

CHOCOSUISEE – THE NEW 'EXTENDED EXTENDED' PASSING OFF

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This paper analyses the recent British passing off case Chocosuisse. The paper attempts to set out the historical nature of passing off and then analyse the developments in Chocosuisse in light of the historical origins of the tort. The relationship between tort and equity is discussed, with particular attention paid to the 'fusion' debate. The acceptance of an 'unclean hands' defence in Chocosuisse and its appropriateness is discussed. The author proposes alternative means of achieving similar goals that are more consistent with both passing off's origins and the relationship between tort and equity. The new Chocosuisse requirements for extended passing off goodwill are discussed. The author considers potential problems that the new requirements will create for extended passing off in and urges future courts not to follow this aspect of Chocosuisse. Finally Laddie J's use of passing off to protect correct application of geographical indicators and the inconsistency of this use with the origins of passing off are discussed. The author considers alternative means available to protect accurate application of geographical indicators.

I INTRODUCTION

During last century the law of passing off was developed extensively to meet the needs of the modern commercial environment. The origins of passing off protection formed the basis for these developments however recently the British courts have pushed the boundaries of passing off beyond its origins. This may signal the end of passing off as we know it.

Passing off originally protected trade names as badges of origin, that is a link to the source of the goods. Passing off provides a remedy against a trader who deceives the plaintiff trader's customers into believing that his (her) goods are the plaintiff's goods. To succeed in an action for passing off the plaintiff must prove three elements. First, that the

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plaintiff possesses goodwill, second that there is misrepresentation by the defendant that is likely to deceive the public and third that the plaintiff has suffered, or is likely to suffer, damage as a result of that misrepresentation.¹

Over time protection was extended beyond protection of a badge of origin.² Traders can now prevent their rivals from imputing a connection between their products by use of a mark, name or get-up.³ Traditionally the courts were careful not to extend protection to descriptive or geographical terms because passing off affords the successful plaintiff monopoly rights in the particular mark, name or get up.⁴ Thus to provide protection for descriptive or geographical terms would remove them from the general lexicon.

The landmark passing off case *J Bollinger v The Costa Brava Wine Co Ltd (No 1)* and *(No 2)*⁵ (*Spanish Champagne*) created 'extended passing off'. This enables a class of traders to prevent rivals from incorrectly applying descriptive terms. While the class cannot prevent rivals applying the term correctly, they can prevent its incorrect application. Other cases about products made in geographical areas followed, for example *Scotch Blended Whiskey*,⁶ and *Spanish Sherry*.⁷ It was widely believed that extended passing off required the plaintiff to prove that consumers associated the disputed term with a particular location.⁸

In *Erwen Warnick B V v J Townend & Sons*⁹ (*Advocaat*) the House of Lords dispelled that popular conception by preventing incorrect application of the descriptive term 'Advocaat', which was associated with specific ingredients rather than a geographical location. Thus

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- 1 *Reckitt & Coleman Products Ltd v Borden Inc and Others* [1990] All ER 873, 880 (HL) per Lord Oliver [Jiff Lemon].
 - 2 Stephen Todd *The Law of Torts in New Zealand* (2 ed, Brookers, Wellington, 1997) 756.
 - 3 *Halsbury's Laws of England* (4 ed, Butterworths, London, 1995) vol 48, Trade Marks and Trade Names, para 167, 99.
 - 4 *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216, 229 per Stephen J.
 - 5 *J Bollinger v The Costa Brava Wine Co Ltd (No 1)* [1960] Ch 262 and *(No 2)* [1961] 1 WLR 277 and [1961] RPC 116 [*Spanish Champagne*].
 - 6 *John Walker & Sons Ltd v Henry Ost & Co Ltd* [1970] 2 All ER 106, [1970] 1 WLR 917, [1970] RPC 489.
 - 7 *Vine Products Ltd v Mackenzie & Co Ltd* [1969] RPC 1.
 - 8 *Erwen Warnick B V v J Townend & Sons (Hull) Ltd* [1978] FSR 473 (CA); James *General Principles of the Law of Torts* (4 ed, Butterworths, London 1978) 323; *Halsbury's Laws of England*, above n 3, para 185, 114.
 - 9 *Erwen Warnick B V v J Townend & Sons (Hull) Ltd* [1979] AC 731, 742 (HL) [*Advocaat*].

extended passing off protects use of a descriptive term associated with a distinctive and recognisable product; geographical association is not required.

