvinistic; it does recognise and protect rights which are locally situate abroad.... Therefore, when a foreign trader has customers here, one would expect the English Courts to protect his goodwill with those customers.⁸⁵

Sir Nicolas Browne-Wilkinson V-C reviewed the earlier authorities and concluded as follows:

- A. As a matter of principle, the existence of a severable English goodwill attached to a place of business in this country is not the basis of a right to complain of a passing-off in this country. What is necessary is for the plaintiffs to show they have a trade connection here which will normally consist of customers forming part of their goodwill, wherever that goodwill is situate, which goodwill is being invaded by the acts of the defendant in this country;
- B. The approach which I have set out at A. above is not open to me as there is binding authority to the effect that the basis of the plaintiffs' claim must be a goodwill locally situate in England; but
- C. The presence of customers in this country is sufficient to constitute the carrying on of business here whether or not there is otherwise a place of business here and whether or not the services are provided here. Once it is found that there are customers, it is open to find that there is a business here to which the local goodwill is attached;
- D. To the extent that the *Crazy Horse* case ... is authority to the contrary, I prefer not to follow it.⁸⁶

It is worth noting, however, that most of the English cases which adopted the "soft line" school of thought were concerned with applications for interlocutory injunctions. The initial issue before the court in such applications is whether the applicant has a serious issue to be tried; in the sense that his application is not frivolous or vexatious.⁸⁷ This is a legal threshold which most plaintiffs will have little difficulty in

⁸⁵ *ibid.*

⁸⁶ *Ibid.*

⁸⁷ See *American Cyanamid v. Ethicon* [1975] A.C. 396. Note also the exceptions thereto where merits of the case in substance are taken into account: See *Associated Newspaper Group pic. v. News Group Newspaper Ltd.* [1986] R.P.C. 515 where Walton J. held that it would not be appropriate to apply the principles in *American Cyanamid* if the grant of the interlocutory injunction would effectively dispose of the case.

meeting. Thereafter, the court is primarily concerned with the balance of convenience between the parties. As a matter of judicial precedent, these cases would not carry as much weight as some of the decisions reached after trial under the "hard line" school of thought.⁸⁸ Be that as it may, it is interesting to note that the judges in many other common law jurisdictions appear to be moving away from the "hard line" school of thought and tend to adopt a softer approach to the nature of goodwill. It may be appropriate at this stage to consider briefly the approaches adopted in other common law jurisdictions.⁸⁹

C. Approaches Adopted in Other Common Law Jurisdictions⁹⁰

1. Hong Kong

The cases in Hong Kong appear to be divided⁹¹ - the strict approach on the test of sufficient connection by a foreign trader with Hong Kong represented by *Rox Industrial v. Japan Stationery*⁹² and the lenient approach represented by *J.C. Penney Co. Inc. v. Pennys Ltd.*⁹³ The *J.C. Penney* decision involved a large American retail business. It did not have any retail stores in Hong Kong but it did, however, have a local "buying" subsidiary. Huggins J. felt constrained by an earlier decision, *J.C. Penney Co. Inc. v. Punjabi Nick (otherwise Punjabi Narain)*,⁹⁴ where "Leonard J. thought it was clear that J.C. Penney & Company Inc. were entitled to protection of the reputation they had established in Hong Kong as purchasers against a defendant who was selling retail."⁹⁵ Leonard J. held that the fact that the plaintiff itself had no retail outlets in Hong Kong

⁸⁸ Like the Privy Council decision in *Star Industrial v. Yap Kwee Kor* [1976] F.S.R. 256 and the Court of Appeal decision in the *Budweiser* case [1984] F.S.R. 413. As Megarry V-C held in the *Metric Resources* case, [1979] F.S.R. 571 at p. 572: "the question whether a trader who carries on no business in this country is entitled to succeed in an action for passing-off against a rival business which is set up in this country under the same, or a confusingly similar, name is a difficult question of law which calls for detailed argument and mature consideration, and as such should not be decided on motion."

⁸⁹ See also *Haw Par Brothers International Ltd. and Another v. Jack Chiarapurk and Others* [1991] 2 M.L.J. 428, where Chao Hick Tin J. in holding that the plaintiffs had, for interlocutory purposes, a protectable goodwill in Singapore, referred to both *Star Industrial Co. Ltd. v. Yap Kwee Kor* [1976] F.S.R. 256 and *Metric Resources Corp. v. Leasematrix Ltd.* [1979] F.S.R. 571, which are cases generally referred to in support of the "hard" and "soft" line schools of thought, respectively. See also *Tan Gek Neo, Jessie v. Minister for Finance and Another*, *supra*, note 22 and *R.H. Macy & Co. Inc. v. Trade Accents*, *supra*, note 26 and *infra*, note 96.

⁹⁰ See Mostert, "Is Goodwill Territorial or International? Protection of the Reputation of a Famous Trade Mark Which Has Not Been Used in the Local Jurisdiction" [1989] 12 E.I.P.R. 440.

⁹¹ See Pendleton, *The Law of Intellectual and Industrial Property in Hong Kong* (1984), p. 31.

⁹² [1966] H.K.L.R. 145.

⁹³ [1979] F.S.R. 29; [1975] H.K.L.R. 598;

⁹⁴ [1979] F.S.R. 26.

