

BTC3300 EXAM NOTES

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PASSING OFF AND UNFAIR

Textbook: Chapter 6

TRADING

INTRO

Goodwill or reputation is build up around a brand or business name.

Law protects:

1. The goodwill or reputation associated with a trade designation – passing off
2. Trade designations are indirectly protected by provisions of the ACL – misleading or deceptive conduct
3. Distinctive trade designations can be registered to Trade Marks Act (next topic)

PASSING OFF

Tort of passing off is designed to prevent a trader from damaging another trader's reputation or goodwill by causing potential customers to associate one trader's product or business with another trader's where no such connection exists.

Passing off is concerned with misrepresentations made by one trader which damage the goodwill (reputation) or another that occur in business.

Intention by defendant is not relevant.

THE ELEMENTS OF PASSING OFF AT COMMON LAW

Elements established in *Reckitt & Colman Products Ltd v Borden Inc*:

1. Reputation/goodwill: the trader's get-up, including the brand name or business name, is recognised by the public as distinctive. Trader has established a reputation
2. Deception: there has been a misrepresentation by the defendant to the public leading or likely to lead the public to believe that the goods or services offered by the defendant are the plaintiff's goods or services
3. Damage: the plaintiff suffered, or 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 of those offered by the plaintiff

1. Reputation

Reputation or goodwill that will be injured by the improper use of that trade designation. Some element of commercial activity, no fixed minimum level.

Level of business activity/intensity of trading

- A simple trading presence is satisfactory. Does not have to be a long length of time

Case	<i>Stannoard v Reay</i>
Facts	Defendant began to trade under same name 'Mr Chippy' 3 weeks after plaintiffs had commenced their business. Defendants argued that plaintiffs had not built up a reputation and established goodwill in the name 'Mr Chippy'.
Held	Even though the plaintiffs had only been trading for about 3 weeks, there was evidence of substantial takings by the business, which fell when defendants commenced trading.

- Level of sales does not have to be substantial

Case	<i>Cricketer v Newspress</i>
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Facts	Plaintiff sought injunction to restrain defendant from passing off and distributing its magazine under the name 'Cricketer'.
Held	Major issue was whether the name 'The Cricketer' had a distinctive reputation in Victoria, given small number of sales in the state. The proportion of readers to the public as large is not relevant. All that is necessary is that a substantial number of readers exist in the jurisdiction who associate the name 'The Cricketer' with the plaintiff. However, case dismissed as no likely confusion between publications was established. Principles still apply ^

- Advertising as a precursor to commencing a business may be sufficient
- Website visits can also be useful evidence of reputation

Geographic area in which the plaintiff traded

Not necessary to have commenced business activities within a jurisdiction, as long as there is a reputation in that area. Companies do have reputations that transcend the boundaries of the areas in which they do business.

Hansen Beverage v Bickfords

Degree of distinctiveness or descriptiveness of sign

Necessary to show that any words or get up used have become distinctive of the particular trader. The more descriptive the words, the less likely they will meet this requirement.

Seen in *Mars Australia v Sweet Rewards* below. Word 'Maltesers' and different visual features enough to distinguish.

Case	<i>Hornsby Building Information Centre v Sydney Building Information Centre</i>
Facts	Plaintiff ran business called Sydney Building Information Centre. Defendant started business located in Hornsby (outskirts of Sydney) and named it Hornsby Building Information Centre. Plaintiff alleged that by trading under a similar name, conduct would result in public confusing the two businesses.
Held	Defendant had not engaged in misleading or deceptive conduct. No likelihood of any misconception. Plaintiff had used descriptive words. Competitor is okay to use same form of words as long as there is an attempt to differentiate the two businesses. The requirement was met by the defendant's addition of a geographical prefix (Hornsby) to the descriptive words.

2. Misrepresentation

Defendant's conduct has misled, deceived or confused a significant number of persons in the marketplace into believing that:

- o The defendant's business/product is that of the plaintiff, or
- o The defendant's and plaintiff's businesses are associated and there was some sort of approval on the part of the plaintiff of the activities of the defendant

Most obvious type of passing off is where defendant uses a name or get-up (package, label, logo) so similar that customers get confused as to who product came from. (Case below.)

Case	<i>Targetts v Target Australia</i>
Facts	Targetts had operated for many years in Launceston, Tasmania. Defendant, Target Australia, wanted to commence trading in Launceston. Both had similar names and logos. Plaintiff sought an injunction to prevent Target trading.

Held Target was likely to mislead or deceive members of the public. A significant number of customers would be confused and end up going to target, and people would assume a connection between the businesses. An injunction was granted restraining Target from within 30kms of plaintiff's store.

Proving confusion or deception in passing off cases:

Not always easy to prove confusion or deception. Passing off action will be difficult to establish unless a strong probability of deception is established. No strict requirement for proof of actual deception – *Sydneywide Distributors v Red Bull Australia* (below).

Case *Cadbury Schweppes v Pub Squash*

Facts Cadbury Schweppes developed Solo in 1973. In 1976, Pub Squash Co released a product similar in appearance, colour and size. Under the 'Pub Squash' label. It set out in a deliberate and calculated fashion to take advantage of the plaintiff's past efforts in developing Solo and chose a product name and package derives from and intended to gain the benefit of the plaintiff's past and anticipated advertising campaign and the plaintiff's package for their product. Solo sales 15% lower in 1976 than 1975.

Held A balance must be maintained between free competition and passing off. As long as defendant sufficiently differentiates its product from that of the creator it is fine. Solo could not claim aspects of masculinity and nostalgia in ads were their own. There were similarities between cans, but they were sufficiently different that any confusion would not last.
Therefore, no misrepresentation in the sense that customers were led by the similarities in the get-up and advertising of the two products into believing that Pub Squash and Cadbury Schweppes were the same.
Decisive factor: use of distinctive and prominent brand name by Pub Squash

Case *Sydneywide Distributors v Red Bull Australia*

Facts The defendant began distributing a competitive energy drink known as live wire. Red Bull alleged that product was so similar as to constitute passing off. Incorporated a similar design and layout with an almost identical colour scheme on same distinctive slimline can. Defendant argued that similarities were overcome by use of a distinctive and prominent trade mark – critical to *Cadbury v Pub Squash* (above).
Expert witness said that the gestalt (overall sum of look and feel of product + image) of the 2 products were almost identical.

Held On appeal, Full Court acknowledged that brand names were prominent and created significant differences, but did not overturn trial judge.
Treat this decision with caution, judge did not fully endorse gestalt theory and was critical of failure of defendant to challenge evidence.

This case re-established approach in *Cadbury Schweppes v Pub Squash*

Case *Mars Australia v Sweet Rewards*

Facts Mars Australia had registered the word 'Maltesers' as a trade mark. Sweet Rewards began distributing a chocolate-covered malt ball under name Delfi Malt Balls. Colour schemes of products were quite similar. Mars said it was unlawful as get-up suggested connection between products.

Held Because the principal component in the Maltesers get-up is the word 'Maltesers', it is unlikely that ordinary consumer will mistake the products with different names. Mars victim of own success. This plus slightly different visual features was sufficient to distinguish them.
Also, word Delfi with image next to it was a significant feature which was not on Mars product, and the red was different.