Recently in the British case *Chocosuisse Union des Fabricants Suisses de Chocolat and Ors v Cadbury Ltd (Chocosuisse)*,¹⁰ the boundaries of passing off have been pushed even further beyond their traditional limits. This paper considers the aspects of Laddie J's judgment in the High Court which potentially further extend the tort of extended passing off.

First, the origins of the tort of passing off and its development to pre-*Chocosuisse* extended passing off are discussed. The origins of passing off must be considered when developing passing off because logically any extension must be consistent with those origins as they define the limitations of its development.

Second, Laddie J's use of the equitable clean hands maxim is considered. The traditional distinctions between equity and the common law and the recent developments of their relationship are discussed. Laddie J's application of the clean hands maxim to making out the cause of action and to the grant of both equitable and legal remedies is inconsistent with the traditional distinction between law and equity. It is argued that there are more appropriate methods of applying the concepts underlying the clean hands maxim to the tort of passing off.

Third, Laddie J's definition of goodwill is discussed. Traditionally extended passing off required goodwill associated with a reputation for recognisable and distinctive qualities. Laddie J defined goodwill inconsistently with traditional requirements in a manner which has potential to further extend extended passing off. It is argued that this definition is unjustified and that it will potentially impact negatively on the efficacy of extended passing off.

Fourth, Laddie J appears to use passing off to protect geographical indicators. This is not the traditional sphere of passing off and is inconsistent with its origins. Under the Agreement on Trade-Related Aspects of Intellectual Property Rights¹¹ (TRIPs), World Trade Organisation¹² (WTO) member countries are required to provide measures to

10 *Chocosuisse Union des Fabricants Suisses de Chocolat and Ors v Cadbury Ltd* (1998) 41 IPR 1 (HC) [*Chocosuisse*]; *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1999] RPC 826 (CA) [*Chocosuisse (CA)*].

11 Agreement on Trade-Related Aspects of Intellectual Property Rights, Annex 1 C of the Marrakesh Agreement Establishing the World Trade Organisation 1994 [TRIPs]. The World Trade Organisation's TRIPs is an attempt to narrow the gaps in the way that intellectual property rights are protected around the world and to bring them under a common international rules.

12 World Trade Organisation [WTO], established by the Marrakesh Agreement Establishing the World Trade Organisation 1994.

enable interested parties to protect geographical indicators. The United Kingdom has not yet complied with this obligation. It is argued that passing off is neither the appropriate method to provide such protection nor to enforce the obligation to do so. The alternative course for enforcement of the TRIPs obligation was for Switzerland to take a dispute to the WTO Dispute Settlement Body over the United Kingdom's breach of its obligations under TRIPs. The method of taking a dispute and the reasons why one was not taken are discussed.

II THE TORT OF PASSING OFF

A *The Origins of Passing Off*

While the exact origins of passing off are unclear it was recognised at common law as early as the reign of Elizabeth I.¹³ There is evidence of passing off cases in both the Courts of Law and the Courts of Equity.¹⁴ Common law passing off was a purely personal right, based on fraud.¹⁵ If fraud was proved the common law remedy of damages would be granted. Equitable passing off was based on protection of a property right.¹⁶ Thus fraud was not required to make out an action for equitable passing off; a remedy would be available even in cases of 'innocent' passing off.¹⁷ 'Innocent' passing off occurs when there is no intention to deceive. The equitable remedy was an injunction.