⁹⁵ *Per* Huggins J. in *J.C. Penney Co. Inc. v. Penneys Ltd.* [1979] F.S.R. 29 at p. 35.

"[was] not a fatal objection to its claim. The business which it [did] carry on through its subsidiary must necessarily enjoy a local reputation which the plaintiff [was] entitled to protect."⁹⁶

The *Penney* approach has been adopted in the later cases. In *Wienerwald Holding v. Kwan, Wong, Tan and Fong (a firm)* "Leonard J. stated that "the reputation to be protected is reputation already existing in this Colony albeit that reputation may be acquired here even when no business is carried on here.... As I see it what cannot be protected in passing-off is a goodwill existing elsewhere which has not yet penetrated to this jurisdiction."⁹⁸ Thus, Leonard J. accepted that the plaintiff may be entitled to protection under the tort of passing-off even though he does not carry on business within the jurisdiction. However, on the facts of the case itself, he refused the plaintiff interlocutory relief on the grounds that although it enjoyed an international reputation, that international reputation had not yet penetrated to a significant extent to Hong Kong. Hunter J. in *Hong Kong Caterers Ltd. v. Maxim's Ltd.*" agreed with the judgment of Leonard J. in the *Wienerwald* case that a protectable reputation may be acquired in Hong Kong even when the plaintiff carries on no business in the Colony and concluded that: "the existence here of a trading reputation, for both trade mark and passing off purposes, [is] a question of pure fact to be determined on the evidence as a whole."¹⁰⁰

⁹⁶ [1979] F.S.R. 26 at p. 27. The learned judge, *ibid.*, also made an observation on the future development of the law which appears akin to unfair competition, and stated, *obiter*, as follows: "However, in these days of expanding travel and tourism I would anticipate a development in the law of passing off whereby the owners of reputation and goodwill acquired abroad may be granted protection for that reputation and goodwill here even though they do not carry on business here and even though its goods themselves have earned no reputation here." This passage was quoted by Rubin J.C. in *R.H. Macy & Co. Inc. v. Trade Accents* (1991, Unreported, Originating Motion No. 2 of 1991), *supra*, note 25. It is, however, unclear as to whether Rubin J.C. would subscribe fully to the "soft line" school. In the *R.H. Macy* case, the foreign trader did have a purchasing office in Singapore. In this sense, they could be considered as having a "business" in Singapore. In any event, Rubin J.C. was not dealing with passing-off but with an application to expunge a locally registered trade mark under the Trade Marks Act, Cap. 332 (1985 Rev. Ed.). Query whether or not an action for passing-off would have succeeded (if brought) had there been no purchasing office in Singapore.

⁹⁷ [1979] F.S.R. 381. See also Morcom, "Passing Off Actions by Foreign Traders" [1979] E.I.P.R. 321.

⁹⁸ *Ibid.*, at p. 392.

⁹⁹ [1983] H.K.L.R. 287. The learned judge aptly identified the issue, *ibid.*, at p. 292, as "whether the existence of a trading reputation within the jurisdiction of the relevant court is a pure question of fact; or whether the law has regard only to a relevant reputation namely one which both exists in fact and is manifested locally by an actual commercial presence or actual customers. Another way of phrasing the issue is to ask at what point in its development will the courts of Hong Kong recognise an existing or developing international reputation."

¹⁰⁰ *Ibid.*, at p. 296. The judge then stated, *ibid.*, that: "Barren questions like whether Pan-Am food was supplied within or outside Hong Kong airspace then do not arise." Note that Maxim's, the opponents to the registration by the applicants of the mark 'Maxim's', supplied pre-frozen meals and wines to all passengers flying with Pan American Airways.

This approach has been confirmed more recently by the decision of Sears J. in *Tan-ichi Co. Ltd. v. Jancar Ltd.*¹⁰¹ The plaintiffs operated a well-known chain of Japanese restaurants in Japan under the name of "Ten-ichi" or "Tempura Ten-ichi" shown by certain characters and had acquired an international reputation in the name. At the relevant time, they had no business in Hong Kong. Unlike the *Wienerwald* case, Sears J. found that there was a reputation among a significant segment of the public in Hong Kong and therefore, granted interlocutory relief. The judge agreed that goodwill is not territorial in nature and appeared to have extended the tort of passing-off to protection of an "international goodwill". However, Sears J. may have been influenced by the bad faith¹⁰² of the defendants and by the intention of the plaintiff to come into Hong Kong.¹⁰³ To put it another way, the defendants' behaviour bore the hallmark of unfair competition. Thus, the Hong Kong courts appear to have adopted an expansive approach to the concept of goodwill.

2. *Canada*¹⁰⁴

In *Orkin Exterminating Co. Inc. v. Pestco Co. of Canada Ltd.*, the plaintiff was a large American pest control company which did not do business in Canada but which had a reputation which extended to Canada. There were Canadian residents who used the plaintiff's services for their properties in the United States of America. The Ontario Court of Appeal

¹⁰¹ [1990] F.S.R. 151.

¹⁰² It is worth noting that the bad faith or improper conduct on the part of the defendant is not a determining factor for conferring a cause of action in passing-off on the foreign plaintiff. As Morden J.A. in *Orkin Exterminating Co. v. Pestco Co. of Canada* (1985) 19 D.L.R. 90 at p. 107, said: "I need not, and do not, say that the defendant's bad faith alone will confer a cause of action on a foreign plaintiff... but it surely must be a relevant factor to take into account in adjusting competing interests." See also Coleman, "Protection of foreign business names and marks under the tort of passing off" (1986) 6 *Legal Studies* 70.

