

CIVIL REMEDIES IN SOME ASPECTS OF UNFAIR TRADE PRACTICES

This paper does not purport to be an exhaustive appraisal of the remedies available to the trader who has been injured by unfair practices in trade competition. It is intended, primarily, to examine (a) the various forms of relief, and (b) the scope, function and purpose of these remedies in relation to detriment to goods and reputation, misappropriation of trade secrets, and inducement of breach of contract. For convenience, this paper is divided into three parts: Part I deals with the English position; Part II, the Singapore and Malaysian situation; and Part III probes into the general American position for further reasons underlying the award of various remedies to be discussed.

PART I — THE ENGLISH POSITION

1. DAMAGES

Once the causal issue between a wrongful act and damage done has been established, the question of the quantum of damages arises. In determining this, one paramount rule has to be borne in mind, which is, as Lord Blackburn put it:

“... where any injury is to be compensated by damages you should as nearly as possible get at that sum of money which will put the party who has been injured, or who has suffered, in the same position as he would have been in if he had not sustained the wrong for which he is now getting his compensation or reparation.”⁽¹⁾

In short, the true principle behind all awards of damages is to compensate the plaintiff on the principle of *restitutio in integrum* (with the exception of exemplary damages). Where *pecuniary loss* is suffered, the amount recoverable may usually be calculated with exactitude, and where it is incapable of precise quantification, this in itself has been held not to be sufficient reason to deprive the plaintiff of his damages. With regard to *non-pecuniary loss*, however, damages must of necessity be ‘at large’. Perfect compensation is indeed inconceivable and impracticable, and has not been striven at by the courts. Damages under this head are therefore worked out by the rough and ready rule of English judges (formerly juries), purportedly having regard to precedents as well as to the circumstances of the particular case. This then is the general position of the English law of damages.

With this very brief introduction, it is proposed now to discuss the award of damages in relation to specific heads of unfair trade practices.

1. *Livingstone v. Rawyards Coal Co.* (1880) 5 A.C. 25, at p. 39.

(A) DETRIMENT TO GOODS AND REPUTATION

It is only consistent with human nature to compete in any field of human endeavour. This is very true of the trading community, and many countries actively promote healthy trade competition towards the achievement of better quality of products, services, which is generally for the public good. Thus diversion of trade by lawful means is allowed and practised; but where the trader, in his enthusiasm or otherwise goes beyond these means and injures his fellow competitor as a result, he must be restrained or kept in check. Amongst the remedies available to the injured trader is damages. What then are the damages awardable? We will first examine:

a) DISPARAGEMENT OF TRADE CAPABILITIES

This is really a form of defamation, comprising slander or libel, "touching the plaintiff in his trade". Generally, proof of special damage is required unless the disparagement impeaches the trader's skill or attacks his conduct as a trader, for slander is normally not actionable *per se*. But this is not without exceptions, one of which relates to the imputation of insolvency of the trader.² Statements may be defamatory if they tend to injure the plaintiff in his calling or office even if they are not provocative of "hatred, ridicule or contempt".³

Recoverable heads of damage

This is in accord with the general rule for defamation, and no proof of special damage is necessary where the defamation is actionable *per se*. In such a case the plaintiff need only lay his proven claim before the jury and leave them to assess the general damages.

(i) *General damages* This would once again be assessed by the favourite English method, resulting in that magical arbitrary sum plucked from the air, having regard to loss of reputation, injury to feelings and even general loss of custom if proved⁴. Prospective injury to business is also recoverable⁵ as general damages. General damages may also be aggravated by evidence of the circumstances of the publication, of the conduct of the defendant thereto, and of the effect it has actually produced.

(ii) *Special damages* Where the slander is not actionable *per se*, as for example an allegation that a particular bartender's glasses are

2. Swinfen Eady, L.J. in *Jones v. Jones* (1916) 1 K.B. at p. 161:
"Perhaps this exceptional case arose from the fact that the law has always been very tender of the reputation of tradesmen, and guards most carefully the credit of all merchants and traders."
3. Per Lord Blackburn in *Capital & Counties Bank v. Henty* (1882) 7 A.C. 741 at p. 771.
4. *Harrison v. Pearce* (1858) 1 F. & F. 567; General loss of custom is really actual damage and must therefore be proved.
5. *Gregory v. Williams* (1844) 1 Car. & Kir. 568 (libel against co-partnership).

not washed, (thereby indirectly attacking the bartender), special damage must be proved and pleaded. There must be a loss of some specific thing or temporal advantage capable of being estimated at a money value, if it is not the actual loss of money itself⁶. The defamer will be liable if the defamation operated as a direct cause of the damage actually suffered.

Mitigation of damages

The damages payable by the defendant to the plaintiff may be mitigated by proof that the defendant did not act with deliberate malice, or by showing some justification for his allegations. The defendant may rely on any facts tending to disprove the connection between the defamation and the consequential injury alleged, (where special damage is pleaded). Damages may also be mitigated if there has been provocation by the plaintiff, or if the defamatory statement was mere repetition, or where the defendant shows that before the action, he has offered an apology to the plaintiff, or where evidence has been adduced which impeaches the general reputation of the plaintiff.

b) DISPARAGEMENT OF TITLE AND GOODS

Where words do not give rise to an action for defamation, an action may still be framed in injurious falsehood if the following requirements are satisfied:⁷

- 1) There is an untrue statement, spoken or written and communicated to a third person (the falsity being proved and not presumed);
- 2) Which is made maliciously; and
- 3) Causes special damage.

At common law, damage is the gist of the action with the corresponding result that special damages are awarded. This insistence on special damage has handicapped many plaintiffs owing to the difficulty of proving strictly special damage. Thus the usefulness of this action is somewhat impaired; but this has been relaxed in cases of general loss of custom because of the practical impossibility of satisfying the strict standards of proof.

Slander of title and slander of goods are two forms of injurious falsehood, passing off being the third. The damages will vary according to the nature of the plaintiff's interest attacked. If the allegations made concern the plaintiff's title, this is slander of title for which damages are recoverable to the extent of the diminution of the value of the property caused by the defendant's statement (e.g. as when the property becomes difficult to dispose of because of the slander). Damages are also recoverable for litigation necessitated by the defendant's statement in order to clear the plaintiff's title⁸.

6. *Ratcliffe v. Evans* (1892) 2 Q.B. 524 at p. 532.

7. *Ratcliffe v. Evans* (1892) 2 Q.B. 524, per Bowen, L.J.

8. *Elborrow v. Allen* (1622) Cro. Jac. 642.

Slander of goods of course involves an attack on the plaintiff's goods, a frequent form of which consists in false allegations made by the defendant about the plaintiff's goods with regard to quality⁹, or that the plaintiff is infringing the defendant's trade mark, patent or copyright, coupled with threats to litigate. If the plaintiff's business falls off because of these allegations, he can recover for this loss despite the fact that this is not arithmetically computable. Difficulty of assessment of loss does not debar the plaintiff from recovering substantial damages¹⁰.

Pecuniary loss: Plaintiff is entitled to recover damages for any loss of business consequent upon defendant's false allegation. Damages may also be recoverable for general loss of custom¹¹. The Defamation Act of England, 1952 has now abolished the common law necessity of having to prove special damage in actions for slander of title, slander of goods or other malicious falsehood in respect of pecuniary loss¹² with the result that where statements fall within s.3, damages are at large and the pecuniary loss inferred by the court. If the statements do not fall within s.3 however, the common law still applies and the plaintiff must therefore allege and prove specific pecuniary loss, although the court will be satisfied with general evidence of such loss where this is all that the circumstances of the case will allow.