The fusion of equity and the law¹⁸ means that fraud is no longer required for passing off; the action is now based on a property right.¹⁹ Fusion also means that both equitable and common law remedies are available for passing off.²⁰

Passing off is now categorised as a tort by authoritative scholars.²¹ It is important to keep this categorisation in mind when considering the appropriateness of developments to passing off because they should be consistent with passing off's classification as a tort.

13 *Halsbury's Laws of England*, above n 3, para 166, 97.

14 *Halsbury's Laws of England*, above n 3, para 166, 98.

15 *Hall v Barrows* (1863) 4 De GJ & Sm 150, 158 per Lord Westbury LC.

16 *Hall v Barrows*, above n 15, 158 per Lord Westbury LC.

17 *Spalding v Gamage* [1915] 32 RPC 273, 283 (HL) per Lord Parker.

18 See below, Part III D.

19 R F V Heuston & R A Buckley *Salmond & Heuston on the law of Torts* (21 ed, Sweet & Maxwell, London, 1996) 382.

20 See below, Part III D.

B The Protection Provided by Passing Off

An action for passing off enables traders to prevent their rivals from deceiving consumers that there is a connection between their products. This protection is based on the plaintiff's property which is the goodwill connected with the mark, name or get-up rather than the mark, name or get-up itself.²² Goodwill has been defined as "the benefit and advantage of the good name, reputation and connection of a business...the attractive force which brings in custom."²³ Passing off allows plaintiffs to prevent any misappropriation of their goodwill that results in deception of consumers. Passing off is an economic tort; it provides protection against economic loss.²⁴

C Classic Passing Off

Classic passing off protects the badge of origin function of a mark thus consumers must associate the disputed mark with the plaintiff.²⁵ This association is called goodwill, it is a distinct reputation in the mark that distinguishes the product as the plaintiff's product.

Passing off requires damage. This can be diversion of trade²⁶ or dilution of goodwill.²⁷ Diversion of trade occurs when consumers buy the defendant's product believing it is the plaintiff's. Dilution of goodwill occurs when consumers who buy the defendant's product believing it is the plaintiff's are so disappointed with the product that the plaintiff's goodwill loses value.

D Extended Passing Off

Extended passing off protects goodwill associated with descriptive and geographical terms. It allows a class of traders to prevent their rivals from incorrectly applying a descriptive term which the plaintiffs apply correctly. Extended passing off goodwill requires clearly identified distinctive and recognisable characteristics associated with the

21 Heuston & Buckley, above n 19; Margaret R Brazier *Clerk & Lindsell on Torts* (17 ed, Sweet & Maxwell, London, 1995); Todd, above n 2; R P Meagher, W M C Gummow & J R F Lehane *Equity Doctrines & Remedies* (3 ed, Butterworths, Sydney, 1992).

22 *Reddaway v Banham* [1896] AC 199, 209; Heuston & Buckley, above n 19, 382.

23 *IRC v Muller & Co's Margarine Ltd* [1901] AC 217, 223-224 per Lord Macnaghten, quoted in: W V H Rogers *Winfield and Jolowicz on Tort* (15 ed, Sweet & Maxwell, London, 1998) 670.

24 Francis Trindade & Peter Cane *The Law of Torts in Australia* (3 ed, Oxford University Press, Melbourne, 1999) 190.

25 *Clerk & Lindsall on Torts*, above n 21, 1405.

26 *Reddaway v Banham*, above n 22.

27 *Spalding v Gamage*, above n 17.

product.²⁸ The goodwill is shared by the traders in the class.²⁹ Extended passing off is not protection of a mark as a badge of origin, it ensures correct application of the descriptive term.

To succeed in extended passing off the plaintiff's goodwill must be damaged by the defendant's incorrect application of the term.³⁰ Traders cannot use extended passing off to prevent rivals from applying the descriptive term correctly because this would not damage their goodwill.