¹⁰³ The learned judge stated, *ibid.*, at p. 155, that: "the defendants quite deliberately took a commercial risk in using the name of the plaintiffs, as they must have realised that, as the plaintiffs were so well-known and of such high international reputation, copying and therefore exploiting their name would lead to financial benefit. That in itself, in my judgment, demonstrates the plaintiff did have goodwill here. Further, by virtue of Japanese people being in Hong Kong, either as tourists or as residents, they have actual or potential customers. The intention to come into Hong Kong is also important. The plaintiffs are losing the opportunity to control and develop the impact of their reputation here and thus lose potential customers. I am satisfied that there is a serious question to be tried and that the plaintiffs have established a goodwill here."

¹⁰⁴ For a short discussion of the United States decisions, see Mostert, "Is Goodwill Territorial or International? Protection of the Reputation of a Famous Trade Mark Which Has Not Been Used in the Local Jurisdiction" [1989] 12 *E.I.P.R.* 440 at p. 445, from which it appears that the courts in the United States are "exceptionally accommodating in protecting well-known foreign marks which have not been used in the U.S. but which do have an international reputation." See generally, McCarthy, *Trademarks and Unfair Competition* (2nd ed., 1984), especially, Chapter 26; and Callman, *The Law of Unfair Competition, Trademarks and Monopolies* (4th ed., 1981-).

granted a permanent injunction.¹⁰⁵ Morden J.A. went on to explain the differences between the English and the Canadian and United States authorities as follows:

[T]he English decisions ... appear to require some business activity by the foreign plaintiff in the jurisdiction of the court and the Canadian and U.S. authorities ... do not.... [I]t may be that the various North American jurisdictions where the plaintiffs and defendants, in most of the cases, carry on business, have substantially more in common with respect to language and other cultural features, including consumer attitudes, than do the places from which the parties in the English cases come. Having regard to the travel patterns of the population and mass advertising through television, radio and various publications, the flow of trans-border goodwill is almost inevitable in North America. The English cases involve foreign plaintiffs who are separated from England by the Atlantic Ocean or the English Channel and it is possible that this is an underlying factor in the development of the relatively 'hard line' which has generally been followed in the English cases.¹⁰⁶

The learned judge then went on to discuss the term "goodwill" and stated that:

Virtually no words have a single fixed meaning, particularly goodwill, and, with respect, I do not think that the meaning appropriate in the *Muller* case is necessarily appropriate in a passing-off case which involves issues of remote territorial use. In this kind of case I think that the main consideration should be the likelihood of confusion with consequential injury to the plaintiff. Generally, where there is such confusion there is goodwill deserving of protection.¹⁰⁷

Thus, the court adopted a liberal approach to the tort of passing-off such that it is not essential for the foreign plaintiff to show some business activity in the jurisdiction of the court in order to succeed in the action.

3. *New Zealand*

In *Dominion Rent A Car Ltd. v. Budget Rent A Car Systems (1970) Ltd.*,^m a decision of the Court of Appeal in New Zealand, Cooke P. said that:

¹⁰⁵ See Wadlow, *The Law of Passing-Off (1990)*, p. 68 where the author was of the view that this approach arguably goes too far.

¹⁰⁶ (1985) 19 D.L.R. 90 at p. 107.

¹⁰⁷ *Ibid.*, at pp. 107-108. The learned judge also stated, *ibid.*, at p. 101, that: "the issue before us is not governed by any binding authority. However, it has been dealt with in the five British Columbian judgments cited by Orkin. None of these requires the plaintiff to be carrying on business in the jurisdiction to succeed in a passing-off action."

¹⁰⁸ [1987] 2 N.Z.L.R. 395. See also Brown and Grant, *The Law of Intellectual Property in New Zealand* (1989), paragraph 3.30.

Whatever the underlying reasons may be, some form of business connection with the jurisdiction is generally thought to be necessary to enable a successful suit. It is often said that mere reputation within the jurisdiction does not by itself constitute a property which the law protects.... As to the degree or kind of business connection that is necessary, there are a multitude of cases but still a good deal of uncertainty. It would not be useful to add yet another judicial exegesis in this field.¹⁰⁹

Somers J. in the same case also stated that:

There has been much debate as to the degree of activity sufficient to justify the finding that a plaintiff with an international reputation has a sufficient business connection within the jurisdiction to which goodwill can attach.... In the end the question of the existence and extent of reputation and of goodwill must be a matter of fact. In the case of a business having an international reputation which extends to New Zealand not much in the way of activity in New Zealand would I think be required to establish a goodwill. In such cases the reputation itself may be almost tantamount to goodwill, activity having importance in localising that reputation in New Zealand.¹¹⁰

Although the Court of Appeal was reluctant to expand on the degree of "business connection" with New Zealand which a foreign plaintiff must have in order to establish an action for passing-off, in the case of an Australian company, *Cooke P.* was of the view that:

... an Australian company's reputation and goodwill can extend to New Zealand (and vice versa) and, at least if there is a sufficient business connection with this country, will be entitled to protection here. Except in special cases ... it seems to me artificial to analyse such a state of affairs by saying that the company has one goodwill in Australia and another in New Zealand. Rather the goodwill transcends territorial boundaries.¹¹¹

In Esanda Ltd, v. Esanda Finance Ltd.,¹¹² *Casey i.* stated that: "[R]eputation plus some market activity in the jurisdiction - although the evidence of it may be weak - is enough to establish a business goodwill entitled to protection."¹¹³ There have been other cases in New Zealand where the courts have adopted a less restrictive approach and have indicated that

¹⁰⁹ *Ibid.*, at p. 405.