Non-pecuniary loss: The principal head of damage recoverable under this category is injury to reputation. Under s.3 Defamation Act, 1952, defamatory statements which are actionable *per se* can only give rise to recovery for pecuniary loss, i.e. only pecuniary loss will *ground* the action. At this stage, one can only speculate as to whether, if pecuniary loss is shown, damages for non-pecuniary loss may be given in addition.

c) PASSING OFF

This is another form of injurious falsehood, the essence of which is that A is not entitled to represent his goods as B's. The tort manifests

9. Disparagement must be distinguished from a mere puff like "Sudso is the best detergent in the world", which, though it may influence consumers, is legally permissible. So also, a trader may vaunt the superiority of his goods as in *White v. Mellin* (1895) A.C. 154, where the court rejected the action for injunction and damages on the ground that this would be to turn courts into a machinery for advertising rival products by obtaining a judicial determination as to which of the two was better. The basis of this decision was that it is for customers rather than for the courts to determine which product is better.
10. *Ungar v. Sugg* (1891) 8 R.P.C. 385.
11. *Ratcliffe v. Evans* (1892) 2 Q.B. 524 (C.A.)
12. Section 3 Defamation Act, 1952 reads:
 - "In an action for slander of title, slander of goods or other malicious falsehood, it shall not be necessary to allege or prove special damage —
 - (a) If the words upon which the action is founded are calculated to cause pecuniary damage to the plaintiff and are published in writing or some other permanent form; or
 - (b) If the said words are calculated to cause pecuniary damage to the plaintiff in respect of any office, profession, calling, trade or business held or carried on by him at the time of publication."

itself in many forms, the commonest being the imitation of the get-up or appearance of the plaintiff's goods, or selling them under a similar or same name. The principles to be applied in respect of damages are the same as in infringement actions.

Nominal damages The true basis of passing off actions is that the act of passing off by the defendant injures the right of property of the plaintiff: *Spalding v. Gamage*¹³. It is true that there has been considerable diversity of opinion as to what this right is — a right of property in what? Lord Parker of Waddington in the above case considered two alternatives:

- a) Property in the mark, name or get-up improperly used by the defendant¹⁴,
- b) Property in the business or goodwill likely to be injured by the misrepresentation,

and came to the conclusion that the second property concept was to be preferred "if the right invaded is a right to property at all". He found it difficult to see how a man can have property in descriptive words like "camel hair belting"¹⁵, and this must surely be so, the English language being common property. Accepting this property notion then, the law presumes and assumes that damage results from the infringement of such property in the act of passing off. The natural consequence of this is that the plaintiff must pay nominal damages once the infringement has been established, *even though it be made in complete ignorance of the plaintiff's rights*¹⁶.

Other recoverable heads of damage

If the plaintiff claims substantial damages, he must prove the loss actually sustained by reason of the defendant's tort. *Spalding v. Gamage*¹⁷ has held that the proper form of an order for inquiry as to damages is: what damage, if any, has the plaintiff sustained by reason of the defendant's tortious acts?

In general, the only injury which is caused by the infringement is that the defendant's goods are sold instead of the plaintiff's so that the principal head of damage is loss of business profits. In this context, it must be noted that profits made by the defendant are not the measure of loss suffered by the plaintiff. Plaintiff's¹⁸ loss can be

13. (1915) 32 R.P.C. 273; 35 R.P.C. 101.
14. Presumably those unregistered or not statutorily protectable.
15. *Reddaway v. Banham* (1896) A.C. 199.
16. *Blofield v. Payne* (1833) 4 B. & Ad. 410 — mere proof of infringement entitles plaintiff to nominal damages.
17. (1915) 32 R.P.C. 273. One of the very few authorities on assessment of damages in passing off.
18. *Aktiebolaget Manus v. Fullwood and Bland* (1954) 71 R.P.C. 243. The court did not qualify this but presumably, defendant's profits may exceed the plaintiff's loss.

measured by means other than the defendant's profits. Where the stress of competition created by the defendant's passing off compels the plaintiff to lower his prices and thus suffer loss, this is also recoverable. Even the cost of advertising to counteract the effect of the defendant's conduct may be recoverable¹⁹. Damages may also be awarded for any loss of business goodwill and reputation consequential upon the passing off.²⁰

Beyond this general itemising of recoverable heads, it is impossible to go further into the computation of the exact sum to be awarded. This matter is not so simple as to admit of any arithmetical calculation and a rough estimate should be made on the basis of a "fair and temperate sum".²¹

Punitive damages

If the defendant's act was calculated and deliberate, there is no reason why exemplary damages should not be awarded. This would be in keeping with the rationale behind an award of this nature, which is to make the wrongdoer atone for his wrong, or to make an example out of the wrongdoer so as to deter others from following suit.

(B) MISAPPROPRIATION OF TRADE SECRETS

Trade secrets²², which run the whole gamut from recipes to "customer lists" are considered property protectable in law. That is, until the secret is discovered or betrayed, only the owners of the secret may use such secret information in the course of their trade. Trade secrets may be appropriated by outright thievery, or by its use or disclosure in breach of a contract of employment or express or implied relationship of confidence or trust. It is submitted that to award damages against an innocent third party in respect of his untainted use or disclosure of the secret would be unfair²³. Thus

19. *Spalding v. Gamage* — awarded as damages in the court of first instance by Young, J. but upset by the Court of Appeal — however, this was on the ground that the award did not give the plaintiff all that he was entitled to and in awarding damages, the appellate court probably took this outlay into account. This is essentially a form of mitigation of damages. Note that in mitigation, even if the expenditure did not reduce the damages and in fact increased the amount payable, it would still be recoverable, if reasonably incurred.
20. *Spalding v. Gamage*. Also, *Sykes v. Sykes* (1824) 3 B. & Cr. 541, where the spurious goods were so inferior to the genuine as to damage the trade reputation of the plaintiff.
21. Goddard, J. in *Draper v. Trist* (1939) 56 R.P.C. 429.
22. 'Trade secrets' is used as distinguished from statutory monopoly like patents, copyrights, etc. which may overlap with it.
23. There are no indications as to the liability of the innocent third party for damages in respect of his acting *innocently* although there are dicta both ways pertaining to an injunction to restrain him from using or disclosing trade secrets. Presumably, once he discovers that the information he received was in breach of another's confidential obligations, he will be placed in a position similar to that of the original disclosee, (except that there is no contractual nexus with the original discloser).

the discussion here will focus on the damages to be awarded against a person morally guilty of such breaches of the confidential or fiduciary relationship.

There is a very considerable doubt as to what period the damages awardable should cover. Because of this, it is functional to group the discussion under two headings:

a) *Where secrecy persists at the time of the trial*

The situation contemplated here includes the use of trade secrets in breach of confidence, but the subject matter remains secret or relatively secret at the time of the granting of damages. This poses no problem, for damages then cover the period up to the institution of the action. Doubtless certain categories of pecuniary damage may not be capable of precise quantification, but the English rule is that this in itself does not debar recovery.

b) *Where the disclosure is no longer secret at the time of trial because the defendant's wrongful act ended secrecy*

*Mechanical & General Invention & Lehwess v. Austin & Austin Motor Co.*²⁴ is authority for the proposition that the defendant whose wrongful act ended secrecy will be liable to damages for use even during the non-secret period. But the basis upon which the damages were awarded was not at all clear. In *Saltman*²⁵, an inquiry was ordered as to the damage suffered or which 'may be suffered' by the plaintiff as a result of defendant's breach of confidence — but this may be viewed as damages "in lieu of an order to deliver up" (it is submitted) since the court in that case was clearly reluctant to order the destruction of tools made from the secret drawings. Generally, in English cases, the courts have not had to deal with situations where secrecy has been brought to an end by causes unconnected with the defendant's breach because the subject matter has been secret until the time of trial. The question thus remains open to be resolved in the future.

Should the occasion arise, it is submitted that damages should not be awarded for use during the non-secret period. The award of damages covering the non-secret period where secrecy is ended by the defendant's wrongful act rests on the basis that the defendant must be liable for the non-remote consequences of his act. One consequence is that he must bear the losses sustained by the plaintiff during the non-secret period. It is not suggested that this means in effect that damages are awarded to cover an indefinite period of non-secrecy; somewhere the courts will have to draw a line demarcating the time up to which it is reasonable to assume that secrecy would have ended. This would depend on the facts and circumstances of each case, and also on the nature of the particular trade secret. Where

24. (1935) A.C. 346, House of Lords.