Extended passing off differs from classic passing off in two key respects. First, as a misrepresentation of origin is not required it protects traders as a class rather than as individuals.³¹ Second, it protects descriptive terms. This does not give monopoly rights in the descriptive term because only incorrect application of the term can be prevented.

E The Elements of a Cause of Action for Passing Off

The plaintiff must first prove they meet the threshold requirements for passing off protection set out by Lord Fraser in *Advocaat*:³²

(1) that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies; (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, that the trade name distinguishes that class from other similar goods; (3) that because of the reputation of the goods, there is goodwill attached to the name; (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value; (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.

The plaintiff must then prove the defendant's actions sustain a claim of passing off. This requires proof of:³³

(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

28 *Advocaat*, above n 9, 741, per Lord Diplock.

29 *W V H Rogers Winfield and Jolowicz on Tort* (15 ed, Sweet & Maxwell, London, 1998) 670.

30 *Advocaat*, above n 9, 755-756, per Lord Fraser.

31 *Halsbury's Laws of England*, above n 3, para 169, 101.

32 *Advocaat*, above n 9, 755 – 756, per Lord Fraser.

33 *Advocaat*, above n 9, 742, per Lord Diplock.

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 *qua timet* action) will probably do so.

Deception and damage need not occur in fact; they can be merely likely to occur.³⁴ The test for deception is whether a casual and unwary consumer would be deceived.³⁵ The test applied is a consumer appropriate for the product's market.³⁶ The entire market need not be deceived; a cause of action can be sustained if a substantial section of the market is likely to be deceived.³⁷

F Remedies Available for Passing Off

1 Interim relief

Interim injunctions are usually granted to prevent damage occurring while proceedings continue.³⁸ This prevents the defendant from continuing with any activities that might potentially be passing off. It often puts the defendant in a difficult financial situation. To continue trading the product must be rebranded. In time a reputation will develop in the new brand and the defendant will not want to revert to the disputed brand. The defendant may also go out of business if they have neither the resources to rebrand their product nor to continue with legal proceedings. Thus most passing off cases are effectively settled at the interim injunction stage.

2 Final relief

Final relief for passing off includes damages, an account of profits and a permanent injunction. Proof of damage entitles the plaintiff to an award of damages.³⁹ The award is generally equal to the loss suffered as a direct consequence of the misrepresentation.⁴⁰ The quantum in each case is determined using principles of remoteness, foreseeability and

³⁴ *Advocaat*, above n 9, 742, per Lord Diplock.

³⁵ *Singer Manufacturing Co v Loog* (1882) 8 App Cas 15, 18.

³⁶ *Margaret Brazier Street on Torts* (9 ed, Butterworths, London, 1993) 133; Todd, above n 2, 766.

³⁷ *Halsbury's Laws of England*, above n 3, para 187, 115-116.

³⁸ *Trindade & Cane*, above n 24, 210.

³⁹ *Spalding v Gamage*, above n 17.

⁴⁰ *Trindade & Cane*, above n 24, 209-210.

causation.⁴¹ There is debate about whether damages can be awarded in cases of 'innocent' passing off however most commentators believe only nominal damages will be awarded.⁴²

The court may allow election of an account of profits made by the defendant when passing off.⁴³ This is not allowed in cases of innocent passing off⁴⁴ and when allowed relief is limited to profits made with knowledge of the plaintiff's rights.⁴⁵

A permanent injunction stops the defendant's use of the mark, name or get-up permanently. It is only issued if the plaintiff shows "that he has suffered injury that cannot be properly compensated by damages, or that he will probably suffer such injury."⁴⁶ This is generally easily proved in passing off because damages alone would enable the defendant to continue with their deceptive behaviour thus effectively damages alone are a license to continue passing off.⁴⁷ Other final remedies are delivery up or destruction of the offending goods.⁴⁸ These will only be granted if the defendant acted fraudulently and an injunction will not provide sufficient relief.⁴⁹

III THE RELATIONSHIP BETWEEN EQUITY AND THE LAW

A Equity

The early Common Law Courts required actions to be taken in the form of specific writs.⁵⁰ If there was no writ for the circumstances the courts would not give a remedy.⁵¹ Equity was developed to counter this by providing remedies when common law remedies were inadequate or non-existent.⁵²

41 *Street on Torts*, above n 36, 249-255.