¹¹⁰ *Ibid.*, at p. 420.

¹¹¹ *Ibid.*, at p. 406.

¹¹² [1984] 2N.Z.L.R. 748.

¹¹³ *Ibid.*, at p. 752.

they may be prepared to grant protection to "well-known" marks which have not been used within the jurisdiction.¹¹⁴

4. Australia

In *Taco Bell Pty. Ltd. v. Taco Co. of Australia Ltd.*,¹¹⁵ Ellicott J. generally adopted a similar approach to Walton J. in the *Athlete's Foot* case and concluded that in order to be entitled to protection under the tort of passing-off, the foreign plaintiff had to show that he had some business activity within the jurisdiction or some business dealings or trading relationship with persons within the jurisdiction.¹¹⁶ Mere reputation alone would not be enough to establish goodwill unless persons within the jurisdiction were attracted to do business with it. The learned judge stated as follows:

In order to succeed in an action for passing off in relation to the Sydney metropolitan area a plaintiff must show that it has a good-

¹¹⁴ See the cases referred to in Mostert, "Is Goodwill Territorial or International? Protection of the Reputation of a Famous Trade Mark Which Has Not Been Used in the Local Jurisdiction" [1989] 12 E.I.P.R. 440 at p. 442, like *Pioneer Hi-Bred Corn Co. v. Hy-Line Chicks Pty. Ltd.* [1979] R.P.C. 410 and *Midas International Corporation v. Midas Autocare Ltd.* (1988) 2 N.Z.B.L.C. 102. See also Brown and Grant, *The Law of Intellectual Property in New Zealand* (1989), Chapter 3. It is worth noticing that under the European Community Trade Marks Directive (89/104/EEC), earlier well-known trade marks can be cited against registration of trade marks. See Article 4 paragraph 1 which provides, *inter alia*, that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid, if it is identical or confusingly similar to an earlier trade mark. Paragraph 2 sets out the meaning of "earlier trade marks", *inter alia*, as follows: "... (d) trade marks which, on the date of application for registration of the trade mark, or, where appropriate, of the priority claimed in respect of the application for registration of the trade mark, are well known in a Member State, in the sense in which the words 'well known' are used in Article 6 *bis* of the Paris Convention." Article 6 *bis* of the Paris Convention provides, that: "(1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trade mark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith." The same European Community Trade Marks Directive also provides in Article 5 paragraph 2 that: "Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark." In the context of the registered Trade Mark system, reputation within the Member States is clearly envisaged to be a relevant factor in determining the rights conferred by registration.

¹¹⁵ (1982) 40 A.L.R. 153.

¹¹⁶ See Ricketson, *The Law of Intellectual Property* (1984), p. 553, and Shannon, "Transnational Reputation - the Myopic View of the Common Law" [1982] 9 E.I.P.R. 239.

will here. This can usually be established by proof that there has been some prior business activity here involving the use of the name or mark or get-up in question in relation to the plaintiff's goods or services. The nature and degree of business activity will differ from case to case. It does not follow from what Walton J. said that a single transaction will always suffice. In some cases it may. Nor is it necessary that a plaintiff has established a place of business here. Its goods may have been imported and sold here under the relevant name or mark by another. It may have licensed people to use its name or mark on products which are sold there. It may have advertised here to solicit orders by post from the public or to encourage the public to travel to do business at its premises in another country. In this time of fast communication it may even have solicited customers here to travel long distances to another country to use its services there ... A business has goodwill attached to it in a particular place if there is an attraction among people there to do business with it. Even if it has no place of business there people residing there may, nevertheless, be attracted to do business with it. For example, by buying goods which it produces and are sold there by importers, or by ordering goods from it by mail or by travelling from their residence to its place of business in an adjoining country. This "attractive force" is usually created because there has been some business activity in that place on the part of the owner of the business or those dependent on it, intended to so attract people. One cannot, in logic, exclude the possibility that it could exist because people who live there are prompted to seek out the business by a knowledge gained by them whilst travelling or living in another country where the place of business exists.... However, one thing, in my opinion, is clear, namely, knowledge by people in Sydney that a successful business is being conducted in the United States under a distinctive name does not give that business a reputation or goodwill here unless people in Sydney are attracted to do business with it despite the distance separating them. Only then could it be said that there existed in Sydney 'the attractive force which brings in custom'. In many cases distance or nature of the business will make it highly improbable that anybody could be so attracted.¹¹⁷

However, in *Fletcher Challenge Ltd. v. Fletcher Challenge Pty. Ltd.*, Powell J. granted the plaintiff interlocutory relief based on its reputation within the jurisdiction even though it did not carry on any business in Australia. The judge specifically said that: "the relevant question is 'does the plaintiff have the necessary reputation?', rather than 'does the plaintiff itself carry on business here?'"¹¹⁸ With respect, the relevant question

¹¹⁷ *Ibid.*, at pp. 167 and 169.