25. (1948) 65 R.P.C. 203.

the ending of secrecy is in no way connected with the defendant's wrongful act, how can it be reconciled with the rationale of *causa causans*? There can be no basis for an award of damages covering the non-secret period in this case. It is submitted that this situation is analogous and should be treated in a way similar to the use or disclosure of a trade secret, *where secrecy persists at the time of trial*. The information *would* have remained secret at the time of trial but for unrelated causes.

(C) INDUCEMENT OF BREACH OF CONTRACT

Knowingly to induce a third party to break his contract with another to the latter's damage without justification is a tort which was ushered in by *Lumley v. Gye*²⁶ by the enlargement of the action for enticement of a servant. Damage must be proved and is the gist of the action; yet the courts have consistently endorsed Lord Esher's pronouncement in *Exchange Telegraph Co. v. Gregory*²⁷ that if the breach must in the ordinary course of business inflict damage upon the plaintiff, it is unnecessary for him to prove special damage because "the damages are at large". What then are the inferrable damages?

- (1) *Loss of profits* — this may be the profit which the plaintiff would have made on the contract but for the breach of which the defendant has induced. It may even be the loss of profits that the plaintiff is prevented from making on other contracts.
- (2) *Loss of orders caused by competition* — this was suggested in *Goldsohl v. Goldman*²⁸.
- (3) *Expenses incurred as a result of the tort* — In *British Motor Trade Association v. Salvadori*²⁹, damages were even awarded for the maintenance of an extensive system for the purpose of discovering and investigating into the defendant's unlawful activities. The court was unperturbed by the inability to precisely quantify these expenses.

However, it seems that no damages will be awarded for a non-pecuniary loss unaccompanied by pecuniary loss — the reluctance of the courts to do so has been attributed to the fact that this tort serves primarily to protect business losses — in fact, pecuniary loss has even been regarded as being necessary to the cause of action.³⁰ But this is not to say that damages will not be awarded for non-pecuniary loss; in this context, it appears that once pecuniary loss has been established, recovery may be had under various heads of

26. (1853) 2 E. & B. 216.

27. (1896) 1 Q.B. 147, 153 (C.A.); see also Nevile, J. in *Goldsohl v. Goldman* (1914) 2 Ch. 603.

28. Where defendant induced the third party to set up a rival business near to the plaintiff in breach of a restraint of trade covenant.

29. (1949) Ch. 556

30. *Pratt v. B.M.A.* (1919) 1 K.B. 224, 281.

non-pecuniary damage, e.g. loss of reputation, injury to feelings. McCardie, J. in *Pratt v. British Medical Association* viewed the matter thus:

“The plaintiffs are not limited to actual pecuniary damages suffered by them. The court or jury, once actual financial loss be proved, may award a sum appropriate to the whole circumstances of the tortious wrong inflicted... I must regard not merely the pecuniary loss sustained by the plaintiffs but the long period for which they respectively suffered humiliation and menace.”

In the words of Mayne & McGregor, there is even a hint of exemplary damages here.

2. INJUNCTION

This is an equitable remedy, and being so, is purely discretionary. In general, an injunction is ancillary to the claim for damages and cannot be granted as a substantive form of relief by itself³¹. Injunctions are granted to prevent the commission of torts which are threatened or anticipated, or in the case of continuing injuries, to restrain their continuance — the injunction may be mandatory or restrictive.

The rationale for which injunctions are granted is that the injury, if suffered to be inflicted, would be of such a character that the plaintiff could not practically be compensated in damages. In granting or refusing an injunction therefore, the courts often take the following considerations into account:

- 1) whether damages are an adequate remedy³²;
- 2) whether damage is continuous or of frequent occurrence or very serious³³;
- 3) loss to the defendant if the injunction is granted — the court will weigh the damage which the plaintiff will suffer if the injunction is not granted against that which the defendant would suffer if it is granted. The outcome would depend on the balance of convenience;
- 4) interests of third parties must also be taken into account — as when the granting of an injunction would put a large number of people out of work due to stoppage of trade;

31. Lord Sterndale, M.R. in *Davey v. Robinson* (1923) 1 K.B. 563 (C.A.). But this view seems misguided. Surely the inadequacy of damages at law strengthens the argument for an injunction!

32. Per Romer, L.J. in *Pride of Derby, etc. Ltd. v. British Celanese Ltd.* (1953) 1 Ch. 149 at p. 194.

33. Page-Wood, L.J. in *A-G v. Cambridge Consumer's Gas Co.* (1868) L.R. 4 Ch. at p. 81.

- 5) acquiescence — acquiescence by the plaintiff in the defendant's conduct may be a bar to the granting of an injunction; and
- 6) delay on the part of the plaintiff in bringing the action.

Injunctions may be limited or permanent in duration, and may also be granted in interlocutory applications. But where an interlocutory application is made, a very strong *prima facie* case must be made out³⁴. Sometimes the court will award damages in lieu of an injunction in *quia timet* actions (threatened injury). But in such cases, the damages are cautiously assessed in order to prevent the legalizing of a commission of a tort for which the defendant is willing to pay. Having set the stage for fuller discussion of the injunctive relief, it is proposed to delve further into its application to the topics listed for consideration.

(A) DETRIMENT TO GOODS AND REPUTATION

Slander of title

Where an untrue statement which impugns the plaintiff's title to an estate in any real or personal property is made, does the remedy of injunction lie to restrain further disparagement?

In *Dunlop Pneumatic Tyre Co. Ltd. v. Maison Talbot*³⁵ an injunction was granted. But in *White v. Mellin*³⁶ an injunction was refused because no special damage was disclosed. The corollary of this would seem to be that since actual damage is an ingredient of the tort, an injunction cannot be obtained to restrain apprehended damage, even though it is reasonably likely to accrue. But there is the dictum of Lord Watson in *White v. Mellin*, endorsed by McCardie, J. in *British Ry. Traffic and Electric Co. v. the C.R.C. Co.*³⁷ to the effect that a plaintiff would be entitled to an injunction if he could "satisfy the court that damage would necessarily be occasioned to him in the future." It is submitted that this should be so and would be in keeping with the general principles for granting an injunction if it is convenient to do so.

Absence of mala fides: The English cases have been surprisingly hesitant about granting an injunction in the absence of *mala fides*. It has been held in *Burnett v. Tak*³⁸ that where no *mala fides* is proved and no damages could be obtained, the court will not grant an interlocutory injunction. This case concerned an action to restrain the defendant from issuing notices to the plaintiff's customers that the plaintiff was selling goods which infringed the defendant's patent rights.

34. *Canadian Pacific Ry. v. Gaud* (1949) 2 K.B. 239 (C.A.), per Cohen, L.J. at p. 249.

35. (1903) 20 T.L.R. 88, 579.

36. (1895) A.C. 154.

37. (1922) 2 K.B. 260.

38. (1882) 45 L.T. 743.

The court further held that if in a judicial proceeding the statements are proved to be false in fact, an injunction will be granted against continuing them, as that would be acting *mala fides*.

In *Societe Anonyme des Manufactures de Glaces v. Tilghman's Patent Sand Blast Co.*³⁹ it was held that where a circular is issued *bona fide*, an interim injunction will not be granted unless it is in violation of some contract between the plaintiff and defendant, *however much* the balance of convenience may be in favour of granting. This manifestation of unwillingness on the court's part to grant an injunction even where factors favourable to the grant exist seems to be absurd — if it is evident from the proceedings that such statement was untrue, even if made *bona fide*, an injunction would prevent further circulars from being sent out, the act of which could then be termed a *mala fide* act. This is not to say that if the defendant gives an undertaking in court not to send out future circulars of this nature after knowing it to be untrue, that the injunction would still issue — the injunction would then not serve any purpose.