42 *Trindade & Cane*, above n 24, 209-210; D R Shanahan *Australian Law of Trade Marks and Passing Off* (2 ed, The Law Book Co Ltd, Sydney, 1990) 398.

43 *Trindade & Cane*, above n 24, 210.

44 Shanahan, above n 42, 398.

45 *Spalding v Gamage*, above n 17.

46 *Henderson v Radion Corporation Party Ltd* (1960) 60 SR (NSW) 576, 594 per Evatt CJ and Myers J quoted in *Trindade & Cane*, above n 24, 210.

47 Stainforth Ricketson *The Law of Intellectual Property* (The Law Book Company, Sydney, 1984) 21.

48 Ricketson, above n 47, 587.

49 Ricketson, above n 47, 587.

50 G Dal Pont & D Chalmers *Equity and Trusts in Australia and New Zealand* (The Law Book Company, Sydney, 1996), 2.

51 Dal Pont & Chalmers, above n 50, 2.

52 Julie Maxton "Equity Update" (New Zealand Law Society Seminar, October 1993) 2.

The Court of Chancery exercised the equitable jurisdiction. Chancery was developed from a process of informal application to the King for relief when the common law did not provide sufficient relief.⁵³ Petitions would be referred to the Lord Chancellor when:⁵⁴

(a) the common law was inadequate or defective (by reason of the restricted variety of *writs* which were available to initiate proceedings before the common law courts); (b) the common law remedy of damages was inappropriate or inadequate; and (c) the common law courts lacked jurisdiction, for example, over foreign merchants.

Equity had three jurisdictions. The exclusive jurisdiction was exercised over rights which were not recognised at common law, for example trusts.⁵⁵ The concurrent jurisdiction was exercised when the common law also had jurisdiction over the matter, for example the granting of an equitable remedy in a situation where common law damages were also available.⁵⁶ The auxiliary jurisdiction was exercised when equity assisted a party to an action at common law in establishing their common law rights, for example discovery of documents.⁵⁷

Equity's power was limited in many ways. In the exclusive jurisdiction only equitable remedies were available.⁵⁸ In its concurrent jurisdiction equity was unable to decide legal rights, titles and interests. Equity could only provide remedies once the legal position had been decided by the Common Law Courts.⁵⁹ If common law damages were available equitable relief would only be granted if damages were considered inadequate in the circumstances.⁶⁰

Traditionally equity acted in personam. Judgments focused on the person rather than the property.⁶¹ The Courts of Equity are courts of conscience thus equitable remedies attempted to put right the wrong, rather than to punish the wrongdoer. If it was unconscionable for the plaintiff to suffer Equity would intervene to right the wrong by

53 Dal Pont & Chalmers, above n 50, 2.

54 Dal Pont & Chalmers, above n 50, 2.

55 John Brunyate (ed) *Maitland's Equity* (2 ed, Cambridge University Press, Cambridge, 1949) 20.

56 Maxton, above n 52, 2.

57 Brunyate, above n 55, 20.

58 Maxton, above n 52, 3.

59 Meagher, Gummow & Lehane, above n 21, 27.

60 Maxton, above n 52, 3.

61 Dal Pont & Chalmers, above n 50, 3.

restoring the plaintiff to their original position.⁶² Equitable remedies are discretionary;⁶³ a cause of action may be made out but it remains at the court's discretion to grant a remedy. The court will only do so if conscience requires it to.⁶⁴ Equity generally does not consider common law notions of remoteness, foreseeability and causation.⁶⁵