¹¹⁸ [1981] 1 N.S.W.L.R. 196 at p. 205.

should have been "does the plaintiff have the necessary goodwill?", since the law of passing-off does not protect mere reputation *per se*. Ricketson¹¹⁹ is of the view that the judgment of Ellicott J. in the *Taco Bell* case provides the better guidance on this issue.

5. Republic of Ireland

The approach adopted by the Supreme Court of Ireland in *C. & A. Modes v. C. & A. (Waterford) Ltd.*¹²⁰ appears to be one which is in line with commercial realities: it achieves a fair balance between the protection of the goodwill of a trader from unfair trading and unfair competition, on the one hand, and the public interest of free competition and free trade in an open market economy, on the other. In that case, the plaintiff was the owner and operator of a chain of retail clothes stores in Great Britain and one in Northern Ireland; but did not trade or own any retail outlet in the Republic of Ireland, where the defendant traded. It did, however, enjoy a good reputation there. There were extensive advertisements of the plaintiff's goods in the Republic of Ireland through newspapers, magazines and via television broadcasts which were available in the Republic. There was also evidence that the plaintiff's Northern Ireland store had "a very substantial and regular custom from the Republic of Ireland." In fact there was "an excursion train which travelled each Thursday from Dublin to Belfast, and so great was the influx of customers from the Republic as a result of that excursion that the store ordinarily employed extra part-time staff on Thursdays on the same basis as it did on Saturdays which were normally the busiest shopping days."¹²¹ Based on these facts, the Supreme Court of Ireland concluded that the plaintiff had a protectable goodwill in the Irish Republic, notwithstanding the lack of any business activities within the Republic itself.¹²² As Henchy J. succinctly puts it:

Can it be said in these circumstances that, because the plaintiffs have no direct retailing outlet in the Republic, they have no protectable goodwill in the Republic? In my opinion, the answer is "No." Goodwill does not necessarily stop at a frontier. Whether in a particular area a plaintiff has a goodwill which is liable to be damaged by the unlawful competition resulting from passing off is

¹¹⁹ See Ricketson, *The Law of Intellectual Property* (1984), p. 553.

¹²⁰ [1978] F.S.R. 126.

¹²¹ *Ibid.*, at p. 129. The critical factor in this case would appear to be the existence of customers within the jurisdiction. The fact that the "custom" could only be met by the customers going outside the jurisdiction did not prevent goodwill from arising. See also *Taco Bell Pty. Ltd. v. Taco Co. of Australia Ltd.* (1982) 40 A.L.R. 153 (Australia) and *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd.* [1980] R.P.C. 343 (United Kingdom).

¹²² Henchy J., *ibid.*, at p. 138, was of the view that: "It would be remarkable, considering the movement of people between this State and the United Kingdom, if there were not a significant number of at least intermittent C & A customers in this State."

a question of fact and of degree. What has to be established for the success of a plaintiff's claim in an action such as this is that by his business activities - be they by direct selling within the State or otherwise - he has generated within the State a property right in a goodwill which will be violated by the passing-off. It is true that there is authority for the proposition that a plaintiff's reputation which owes nothing to user in this State is not sufficient to support a passing-off action ..., but, ... it is difficult to see any rational basis for the distinction. If there are in this State sufficient customers of a plaintiff's business to justify his claim to have a vested right to retain and expand that custom, then there is ample authority in principle and in the decided cases for the conclusion that, no matter where the plaintiff's business is based, he is entitled to be protected against its being taken away or dissipated by someone whose deceptive conduct is calculated to create a confusion of identity in the minds of existing or potential customers.¹²³

Kenny J. observed as follows:

In either event, the wrong of passing off may be restrained by the company with the established goodwill. The defendants urged that this principle should be limited to cases where the well-known company had acquired some of its goodwill in the Republic by user or trading in this country. I do not see any reason why this limitation on the general principle should be imposed to-day when extensive advertising can be carried out by television, radio and newspapers - all of which go into almost every home in this State.... I suspect that the idea that some of the goodwill must be acquired by user or trading in the country where it is sought to protect it comes from the days when television and radio were unknown and when international trade in domestic goods was not as extensive as it is to-day. It is not an appropriate rule for this age....¹²⁴

Finlay P. also expressed the view that:

I would disapprove of the distinction ... between user arising from some actual commercial activity carried on within the jurisdiction of the court and user arising from advertisement and publicity distributed within the jurisdiction of the court and resulting in the attraction of persons from there to make use of the business or services of the plaintiff company. Therefore, I am satisfied that the absence of a retail outlet or agency within the Republic of Ireland owned or operated by the plaintiffs is not a bar to their action for passing-off.¹²⁵

¹²³ *Ibid.*, at pp. 138-139.

¹²⁴ *Ibid.*, at p. 140.

¹²⁵ *Ibid.*, at p. 135.