As it stands there seems hardly any justification for this insistence on *mala fides* unless it may be said that underlying this judicial reluctance is the inherent dislike of enjoining free speech. There will be instances where an injunction will be absolutely necessary — as for example, to contain a statement previously made *bona fide* from its threatened future use. Courts should therefore distinguish between purely false statements made *bona fide* and threats to use such statements for which, it is submitted, there should be less hesitation in granting an injunction.

Slander of Goods

Where the statement made amounts to a deceit on the public, an injunction was granted to restrain the further issuing of the false circular: *Stevens v. Paine*⁴⁰. This raises the interesting question as to whose interest the court is really trying to protect — the plaintiff's or the public's? Is it a proper equity consideration to concern itself with the harm done to the public? It has been mentioned earlier that the courts would also take the interests of third parties into account in granting an injunction. Perhaps this constitutes another ground for the willingness of the courts to enjoin — the element of public interest and benefit — where other factors may prove, on a balance, unfavourable to the grant of an injunction.

In order to obtain an injunction to restrain the publication of a libel injurious to trade, it is sufficient for the plaintiff to show that the

39. (1883) 25 Ch. 1.

40. (1868) 18 L.Y. 600 — the circular by ex-employees informing the trade and the public that they had commenced business on their own account, and made precisely the same goods as their former employers, with great improvement in the same, and could sell them at a much reduced price as being satisfied with smaller profits.

libel was calculated⁴¹ to injure his trade, and it is not necessary for him to prove special damage: *Thomas v. Williams*.⁴²

Interlocutory injunction

Two factors must be borne in mind in considering this remedy:

- 1) A ground must be shown for granting interlocutory relief: *New Musical Express Ltd. v. Carfront Publishers Ltd.*⁴³ (The fact that the defendant, having commenced action against the plaintiff and his customers for injunction restraining wrongful use of the labels in question had not thought fit to move for an interlocutory injunction is no ground for granting the plaintiff the injunction sought: *Anderson v. Liebig's Extract of Meat Co. Ltd.*⁴⁴)
- 2) An interlocutory injunction may also be refused on the ground of difficulty of framing the injunction: *Liverpool Household Stoves Association v. Smith*⁴⁵.

Passing off

The injunction is another remedy available to the plaintiff whose trade has been injured by the defendant passing off his goods as the plaintiff's. It is to be noted that actions for passing off and infringement of trade marks are closely connected, for the latter would usually embrace the former. This inter-relation has in fact led one court⁴⁶ to hold that where an injunction will not be granted for infringement of trade mark, no injunction would be granted for passing off. The usual considerations in respect of its being granted or refused apply; thus heed is paid to the likelihood of further infringement or continuance of the tortious act⁴⁷, acquiescence⁴⁸, and whether damages are an adequate remedy. The injunction may be directed at a future consignment of goods only, as in *The Anglo-Swiss Condensed Milk Co. v. The Swiss Condensed Milk Co.*⁴⁹, where there was initial acquiescence in that the plaintiffs did not take any action on learning of the infringing goods, but waited till the defendants had obtained a larger consignment.

41. Planned?

42. (1880) 14 Ch.D. 763; Also *Massam v. Thorley* (1880) 42 L.T. 851 C.A.

43. (1956) R.P.C. 211

44. (1881) 45 L.T. 757

45. (1887) 37 Ch.D. 170; 57 L.J. — where the Court of Appeal refused the application of a trading company for an interlocutory injunction (to restrain the publication in the newspaper of letters and statements in the future similar to others already inserted reflecting on the solvency and financial position of the company) on the ground that it would be almost, if not entirely impracticable to frame the injunction so as not possibly to include in its terms something that might not be libellous.

46. *Sim v. Heinz Co. Ltd.* (1959) 1 All E.R. 547.

47. *Upmann v. Forester* (1883) 24 Ch.D. 231.

48. *Sayers v. Collyer* 28 Ch.D. 103. where only damages were granted.

49. (1871) W.N. 163.

Interlocutory injunctions are useful for the purpose of restraining the defendant until the hearing of the action or further order from continuing the public deception of which the plaintiff complains. The court is principally guided by the balance of convenience in granting this remedy, and often, interim injunctions are limited as closely as possible, just so as to preserve the plaintiff's rights from serious detriment until the hearing. Thus it is only granted upon a cross-undertaking by the plaintiff to pay damages for the loss (if any) occasioned by the injunction to the defendant, should it turn out at the hearing that it should not have been granted. An interim injunction may also be refused where the defendant undertakes to keep an account of the sales objected to, that is, where the only loss suffered by the plaintiff is that of loss of sales. On the other hand, if the goods passed off are so shoddy as to inflict other harm on the plaintiff's goods as well, (such as damage to the reputation of the goods), an account would not be a sufficient remedy.

The problem of the 'Open' word

Language, and indeed, the use of signs and symbols⁵⁰, are not the private monopoly of individuals or associations — and courts are naturally reluctant to restrain their use by the defendant. Thus the onus on the plaintiff is very high if he seeks to show that certain descriptive words have come to be so associated with his goods that its use was obviously calculated to mislead the public. And deception he must show before he can obtain an injunction in this respect, for even then, the courts will only order the defendant not to use the particular words with the qualification "so as to represent, or lead to the belief" that the goods are the plaintiff's: *Slazenger & Sons. v. Feltham & Co.*⁵¹. To put it another way, at most, the form of the injunction will be directed to prevent the defendant from using the open word "without clearly distinguishing his goods" from the plaintiff's⁵². As a rule, the courts are also reluctant to restrain a man from trading under his own name⁵³ and this judicial reluctance is amply demonstrated by the Lords Justices' refusal in *Massam v. Thorley's Cattle Food Co.*⁵⁴ to prohibit the defendants from using the word Thorley (defendant's own name) in connection with cattle food.⁵⁵

Contingent prohibition

Sometimes the defendant is restrained from using a word or words which could not be used except deceptively, *but only so long as this should continue to be so* e.g. defendant prevented from calling his bitters "Angostura bitters" until he should find out how to make the real "Angostura bitters"⁵⁶.

50. Which are not statutorily protected.

51. (1889) 6 R.P.C. 531.

52. See the *Stones Ales* case (*Thompson v. Montgomery*) (1891) A.C. 217.

53. *Jays Ltd. v. Jacobi* (1933) Ch. 411

54. (1880) 14 Ch.D. 748.

55. Unless it was calculated to deceive.

56. *Siegart v. Findlater* (1878) 7 Ch. D. 801.

It is quite apparent that in the cases above mentioned, what 'property' may be protected is really determined by the relief given. Thus though it may be that nominal damages are granted for an invasion of the plaintiff's 'right' in passing off, in practical terms it is really the remedy granted that defines the nature and extent of this right. As with open words, there is no exclusive right to their use, although its deliberate use in a manner calculated to mislead the public would give the plaintiff the remedy sought. A similar development has taken place with regard to imitation of the appearance or get-up of goods. In these cases, the courts have allowed the injunctive relief in order to stem passing off, but at the same time, have permitted such get-up provided the defendant took sufficient steps to distinguish the goods⁵⁷. How this is to be done depends on the circumstances of each case; no rough and ready rule may be laid down — which in a way explains the reluctance of the courts to grant injunctions in respect of such matters because of the difficulty encountered in framing the terms of the injunction.

Absolute and limited injunctions

The *Pinet* cases (*Pinet v. Maison Pinet Ltd.* (1897) 14 R.P.C. 933; *Pinet v. Maison Louis Pinet, Ltd.* (1898) 15 R.P.C. 65) are illustrative of the different cases to which absolute and limited forms of the injunction may be applied. In the first case, a limited injunction was granted under the assumption that the defendant had traded under his own name. It transpired that what really happened was that the defendant had taken the name *Pinet* for the purpose of fraud, whereupon an absolute injunction was granted in the second case.