B Equitable Maxims

Equity, being based on fairness, applies good conscience when resolving disputes.⁶⁶ Equity seeks to find justice on the individual circumstances of each case. General principles, called equitable maxims, provide a framework for the determination of justice and the resulting exercise of Chancery's equitable discretion.⁶⁷

One such maxim is that 'he who comes into equity must come with clean hands'.⁶⁸ Thus if a right is established equity will not intervene if the plaintiff's conduct is improper due to fraud, misrepresentation or other unconscionable conduct.⁶⁹ The plaintiff's conscience must be clear in relation to the equitable remedy sought. The plaintiff need not be completely without fault.⁷⁰ An example of the clean hands maxim's use is that a beneficiary who acquiesces in a breach of trust cannot subsequently sue the trustee in respect of that breach.⁷¹ The operation of the maxim may also be seen in the denial of the presumption of a trust if the trust was implemented to commit fraud.⁷²

A plaintiff can 'wash' their hands to prevent the court refusing relief.⁷³ To effectively do so the situation must be remedied in a manner which shows good conscience.⁷⁴

62 Meagher, Gummow & Lehane, above n 21, 71.

63 Dal Pont & Chalmers, above n 50, 10-11.

64 Meagher, Gummow & Lehane, above n 21, 71.

65 Maxton, above n 52, 3.

66 Dal Pont & Chalmers, above n 50, 1.

67 Margaret Halliwell *Equity and Good Conscience in a Contemporary Context* (Old Baily Press, London, 1997) 11.

68 This maxim was first formulated by Eyre LCB in *Dering v Earl of Wincilsea* (1787) 1 Cox Eq Cas 318.

69 Dal Pont & Chalmers, above n 50, 10.

70 JR Lewis *Outlines of Equity* (Butterworths, London, 1968) 20-21.

71 *Re Deane* (1888) 42 Ch 9.

72 *Gascoigne v Gascoigne* [1918] 1 KB 223.

73 Meagher, Gummow & Lehane, above n 21, 84.

74 Dal Pont & Chalmers, above n 50, 11.

C The Traditional Relationship between Equity and The Law of Torts

Traditionally equity and the law of torts had an insignificant relationship. Maitland wrote:⁷⁵

The Court of Chancery kept very clear of the province of crime, and since the province of crime and the province of tort overlap, it kept very clear of large portions of the province of tort...Indeed if you will look at your books on tort you will find that on the whole – if we except the province of fraud – equity has had little to do with tort, though it has granted injunctions to restrain the commission of nuisances and the like.

Equitable maxims were traditionally relevant in tort only when equitable relief was sought. Then equitable maxims were dealt with as follows. First, the court determined whether the cause of action was made out referring only to the common law. Once satisfied that the cause of action was made out the Court would turn to relief. Equitable maxims would be considered only when exercising the discretion to grant equitable relief. They were not taken into account when determining a grant of common law relief. In passing off evidence of unclean hands would be whether the plaintiff was guilty of misrepresentation to the public themselves.⁷⁶

D The Fusion of Law and Equity

The Supreme Court of Judicature Act 1873 (Imp) altered the relationship between equity and the common law. This is commonly known as 'fusion' because it brought the Courts of Equity and the Courts of Common Law together into one Supreme Court of Judicature. The court was split into various divisions. Each division gained the power to grant both common law and equitable remedies.⁷⁷

There is debate about the effect of fusion. At one end of the spectrum are those who believe the two systems were substantively merged and at the other those who believe that generic differences remain between the two systems.⁷⁸ The view that there was a merger of substantive law was propounded by Lord Diplock:⁷⁹

The innate conservatism of English lawyers may have made them slow to recognise that by the Supreme Court of Judicature Act 1873 the two systems of substantive and adjectival law formerly administered by courts of law and Courts of Chancery ... were fused. As at the

75 Brunyate, above n 55, 55.

76 Ricketson, above n 47, 584.

77 Dal Pont & Chalmers, above n 50, 6.

78 Dal Pont & Chalmers, above n 50, 6.

79 *United Scientific Holdings Ltd v Burnley Borough Council* [1978] AC 904, 924-925 (HL).

confluence of the Rhone and the Soane, it may be possible for a short distance to discern the source from which each part of the combined stream came, but there comes a point at which this ceases to be possible...the waters of the confluent streams of law and equity have surely mingled now.