VI. CONCLUSION

The tort of passing-off has evolved to protect property rights in goodwill. It is clear that goodwill must exist within the jurisdiction of the court in order for the cause of action to arise. What is less clear is the issue of what actually constitutes goodwill. It cannot be entirely a question of fact. There must be some legal controls. At one extreme, lies the "hard line" approach which requires actual business or trading activities within the jurisdiction coupled with reputation. At the other end, the "soft line" approach which denies the necessity for a "business" within the jurisdiction in order to establish goodwill: Business outside of the court's jurisdiction coupled with sufficient reputation within the jurisdiction may be sufficient for goodwill to arise. In this sense, goodwill may have a distinct "international flavour". These two schools of thought are broad enough to encompass a number of approaches. The main ones are as follows:

- (i) To require reputation and an actual business to be established within the jurisdiction. If this is the preferred approach, tricky issues on the meaning of "business" are bound to arise. The rigours of this approach can be softened and mitigated by a flexible definition of what constitutes "business".
- (ii) To require reputation and user of the indicia of origin within the jurisdiction. User of the mark is a notion that is potentially broader than the concept of the plaintiff having a business within the jurisdiction. For example, use by licensed importers, whether a subsidiary of the plaintiff or an independent concern, may be sufficient to give rise to goodwill. In one case, user by the defendant through the "unauthorised" (but lawful) importation of the plaintiff's product was held to be sufficient for the grant of an interlocutory injunction.¹²⁶
- (iii) To require reputation within the jurisdiction that is sufficiently strong (as a question of fact) to give rise to an "attractive force" within the jurisdiction so that customers within the jurisdiction seek out the plaintiff's product or service, for example, by purchasing the goods or acquiring the services abroad.
- (iv) To base the concept of goodwill on business somewhere in the world and reputation within the jurisdiction without proof that the reputation has generated custom.

No doubt there may be other permutations. In the end, the boundary line between the "hard" and "soft" line may be considerably blurred and indistinct. A broad interpretation of business, coupled with a recognition of the concept of user within the jurisdiction, will go a long way in reducing the apparent differences in the two approaches. In the light of

¹²⁶ See *Nishika Corp. v. Goodchild* [1990] F.S.R. 371.

the Privy Council decision¹²⁷ in *Star Industrial v. Yap Kwee Kor* and the decision of the Court of Appeal in the *Budweiser* case, the prevalent view in the United Kingdom and Singapore is that a business within the jurisdiction is an essential pre-requisite to establishing goodwill in the tort of passing-off. It is submitted, however, that whilst mere reputation alone will not constitute a protectable goodwill, it should not be necessary for the plaintiff to show that he has an actual business within the jurisdiction in order to establish goodwill. The primary issue should be whether the plaintiff has actual customers within the jurisdiction. If so, then the fact that that custom can only be satisfied by customers purchasing the goods or acquiring the services outside of the jurisdiction should not prevent the courts from concluding that a protectable goodwill has been established. In any given case, difficult questions of fact may arise as to whether the plaintiff's reputation is sufficient to give rise to an "attractive force" that generates custom within the jurisdiction. The boundary line between "reputation" and "an attractive force which generates custom" may be quite difficult to pin down. This should not, however, affect the principle that goodwill is ultimately founded on the concept of custom or customers. It follows from this that the courts should, at the very least, adopt a broad and flexible approach to what constitutes business and also to recognise the concept of user within the jurisdiction. The law should not, however, stop here. It should also recognise that even in the absence of business activities or user within the jurisdiction, the plaintiff's reputation may, in certain cases, be sufficiently strong so as to attract customers within the jurisdiction to the source, even though that source lies outside of the jurisdiction. To require some form of business activity (even broadly defined) within the jurisdiction is too restrictive and artificial given that goodwill is ultimately based on the notion of customers.¹²⁸

In the light of international globalisation of trade in the world market, where the effect of mass communication and advertisements should not be underestimated, it is submitted that the approach adopted by the "hard line" school is too restrictive and does not accord with commercial realities.¹²⁹ It is accepted that goodwill cannot exist in a vacuum inde-

¹²⁷ A decision on appeal from Singapore.

^{128*} See, for example, *Sheraton Corporation of America v. Sheraton Motels Ltd.* [1964] R.P.C. 202. The plaintiff in that case had no business, but had a booking office, within the jurisdiction. This was found to be sufficient business within the jurisdiction. Thus, it would seem that a plaintiff who owns a restaurant in Johor Baru, Malaysia, which has a reputation in Singapore plus a booking office in Singapore for its customers may have a protectable goodwill. Whereas, a plaintiff who owns a restaurant in Johor Baru which has a tremendous reputation in Singapore and actual customers in Singapore; where the "power of attraction" in Singapore brings custom or customers to the source of the goodwill, but which does not have a booking office or any business in Singapore, will not have a protectable goodwill under the "hard line" approach. This distinction would appear to be too artificial.

¹²⁹ Furthermore, in the case of temporary cessation of business, the court has held that goodwill can remain even though the business of the plaintiff has temporarily ceased.

pendent of a business to which it can be attached. However, once it is established that a trader has a business somewhere to which the goodwill can become attached, the question of whether such a goodwill can extend beyond the borders of the country in which the business is situated, to a country in which the plaintiff has no business should be a question of fact. The existence of goodwill may, thus, be a question of law, but the extent of that goodwill is a question of fact.