Injunctions may also be limited with reference to a particular geographical location or market. Where a similar name is used in an area so far removed from the plaintiff's sphere of influence so as to be incapable of constituting unfair competition, it may be sound policy not to restrain the defendant from doing so, even if there is the likelihood of the defendant reaping some advantages from the use of the name⁵⁸. Of course due regard must be had to the reputation of the name. Obviously the reputation and influence of "Tiffany's" would be more far-reaching than a name like "Yeo's".

(B) MISAPPROPRIATION OF TRADE SECRETS

The nature of competitive trade is such that continuing secrecy is wholly vital to the viability of some business propositions. To this end, there is no better remedy tailored to contain secrets than the injunctive restraint.

57. For example, as in *William, Edge v. William Niccoles* (1911) A.C. 693.

58. Perhaps the possibility of an unjust enrichment recovery is one of the reasons for *not* granting the injunction.

See *Accounting for Profits*, *post*, p. 356. But on the other hand, the possibility of unjust enrichment might be a reason *for* granting an injunction, that is, to restrain the defendant from being unjustly enriched.

a) *Where the subject-matter is no longer secret at the time of trial*

If the subject-matter originally disclosed has become public knowledge (not necessarily through the defendant's wrongful act) at the time of trial, it may conceivably be argued that then, whatever the rights of the parties, an injunction would protect nothing. Against this may be argued that an injunction may still be necessary where the defendant, by his breach of confidence or misappropriation stands to gain a 'head-start' over the rest of the public, he should be restrained from doing so. The English cases do not give any clear pointers as to how this problem should be resolved. This can be attributed in the main to the fact that the courts have not had to consider this question because in general, the subject-matter has been secret until the time of trial. Where secrecy has been brought to an end by the defendant's wrongful act, the defendant may be subjected to an injunction against future use⁵⁹. In *Lamb v. Evans*⁶⁰, Kay, L.J., quoting Lord Justice Turner in *Morison v. Moat* (9 Hare 258) said:

"... what we have to deal here is, not the right of the plaintiffs against the world, but their right against this defendant."

Implicit in this sentence is that an injunction may be granted although the secret is no longer secret. The court in *Tuck & Sons v. Priestler*⁶¹ granted an injunction restraining the sale of additional copies of pictures belonging to the plaintiffs. There seems to be a swing of the pendulum in the *Saltman* case⁶² where no injunction was decreed, but an inquiry was ordered as to the damages suffered or which "may be suffered" by the plaintiff instead. But in this case, the court was obviously influenced by the undesirability of ordering the delivery-up and destruction of tools made from the plaintiff's secret drawings.

In seeking to draw a principle from these cases, the question is raised: Is the injunction in any way governed by the existence of any 'property' right in the plaintiff? If so, what constitutes this property, or what property may be protected?

North, J. in *Pollard v. Photograph Co.*⁶³ had this to say:

"The right to grant an injunction does not depend in any way on the existence of the property alleged; nor is it worthwhile to consider carefully the grounds upon which the old court of Chancery used to interfere by injunction. But it is quite clear that, independently of any question as to the right at law, the court of Chancery always had an *original and independent jurisdiction*⁶⁴ to prevent what the court considered and treated as wrong, whether arising from a violation of an unquestionable right or from breach of contract or confidence....."

59. This would be introducing a punitive measure into this equitable remedy. Damages may also be granted in lieu of injunction.

60. (1893) 1 Ch. 218.

61. (1887) 19 Q.B. 629.

62. (1948) 65 R.P.C. 203.

63. (1888) 40 Ch.D. 345.

64. Italics added.

But this does not touch on the question as to whether an injunction will be granted to enjoin the defendant from using the secret once the secrecy has ended. Perhaps Turner⁶⁵ is right when he suggests that *Saltman and Lamb v. Evans* should stand for the proposition that in cases where secrecy no longer persisted, an injunction may be granted to restrain the improper use of *physical* property, and not to restrain the use of abstract information no longer secret. The cases are capable of that interpretation — but the question remains open. The desirability of such an injunction will be considered under the next heading.

b) *Where the subject-matter is still secret at the time of trial*

At first blush, this does not seem to pose any problem. An injunction may be granted to restrain the defendants from using or disclosing the secret learnt while in the plaintiff's employ: *Reid & Sigrist Ltd. v. Moss & Mechanism Ltd.*⁶⁶.

But a serious question arises: When the secret ultimately is revealed (say, by the plaintiffs patenting it) so that it is available to the world at large, should the defendant still be enjoined from using it? Or, to put it another way, should the injunction imposed be of limited duration, i.e. up to the end of secrecy, and if not, what purpose would it serve to restrain the defendant in perpetuity? Luxmore, J. in *Reid, etc. v. Moss* was of the firm conviction that if the defendant was under an express contract not to use or disclose information coming to him confidentially, he could possibly be prevented from using something which the rest of the world was at liberty to use. But this would be to turn the injunction into a punitive device, or add a deterrent element to a remedy essentially sought for relief. It is submitted that exemplary damages were designed for this purpose and exist to take care of this situation, with the possible exception that if the defendant be insolvent, permanent injunction might then be justified. However, this would rarely be the case. Wherein lies the rationale for granting a permanent injunction then? American cases have indicated that the possible reasons are:

- 1) Once the plaintiff has an accrued action for breach of confidence entitling him to a perpetual injunction, he cannot be deprived of it by intervening publicity of the disclosure.
- 2) The defendant cannot 'rediscover' the disclosure when the secret becomes known to the world.

As regards 1), this begs the question for it assumes that once the cause of action has accrued, the plaintiff is entitled to a perpetual injunction. This is the very centre of the dispute — for the question is: Is the plaintiff entitled to a perpetual injunction?

Reason 2) makes more sense — how can the defendant be said to have 'discovered' the process from subsequent publication? A man cannot 'discover' the same thing twice.

65. Turner, *The Law of Trade Secrets*.

66. (1932) 49 R.P.C. 461.

This may be true but there is no reason why 'discovery' or 'rediscovery' should have any relevance to the grant of a permanent injunction. It should be remembered that the purpose of an injunction in matters of this sort is not to justify an impossibility, but rather, to provide a protection of subject-matter belonging to the plaintiff. Once this becomes public, the purpose disappears — and with it, all the reasons which may be advanced for granting the injunction.

A third reason advanced is that an injunction may be necessary to prevent unjust enrichment. But it is submitted that there is no unjust enrichment after secrecy ends. The defendant cannot be said to be unjustly enriched when the disclosure is freely available to the rest of the world. At most, he secures a 'head-start' advantage. In this case the injunction granted could be extended to cancel out this period of advantage, or damages or an account could be awarded instead.

Thus it is submitted there is no rationale for granting a permanent injunction. Injunctions should therefore be of limited duration, the length of which depends on the particular case.

c) *Where the disclosee obtains a 'head-start' from his breach of confidence*

Lord Evershed, M.R. in *Terrapin Ltd. v. Builder's Supply Co.*⁶⁷ considered the application of injunctive restraint in relation to the defendant obtaining a 'head-start' advantage in manufacture. Following the case of *Shelfer v. City of London Lighting Co.*⁶⁸, he refused to accept that it was simply a matter of compensation in monetary terms. Roxburgh, J. in the judgement at first instance in *Terrapin* said of the 'head-start' advantage:

"As I understand it, the essence of this branch of the law... is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been established or can be ascertained by actual inspection by members of the public... It is, in my view, inherent in the principle upon which the *Saltman* case rests that the possessor of such information must be placed under a special disability in the field of competition to ensure that he does not get an unfair start over the public."

It is submitted that to grant an injunction in this respect is fair and equitable. That the defendant must in some way pay for this unfair advantage cannot be denied, but to award the plaintiff damages in relation to this 'head-start' over the *public* would be to award the plaintiff a windfall. To award neither damages nor grant an injunction would be to land the defendant with the windfall. Thus the best way in which to put the defendant on the same footing as the rest of the world would be to grant an injunction, the duration of which is limited, and necessarily dependent on the circumstances of each case.