This approach was followed in New Zealand by Sir Robin Cooke (as he then was):⁸⁰

...for all purposes now material, equity and common law are mingled or merged...a full range of remedies should be available as appropriate, no matter whether they originated in common law, equity or statute.

The opposing view is that while the Judicature Act fused jurisdiction substantive differences between equity and the law remain. Professor Ashburner wrote "the two streams of jurisdiction, though they run in the same channel, run side by side and do not mingle their waters."⁸¹ In Australia Meagher JA wrote of Lord Diplock's statement "that view is so obviously erroneous as to be risible".⁸²

Those who take the middle ground claim that a merger of substantive law in an all or nothing fashion may not have occurred. It is argued that there has been an intermingling of common law and equity with both systems borrowing from each other where appropriate.⁸³ This is referred to as the orthodox view of fusion in this paper.

Maxton argues that there are two modern effects of this intermingling.⁸⁴ Both relate to remedies. First, the common law remedy is the primary remedy because equitable remedies are only available for legal rights if the legal remedy is inadequate. Second, common law remedies are available for equitable rights. The New Zealand courts have reiterated many times that they will give whatever remedy they determine appropriate to the circumstances of the individual case.⁸⁵ Thus the orthodox view of the Judicature Act is that it unified the jurisdiction of the courts and that it fused the remedies available but may not have fused substantive law.

80 *Aquaculture Corp v NZ Green Mussel Co Ltd* [1990] 3 NZLR 299, 301 (CA) [*Aquaculture*].

81 Ashburner *Ashburner's Principles of Equity* (2 ed, London, Butterworths, 1933) 23.

82 *GR Mailman & Associates Pty Ltd v Wormald (Aust) Pty Ltd* (1991) 24 NSWLR 80, 99 (CA) per Meagher JA.

83 *Dal Pont & Chalmers*, above n 50, 8-9.

84 Maxton, above n 52, 3-7.

85 *Day v Mead* [1987] 2 NZLR 443; *A-G for UK v Wellington Newspapers Ltd* [1988] 1 NZLR 129; *Aquaculture*, above n 80; *NZ Land Development Co v Porter* [1992] 2 NZLR 462; *Mouat v Clark Boyce* [1992] 2 NZLR 559.

The effect of fusion on the relationship between equity and the law of torts is debatable. Some would argue that fusion has had no effect on their relationship while others would argue that there has been a substantive merger of equity and the law of torts enabling consideration of equitable maxims in relation to a cause of action in tort. Those who take the middle ground would argue that equity and the law of torts remain largely separate bodies of law which overlap only in relation to remedies. They would argue that fusion meant that equitable remedies are available in tort if they are appropriate to the circumstances of the case. The fusion debate may shed some light on Laddie J's application of the clean hands maxim in *Chocosuisse*.⁸⁶

IV APPLICATION OF THE CLEAN HANDS MAXIM IN CHOCOSUISSE

A *Chocosuisse* Background

The first plaintiff, *Chocosuisse*, is the professional association of Swiss chocolate makers. The second plaintiff, Lindt, and the third plaintiff, Suchard, are members of *Chocosuisse*. They brought proceedings for passing off against Cadbury to protect the denomination 'Swiss chocolate' from incorrect use. Cadbury marketed a chocolate bar under the name 'Swiss Chalet'. The packaging showed the words 'Swiss Chalet' superimposed on a background of a snow-capped mountain and a chalet. The packaging had the traditional purple Cadbury background, Cadbury logo and 'glass and a half' symbol. 'Swiss Chalet' chocolate was made from standard dairy milk chocolate. The plaintiffs claimed that Cadbury was passing off their chocolate as Swiss chocolate and sought an injunction to prevent this.