It is submitted that the courts should adopt a "flexible goodwill" approach to the tort of passing-off where the emphasis for the existence of goodwill should be on whether the plaintiff can establish an "attractive force" within the jurisdiction which brings in custom or customers,¹³⁰ that is, that he has generated a sufficient reputation within the jurisdiction which is strong enough to bring customers in Singapore home to the source of the goodwill. Thus, goodwill may transcend the national frontier into a country in which the plaintiff has no business concern, so long as the invisible and intangible force continues to attract custom or customers.¹³¹ As Megarry V-C stated in *Metric Resources Corporation v. Leaseatrix Ltd.*: "If a business is carried on in one country alone, a reputation which extends beyond the borders of that country and brings purchasers into that country certainly seems to be contributory to the success and value of the business."¹³²

At the very least, in the case where a foreign plaintiff can show reputation within the jurisdiction coupled with a substantial number of "actual" customers, in the relevant trade, within the jurisdiction who are prepared "to seek out the plaintiff and avail themselves of his goods or services"¹³³ there would be a protectable goodwill. It may be insuf-

This would, tend, therefore, to show that goodwill need not always be attached to a business in order for it to exist. See, for example, *Ad-Lib Club Ltd. v. Granville* [1972] R.P.C. 673.
¹³⁰ See *Pete Waterman Ltd. v. CBS United Kingdom Ltd.* (Unreported, Chancery Division, 30 July 1990), where Sir Nicolas Browne-Wilkinson V-C stated that: "The essence of goodwill is the ability to attract customers and potential customers to do business with the owner of the goodwill."

¹³¹ Note, however, that although "goodwill does not necessarily stop at a frontier" this does not mean that "goodwill knows no frontiers." See *Wienerwald Holding v. Kwan, Wong, Yan and Fong* [1979] F.S.R. 381 at p. 389.

¹³² [1979] F.S.R. 571 at p. 577. See also Walton J. in *Athletes Foot Marketing v. Cobra Sports Ltd.* [1980] R.P.C. 343 at p. 351 that: "As I understand what Lord Macnaghten is saying, it is that goodwill is an attractive force which pulls in custom; hence, however weak the lines of force, one can see where goodwill subsists by observing the areas in which the business attracts custom, or customers." The learned judge left the issue open on whether goodwill can be found to subsist in a situation where the plaintiff has actual customers within the jurisdiction, that is, persons who are in a trade relation with him, but where the business transactions were done outside the jurisdiction of the court. Note that Oliver LJ. in the *Budweiser* case [1984] F.S.R. 413 at p. 465, added a caveat that "'customers' must not be read restrictively as confined to persons who are in a direct contractual relationship with the plaintiff, but includes persons who buy his goods in the market."

¹³³ See Wadlow, *The Law of Passing-Off* (1990), p. 67. Presumably, the customers would be more prepared to do this where "the goods are expensive, prestigious or without a satisfactory local substitute" or where the "inconvenience to which customers are put in crossing a national border to obtain the plaintiff's goods is slight." *Ibid.*, at p. 70.

ficient for the plaintiff to show merely that he has "potential customers", in the sense that, there are people within the jurisdiction who would have been prepared to acquire the plaintiff's goods or services if it was available here. Neither may it be sufficient for the plaintiff to show merely that he had customers from Singapore who acquired his goods or services while they happened to be abroad, for reasons not related to the "attractive force within the jurisdiction".¹³⁴ In these two types of cases the foreign plaintiff may not have established the necessary "attractive force" within the jurisdiction which brings in custom.¹³⁵

It has sometimes been said that a foreign plaintiff who has no business within the jurisdiction cannot establish damage to his goodwill. It is submitted that this is incorrect. Direct competition is not always necessary for damage to the plaintiff's goodwill to result. For example, in cases where the defendant's confusingly similar product or service within the jurisdiction is of lower quality than that of the plaintiff's, damage may be caused to the "attractive force" which the plaintiff has within the jurisdiction.¹³⁶ If a plaintiff can only establish that he has a reputation within the jurisdiction but is unable to show that this reputation is sufficiently strong to give rise to the "attractive force" which brings in custom (in the sense discussed above), then he will be unable to succeed as he has no goodwill within the jurisdiction to protect. However, where the plaintiff has actual customers within the jurisdiction, albeit customers who have to acquire the plaintiff's goods or services from outside the jurisdiction of the court, then there would be potential damage to the goodwill which the law of passing-off should protect, since in the latter case the plaintiff would be able to show damage to the "attractive force" within the jurisdiction.

The issue of whether the Singapore courts will protect the goodwill of a foreign trader who has no business in Singapore raises a matter of

¹³⁴ This approach would also appear to be broadly in line with Lord Macnaghten and Lord Lindley's definition of goodwill in the *Muller* case [1901] A.C. 217, although it may not be in line with the statements made by their Lordships relating to the locality of goodwill. See *per* Lord Macnaghten, *ibid.*, at p. 224, that goodwill is "the benefit and advantage of the good name, reputation and connection of a business ... the attractive force which brings in custom" and *per* Lord Lindley, *ibid.*, at p. 235, that goodwill includes "whatever adds value to a business." With respect, it would appear that the latter statements on the locality of goodwill are more appropriate to the tax case before their lordships, and are not suitable for general application to the law of passing-off today.