67. (1960) R.P.C. 128

68. (1895) 1 Ch. 322

d) *The problem of 'memorised' secrets*

The question that smacks straight into the face here is: Can an employee be restrained from using his memory? It is an inevitable concomitant of employment that information picked up in the course of doing one's job will be ingrained to a greater or lesser extent in the mind of the employee (if he has learnt his trade!). How may the employer prevent such information from being used or revealed? This problem seeks the reconciliation of two propositions:

- 1) That the disclosee (employee) should not break the confidence, whether expressly or impliedly reposed in him.
- 2) That what is carried in the memory of the disclosee is so personal to him that it amounts to his own knowledge which cannot be restrained. (Indeed, as where the ex-employee is so highly specialised that he is incapable of doing other work if such a restraint is imposed, it would be tantamount to making the employee jobless!)

As would be expected, English law favours the second proposition: "it is in the public interest that a man should be free to exercise his skill and experience for the benefit of himself and all those who desire to employ him", per Lord Atkinson in *Herbert Morris Ltd. v. Saxelby*⁶⁹. Personal knowledge and skill were defined by Lord Atkinson to include the employee's "skill and knowledge which he had acquired by the exercise of his own mental faculties of what he had seen, heard and had experience of in the employment of the appellants themselves ... The respondents cannot, however, get rid of the impressions left upon his mind by his experience in the appellant's works; they are part of himself; and in every view he violates no obligation express or implied arising from the relation in which he stood to the appellants by using in the service of some persons other than them the general knowledge he has acquired of their scheme of organisation or methods of business".

If proposition 2) is to prevail, it would seem that the only protectable matter would be that which can be carried away in some physically recorded form. But this would be tantamount to making the test of liability turn on the memory capacity of the defendant. This has driven the courts to qualify "personal knowledge, skill and experience" to mean *that not acquired dishonestly*⁷⁰, so that that which was dishonestly learnt can also be restrained, even if it is carried in the mind.

Thus it can be seen that the difficulties are manifold. Apart from the difficulty of enforcing the injunction, there is also the difficulty of framing one so as not to restrict the employee beyond a reasonable limit. What is 'reasonable' again is immensely difficult to determine. Faced with such a dilemma, the courts would do well to adopt the

69. (1916) 1 A.C. 688 at p. 698.

70. Suggested by Bennet, J. in *United Indigo Chemical Co. Ltd. v. Robinson* (1932) 49 R.P.C. 178.

observation of Kekewich, J. in *Merryweather v. Moore*⁷¹ that "If he can carry them away in his head no one can prevent his doing that and making use of them." They have been put to distinguishing between 'general' and 'special' information in their attempt to evolve a satisfactory test — but it is submitted there is none. As a consequence, the granting of injunctions in these situations provide a clear illustration of the proposition that it is the remedy granted which goes to determine the rights of the plaintiff (in this case, also the answer to what is protectable subject-matter), and not the right that determines the remedy in the presence of such uncertainty.

The position of the unrelated third person

The third person contemplated here is the innocent party who has somehow stumbled onto the secret either by accident or through disclosure by a party in breach of his confidential or fiduciary relationship. Can he be restrained as well?

Lloyd-Jacob, J. in *Stevenson Jordan & Harrison v. MacDonald & Evans*⁷² said categorically that "the original and independent jurisdiction of this court to prevent, by the grant of an injunction, any person availing himself of a title which arises out of a violation of a right or a breach of confidence, is so well established..." that the court has power to prevent disclosure by injunction if proceedings are commenced in time. However, the appellate court considered that the confidential nature of the subject-matter was not substantial enough to warrant protection and reversed Lloyd-Jacob, J.'s judgement. Turner, V.C. in *Morison v. Moat*⁷³ was of the opinion that a purchaser for value of a secret without notice of any obligation affecting it might be in a different position from a volunteer. Apart from this, the earlier cases give little indication as to the liability of the innocent third party. Modern dicta, however, appear to hold the innocent third party liable. In *Nicrotherm Electrical Company*⁷⁴, Romer, L.J. opined that the relevant principle rightly stated was that in Highbury's Laws of England, vol. 18, p. 79 which reads as follows:

"Not only persons who have acquired information direct, but others to whom they have communicated it, will be restrained in a proper case from making use of the information so acquired."

Here is where, it is submitted, the test of balance of convenience should prove very appropriate. It is apparent that the court will have to deal with a conflict of interests here — that of protection of the plaintiff's subject-matter, and that of the defendant's, acquired innocently. Unquestionably, the third party who is *party* to the breach of confidential or fiduciary relationship will be restrained. But where neither plaintiff nor defendant can assert a higher equity, the question of the grant of injunctive relief can only be determined on a balance of harm or hardship to be suffered by both parties if the injunction is granted or refused.

71. (1892) 2 Ch. 518 at p. 524.

72. 68 R.P.C. 190; 69 R.P.C. 10.

73. (1851) 9 Hare 241, 263.

74. (1956) R.P.C. 272; (1957) R.P.C. 207.

(C) INDUCEMENT OF BREACH OF CONTRACT

This is a tort where the swift, remedial and preemptory effect of an injunction may prove most useful, or at any rate, more valuable than damages. But the conditions for liability must be fully established before it will be granted as in *Thomson (D.C.) & Co. Ltd. v. Deakin*⁷⁵, where the court of appeal upheld the judge's refusal to grant an interim injunction because there was no direct procurement by the defendants of the wrongful acts of the party in breach, and also because there was no evidence that the defendants knew of any contract between the plaintiffs and the contract breakers. However, if the case is a suitable one for the grant of an injunction to preserve the status quo of the parties until trial, an injunction may be granted to restrain the defendant from interfering with *future* contracts as well as existing ones to preserve the plaintiff's right to carry on business in the usual way until the trial of the action: *Torquay Hotel Co. Ltd. v. Cousins*⁷⁶.

3. ACCOUNTING FOR PROFITS

Passing off

In some earlier cases, both damages and account for profits were allowed. Now they are considered to be inconsistent and are awarded as alternative remedies at the plaintiff's choice⁷⁷. No damages or account of profits will be granted in respect of innocent user by the defendant *before* actual notice of the plaintiff's right. In this respect, the right of a trader to be protected against unfair competition is not like a right of property, an infringement of which, however innocent, gives rise to an action for damages. As has been previously observed, an interim injunction may be ordered to stand over to the hearing upon the defendant undertaking to keep account of his sales under the mark objected to.

What are the principles upon which the court grants an account of profits? In *Electrolux, Ltd. v. Electrix, Ltd.*⁷⁸, Lloyd-Jacob, J. said:

"... where one party owes a duty to another, the person to whom the duty is owed is entitled to recover from the other party every benefit which that other party has received by virtue of his fiduciary position if in fact he has obtained it without the knowledge or consent of the party to whom he owed the duty."

In the absence of knowledge of the plaintiff's mark, an account is generally refused. If ordered, it is limited to the period which such knowledge had existed, for the continuation of a deceptive course then would amount to fraud.⁷⁹ Thus where such knowledge exists, the plaintiff has the alternative of suing for an account or damages occasioned by the wrong.

75. (1952) Ch. 646.

76. (1968) 3 W.L.R. 540, 556.

77. *Neilson v. Betts* (1871) L.R. 5 H.L.

78. (1953) 70 R.P.C. 158.

79. *Weingarten v. Bayer* (1905) 22 R.P.C. 341.

It must also be noted that an account or inquiry as to damages is only ordered where substantial damage is shown⁸⁰. Damages and profits are also recoverable only for the period within six years of the issue of the writ (with the exception of concealed fraud) : *Ford v. Foster*.⁸¹ Both accounting and damages may be refused because of delay or acquiescence.⁸² *Ford v. Foster* is also authority that where there is some delay plus some amount of misrepresentation on the plaintiff's part, considered with the fact that the defendant's proper trade was larger than the plaintiff's, an account may be limited to the profits earned since the commencement of the suit.

Would an account also lie in respect of profits enhanced by the use of a reputable name in a business geographically or intrinsically not in competition with the plaintiff's? This gives rise to problems — by what yardstick are profits directly attributable to the use of such name be measured? The courts have proved so often to be undaunted by lack of precision in quantification, so an account of profits must not be denied on that ground alone. However, a word of caution here — it is submitted that no account should be granted where the defendant's use of the plaintiff's name does not mislead the public into thinking that the defendant's business must in some way be connected with the plaintiff's enterprise. Thus to name a photo studio in Singapore "Hollywood" could not be said to be an act contrived to mislead the public into thinking that it is an offshoot of its fabulous counterpart in America (if there be one). An account cannot be ordered for this purloining of name, for there can be no passing off; to do so would be ridiculously to lengthen the arm of the law.

The form of an order for account comprises an order directing an account of profits made by the defendant in selling or otherwise disposing of the goods concerned in the passing off action. The account should also not be limited to sales made to persons who were actually mistaken and who bought the goods as and for the goods of the Plaintiff by reason of the deception, for to do this would also be to put a mischievous weapon into the hands of middlemen to deceive the ultimate purchasers: *Lever v. Goodwin*⁸³.

It must be apparent from the discussion that many of the principles governing an award of damages and account are the same. Why then are there the two remedies co-existing? The answer is that there are still advantages to be derived from suing for one or the other. For instance, where the defendant's spurious goods have resulted in injury to the reputation of the plaintiff's goods, an action in damages will in all probability reap more monetary value to the plaintiff who has suffered damage. On the other hand, if the defendant's goods are just as good as the plaintiff's and demand is so high that the damage suffered by the plaintiff is negligible, or where the defendant's efforts in advertising their (and the plaintiff's) goods have in some way benefited the plaintiff, an account for profits would be more advantageous.

80. (1886) 4 R.P.C. 530 (*Sanitas Co. Ltd v. Condy*)

81. Per Mellish, L.J. (1872) L.R. Ch. at p. 633.

82. *Harrison v. Taylor* (1865) 11 Jun. (N.S.) 408; also *Electrolux* case.

83. (1887) 36. Ch. 1; 4 R.P.C. 492.

Misappropriation of trade secrets

An account of profits flowing to the defendant from his breach of confidence or contract in respect of trade secrets is the third remedy available to the plaintiff. If the disclosure is still secret up to the time of trial, the defendant is liable for profits up to that time. Where secrecy has ended as a direct consequence of the defendant's wrongful act, he will also be held accountable for profits even during the non-secret period.

PART II — THE SINGAPORE AND MALAYAN SITUATION

Perhaps it is best to start off by issuing a warning that there will not (because there cannot) be a full discussion of the local position with regard to unfair trade practices. Singapore is very "law-poor". This part will therefore focus on four cases, all of which concern passing off, which reasonable diligence managed to turn up from local materials. However, the reader must not be surprised in finding that they essentially reflect the English law — in fact the courts here have found the English cases to be very apposite and have faithfully applied them.

The first of these cases is *Malayan Tobacco Distributors v. United Kingdom Tobacco Co. Ltd.*⁸⁴ This was an action for damages and an injunction to restrain the defendants from passing off cigarettes as the plaintiffs'. The Judicial Committee held that this was a *quia timet* action (because of the shortness of time elapsing between the appearance in the market of the defendants' cigarettes and the issue of the writ), which would require a strong case to be made out to justify a conclusion that confusion will result from the defendants' acts and that the market where alone the confusion is alleged to be possible must be the market where the consumer buys. Since such a case had not been made out, the injunction would not stand, and the appeal was allowed. There was dictum to the effect that even if the injunction could stand, it should not have been granted in an absolute form but should have been qualified by the addition of some such words as "without clearly distinguishing the goods of the defendants from the goods of the plaintiffs". This is a clear application of *Slazenger v. Feltham* (supra). The head-note also states (although Lord Tomlin, in delivering the judgment of the Committee did not expressly say so) that:

To give a right to relief by way of injunction, etc,

- a) it must be established that a fancy word has become identified with particular goods; and
- b) the plaintiffs must show that the use by the defendants of their device is calculated to deceive in the consumer's market.

These points were put forward in argument by the appellants but it was held that these requirements did not disturb the findings. But it does follow that their Lordships must have accepted these require-

84. (1937) M.L.J. 148 (P.C.)

ments before finding that the judgement could not be disturbed on those two grounds. In this event, the English position is seen to be clearly embedded in the local law.

*K.E. Mokamed Ibrahim v. M. Mohamed Ibrahim*⁸⁵ is Malayan authority in relation to the granting of an interim injunction to restrain defendant from selling his goods of a get-up similar to the plaintiffs. Pending the final determination of an issue as to the terms of an agreement between plaintiff and defendant, the plaintiff applied for an interim injunction. It was held that the right of the plaintiff would be sufficiently protected if the defendant undertook to keep an account because:

- 1) as to the balance of convenience and inconvenience, the balance was in favour of the defendant; and
- 2) there was no evidence that the defendant's trademark was calculated to mislead or deceive the purchasers by making them think that in buying the goods of the defendant they were buying the goods of the plaintiff.

In *White Hudson & Co. v. Asian Organisation Ltd.*⁸⁶ the Judicial Committee reversed the Court of Appeal's decision, restoring the judgement of the trial judge who granted an injunction to restrain the appellants from passing off their medicated cough sweets as the respondents'. Attention must be given to the facts here — for although the sweets had different names clearly imprinted on the otherwise similar wrappers, the court, having regard to the general illiteracy of Singapore consumers, held that:

- a) the get-up of the goods had become distinctive and that it was associated and identified with them;
- b) that in the circumstances there was a probability of confusion between the goods of the appellants and respondents; and
- c) that in considering the conditions in Singapore and that the get-up is all important for the non-English speaking members of the public, the similarity of the get-up of the sweets was such as to be calculated to deceive. *It was unnecessary to prove actual deception.* Furthermore, the design of the wrapper need not be novel, provided that the get-up was distinctive of the appellants' goods and had been identified with them.

The Privy Council in *Lee Kar Choo v. Lee Lian Choon*⁸⁷ distinguished between the fact of causing actual confusion, and calculation to deceive the public. It was held that the trial judge was right in restraining the defendants from using the labels complained of although the evidence did not show that actual confusion had been caused.

85. (1952) 18 M.L.J. 149.

86. (1965) 31 M.L.J. 186 (P.C.)

87. (1967) 1 M.L.J. 129 (P.C.)

What extra-English principles may be elicited from these cases? There appear to be none — the principles applied are the same, although they have been interpreted to suit the local context. Thus the use of similarly coloured wrappers may be said to be evidence of the intention to deceive “Asiatic illiterates” where the same could not be said to be true of Western consumers. In this regard, the local courts are to be commended, for local circumstances are necessarily different from conditions in England, and if common law is to be applied, adjustments must be made accordingly. There is nothing inherently objectionable about the English law pertaining to passing off, which should therefore not be discarded because it is the product of a foreign land.

The absence of local authority on the other remedies for passing off, or even in respect of the other types of unfair trade practices under scrutiny here is regrettable. Presumably, if and when the occasion arises, Singapore courts will apply English principles⁸⁸. It is hoped that they will not do so blindly. Let it be stated that it is premature at this stage to speculate about considerations other than those expressed in the English cases which should also be taken into account by local courts; this is better left to the next part of this paper.

PART III — COMPARISON AND CONCLUSION

What should be the law controlling such unfair trade practices be? It is not proposed to summarise or recapitulate the subject-matter of the paper in this Conclusion as this would make it repetitious and unnecessarily long — I have already attempted to say what the law ought to be under the various categories discussed. This part therefore constitutes an effort to throw further light on the matter by examining some cases reasonably representative of some aspects of the American position.