¹³⁵ However, in establishing this "attractive force" which brings in custom, it would not be necessary for the plaintiff to show that the "attractive force" was so strong that these customers of his went outside the court's jurisdiction, to a country where the plaintiff's business is situated, for the *sole* purpose of acquiring the plaintiff's goods or services; a substantial purpose would be adequate: for example, if it was one of the top five reasons for the customer making the trip. Query whether it would be sufficient if it was merely an incidental purpose. Difficult questions of fact are likely to arise on this.

¹³⁶ See *Chelsea Man Menswear Ltd. v. Chelsea Girl Ltd.* [1987]R.P.C. 189 at p. 202 where Slade L.J. identified three ways in which passing-off can damage a plaintiff's business. See also *Pete Waterman Ltd. v. CBS United Kingdom Ltd.*, *supra* note 130, where the Vice Chancellor said that: "... any interference with the trader's customers is an interference with his goodwill."

some importance, especially since Singapore is a major international centre with its proximity to other countries like Malaysia, Indonesia, Thailand, Hong Kong and Japan. The commercial reality of international globalisation of trade, mass communication and worldwide travel, increasing free movement of goods between countries and international reputation must be dealt with by the law. A rationale sometimes put forward in support of the "hard line" school of thought is that unless the foreign trader has already entered the local market, and thus contributes to the local economy, the local law should not allow him to stifle local enterprise.¹³⁷ However, the benefit to the local economy may have to be viewed more broadly to include Singapore's immediate neighbours, namely, Malaysia and Indonesia, especially in the light of the Growth Triangle Co-Operation of Singapore - Johor - Riau Islands. Furthermore, to confine goodwill to the territory where the business is situated may in certain cases be very artificial. In the words of Graham J.: "Taking that particular case of a business in Singapore, it would ... be impossible to hold ... that the goodwill of a business there must be confined to the strict legal boundaries of that city and could not extend some few hundred yards across the bridge over to the Johore Straits to the bank on the other side in West Malaysia. It must surely be a question of fact in each case ,..."¹³⁸ To require "business user" to be an essential element of goodwill will not only cause great difficulties to foreign traders who have developed a tremendous reputation and goodwill in their famous indicia of origin but would also tend to confine the tort of passing-off within "straitjackets". This would not be in tune with the needs of the commercial world. The courts should, therefore, adopt a "flexible goodwill" approach¹³⁹ and develop the tort of passing-off in line with commercial morality. As Lord Diplock stated in the *Advocaat* case:

Nevertheless the increasing recognition by Parliament of the need for more rigorous standards of commercial honesty is a factor which

¹³⁷ See *Dominion Rent A Car v. Budget Rent A Car* [1987] 2 N.Z.L.R. 395 at p. 405.

¹³⁸ See *Baskin-Robbins Ice Cream Co. v. Gutman* [1976] F.S.R. 545 at p. 547. See also the European Economic Community where there is free movement of goods, service and labour. In such a case it would be very difficult and indeed artificial to speak of a separate and local goodwill existing in each of the E.E.C. countries, which does not encompass the rest of the E.E.C. The 'domestic' English market place has become inextricably linked to and forms part of the wider European market. See also the European Community Trade Marks Directive (89/104/EEC), *supra*, at note 114.

¹³⁹ See *Associated Newspapers pic. v. Insert Media Ltd.* [1990] 2 All E.R. 803 at p. 810 where Mummery J., made a few observations on the law: "(1) It is important, both in the evaluation of the facts and in the formulation and application of the law, never to lose sight of the legal and economic basis of the action for passing off. That tort has been developed for the protection of the property, which exists not in a particular name, mark or style, but in an established business, commercial, or professional reputation or goodwill. Those terms embrace the enjoyment of custom and business connection, popularity and good name, and, indeed, all that attracts favour and business to a particular concern and to the goods and services which it supplies. That form of property may be damaged in a number of ways by a wide variety of factual misrepresentations."

should not be overlooked by a judge confronted by the choice whether or not to extend by analogy to circumstances in which it has not previously been applied a principle which has been applied in previous cases where the circumstances although different had some features in common with those of the case which he has to decide. Where over a period of years there can be discerned a steady trend in legislation which reflects the view of successive Parliaments as to what the public interest demands in a particular field of law, development of the common law in that part of the same field which has been left to it ought to proceed upon a parallel rather than a diverging course.¹⁴⁰

The courts in some of the other common law jurisdictions, like Hong Kong, Canada and the Republic of Ireland have already responded to the needs of commerce and in some cases the judges have even been prepared to recognise "international goodwill". As Sears J. in *Tan-Ichi Co. Ltd. v. Jancar Ltd.*¹⁴¹ succinctly puts it:

It appears clear that this is an evolving field of law, and that a court must respond to the changes which have occurred in international communications. The large number of tourists crossing and re-crossing national boundaries; the speed and efficiency of modern technology which cause business reputation to be more widely spread and recognised than in the past. Courts in other jurisdictions have responded to the change ...¹⁴²

Will the Singapore courts do so?

No SIEW KUAN*

¹⁴⁰ [1979] A.C.731 at p.743. See also *R.H.Macy & Co. Inc. v. Trade Accents* (1991, Unreported, Originating Motion No. 2 of 1991), *supra*, note 25, where Rubin J.C. observed that: "Given the present day extensive travel and speedy communication facilities and the wide international circulation of media ... there is an increasing need for more vigorous commercial standards of honesty...."

¹⁴¹ [1990] F.S.R. 151.

¹⁴² *Ibid.*, at p. 154.

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