*Testing Systems, Inc. v. Magnaflux*⁸⁹ is illustrative of the law in the vast majority of American States on disparagement of goods. It was held in this case that special damage must be pleaded in order to sustain such an action unless libel *per se* attacking the plaintiff's character or accusing him of fraud was proved. One finds the same application of this inflexible common law rule with its attendant harshness in the event of failure or inability to plead specifically; take for instance the small retailer whose patrons are unknown to him — how can he plead such special damage?

Should this requirement for special pleading be retained? It may be that the purpose of specially pleading is to give the defendant notice as to the nature of the claim, the facts and information of which must therefore be sufficient to form the basis of reasonably fruitful damage inquiries. As it stands, it is all in favour of the defendant. How are we to mitigate its effect on the small retailer? The English have seen fit to alter this position by enacting the Defamation Act of

88. This has been a notable characteristic of our courts — an inexplicable compulsion to follow English law without examining its actual worth!

89. United States District Court, E.D., Pennsylvania. 1966, 251 F. Supp. 286.

1952, s.3 of which does away with the necessity of having to allege and prove special damage in actions for slander of title, goods or other malicious falsehood in respect of pecuniary loss suffered. S.6 of the Singapore Defamation Ordinance, 1960, enacts s.3 of the English Act in identical terms. The consequence of these sections is that only non-pecuniary losses and those pecuniary losses not covered by these sections need be specially pleaded. This represents a reasonable compromise in seeking to balance the desire to aid the small retailer in the throes of unfair competition and the desire to ensure that the defendant should not be caught by surprise. It may be noted that although the judge in this American case expressed sympathy for the small retailer, nevertheless he felt that with large organisations, this rule would not be untoward for they should be able to ascertain with reasonable certainty, their pecuniary loss. Does this mean that the alleviating sections concerned in the above statutes should be confined to the small-time business? It is submitted that the answer should be No. To do so would be to add a further complication to the situation, for then the courts would have to lay down difficult criteria as to the sizes of organisations to which the section is applicable. This could work out to be extremely arbitrary, and would also be tantamount to deciding *at a preliminary stage*, the issue as to whether the plaintiff should be able to recover certain pecuniary losses incapable of exact calculation.

The American position with regard to statements libellous *per se* appears to be the same as the English. Pleading of special damage is unnecessary when the "language, as a whole, considered in its ordinary meaning, naturally and proximately was (is) so injurious to the plaintiff that the court will presume without proof, that his reputation or credit has been impaired. It is not important that the plaintiff should be mentioned by name — the theory is that the manufacturer was defamed and the plaintiff was the manufacturer."⁹⁰

One observation must be made in relation to American discussion on the injunctive relief. The general equitable principles for granting or refusing to grant an injunction are adopted, but an additional ground which does not appear on the English scene is often pressed for the argument against the grant. This takes the form: Injunctive relief inhibits the constitutional guarantees of freedom of speech and press and the right to trial on the question of truth or falsity of the alleged libel⁹¹. The current concept of the proper function of the law in America, in the words of Wigginton, Judge,⁹² is to treat human and civil rights co-equal with property rights; and constitutional guarantees do not mean that a man may freely disparage another or his goods. Although American courts have generally accepted the principle that an injunction should be denied if the party injured has an adequate

90. *Harwood Pharmacal Co. v. National Broadcasting Co.* Court of Appeals of N.Y. 2d 460, 174 N.E. 602.

91. Either this is too obvious a consideration underlying the exercise of judicial discretion in English cases to be expressly stated, or can its absence be attributed to the fact that there *is* no written constitution?

92. *Murphy v. Daytona Beach etc.* District Ct of App. of Florida, First District, 1965; 176 So. 2d. 922.

remedy at law for recovery of damages suffered, this has not gone without criticism. Thus Wigginton, Judge, also remarked that “such recovery will not necessarily have the effect of deterring the offending party from continuing his slanderous attacks upon the injured party, or prevent continued personal embarrassment, impairment of health, reputation, and ability to carry one’s business in a normal manner, which such conduct necessarily inflicts upon the injured person.” It is submitted that this is an important consideration and the proposition regarding adequacy of damages at law should not be rigidly and exclusively applied. Instead, it should be treated merely as one of the factors to be taken into consideration in deciding whether or not to grant the injunction. After all, a discretionary remedy must necessarily have bearing to all other circumstances of each case.

In *Dehydro Inc. v. Tretolite Co.*⁹³, Kennamer, District Judge, said:

‘...the gravamen of the action... (being) to enjoin unfair competition, the question of libel and slander is only incidental to the action...’

English judges have not gone quite so far, although there is evidence of their laying more stress on the remedy as distinct from the question of substantive liability. Is Kennamer, District Judge, right? It would seem to be so, for once liability has been established and proved, the important issue is how to protect the plaintiff — and this must necessarily lie in the remedy granted.

There seems to be two divergent views in America as to what the rationale behind an award of accounting of profits in passing off is. The more narrow view is that it is merely a means of protecting a businessman from injury resulting from another’s use of his mark. With this view, accounting is thought proper only as an indirect measure of the plaintiff’s injury, and has been limited therefore to cases in which the parties are in competition for trade in which it may be presumed that the plaintiff’s trade has been diverted from him by the defendant. The alternative view is based on the principles of unjust enrichment, with its largely moral emphasis that a man should not be allowed to profit from his wrong. If this view is carried to its logical conclusion, an accounting would be awarded automatically in most cases. In particular, the element of competition does not creep in here.

The first view sounds very like a damage remedy, the measure of damages being that of profits made by the defendant. If accounts is to be distinguished from damages, the second view should prevail⁹⁴.

A further use to which accounting may be put is the achievement of the purposes and objects of trade statutes, amongst which are:

- a) To protect the public from being deceived, and
- b) To protect the owner of the trademark in his investment from its misappropriation by pirates and cheats.

93. District Court, N.D. Oklahoma. 1931, 53 F. 2d. 273.

94. Although the Restatement of Torts prefers the first view.

Although neither the Merchandise Marks Act nor the Trademarks Ordinance of Singapore state such noble objects in their preambles, these must be amongst the objects underlying their enactment. If this is correct, are the courts landed with another factor to consider in deciding whether or not to grant an account? Probably yes, if deterrence is what the judges have in mind — but no, if accounting is to be tainted with a punitive tinge, for the criminal penalties prescribed in these statutes can adequately take care of that situation.

In the field of Misappropriation of trade secrets, American courts have been confronted with the same problem of trying to formulate an order which would strike a proper balance between protecting the right of the individual (including the right to migrate from one job to another), and the rights of the employer to its body of trade secrets obtained by the expenditure of great amounts of time and money. Thus the difficulty of framing the injunction may likewise play a part in the final determination of the remedy to be granted. The problem of the 'head-start' advantage has been resolved in recent years by enjoining the use of trade secrets for the approximate period it would require a successful legitimate competitor to overcome this, as has been suggested in the earlier part of this article.

Is there a discernible line running through this discussion which guides the courts in deciding which and what remedy to grant and for how long?

Certainly it would appear that courts pay due regard to the conduct of the defendant — this goes to the root of an award of exemplary damages as well as injunctions to restrain a continuing or threatened wrong. No damages or account will also be granted in respect of innocent user by the defendant of the plaintiff's name or mark. Courts also look to the circumstances of each case. Thus the respective hardships that would fall on either party due to the imposition or non-imposition of an injunction is an important factor.

In winding up this paper, it should be stated for the benefit of the reader that there are provisions in both the Companies Act, 1967 and the Business Names Ordinance, 1952, which empower the Registrar to refuse to register names which might be misleading. This represents another aspect of legislative attempt to control passing off. Obviously this is a preventive device and not a remedy; and for this reason, will not be further dwelt upon.

Lee Chin Yen*

* Third Year Law Student, University of Singapore.

The writer thanks Professor R. E. Degnan of the University of California, Berkeley, for his invaluable assistance and contribution in the writing of this article.