Cadbury argued the plaintiffs had unclean hands because they mislead the public into believing chocolate made outside Switzerland was in fact made in Switzerland.⁸⁷ The alleged unclean behaviour was that the plaintiffs had:⁸⁸

...used "Swiss", "Switzerland" and alpine illustrations in relation to products not manufactured in Switzerland...[and]...By using the Swiss names in relation to chocolate products, ...have deceived members of the public in the United Kingdom into believing that such products were manufactured in Switzerland...

Cadbury argued that if the claim of passing off was proved the plaintiffs' unclean hands debarred them from obtaining relief.⁸⁹ Cadbury's claim is interesting because it is a

⁸⁶ See below Part V.

⁸⁷ *Chocosuisse*, above n 10, 22.

⁸⁸ *Chocosuisse*, above n 10, 24.

⁸⁹ *Chocosuisse*, above n 10, 3.

claim that unclean hands should prevent the grant of all relief. Thus equity should intervene to prevent both the award of equitable relief and the award of damages. Traditionally equitable maxims were not relevant to an award of damages.

B How the Courts Dealt with Cadbury's Claim

1 Laddie J's approach to the clean hands argument

Laddie J treated Cadbury's claim unconventionally. Under the heading 'damage' he considered both whether the damage element of passing off was made out and his award of relief.⁹⁰ First he considered unclean hands in relation to the damage element of the cause of action. He approved early cases which held that a plaintiff whose own use of the mark was inherently deceptive could not succeed in an action to prevent passing off.⁹¹ Consistently with *Habib Bank Ltd v Habib Bank Zurich AG*⁹² Laddie J held that the cause of action fails when it is unconscionable to grant relief the plaintiff would otherwise be entitled to.⁹³

Laddie J applied the clean hands maxim to determine whether the plaintiff's conduct was unconscionable thus causing the cause of action to fail. This was application of an equitable maxim to the making out of a cause of action in tort.

Laddie J considered the evidence of the second and third plaintiff's unclean hands and held that it was insufficient to make out a defence of unclean hands because the behaviour did not make it unconscionable to grant relief. Thus he held the damage element of the cause of action to be made out. Laddie J applied the clean hands maxim as a defence to the damage element of passing off rather than in the traditional manner as a defence to a grant of relief. As Laddie J held that on the facts the defence of unclean hands was not made out in relation to the damage element, he did not consider the maxim in relation to the grant of remedies.

Laddie J treated a defence of clean hands as arguable in relation to the damage element of passing off.⁹⁴ He did not cover the threshold issue of whether the clean hands maxim is applicable to the law of torts. Following tradition Laddie J should only have considered clean hands when exercising his discretion to grant an injunction.

90 As pointed out above in Part III C traditionally courts would consider whether the cause of action had been made out independently from their consideration of relief.

91 *Newman v Pinto* (1887) 4 RPC 508; *Ford v Foster* (1872) 7 Ch App 611.

92 *Habib Bank Ltd v Habib Bank Zurich AG* [1981] 2 All ER 650.

93 *Chocosuisse*, above n 10, 24.

94 *Chocosuisse*, above n 10, 22-27.

Laddie J held that a defence of clean hands against extended passing off requires a substantial proportion of the class to have behaved unconscionably.⁹⁵ This is a reasonable requirement if a clean hands defence is to be available against a claim for extended passing off because the class as a whole may not be responsible for the behaviour of individuals members and may even have been unaware of it. If deceptive behaviour does not reduce goodwill it is arguable that the entire class should not be punished for the behaviour of a few members. To protect their goodwill against future dilution (thus preserving their passing off rights) the class as a whole could force those with unclean hands to clean them.

2 *Chocosuisse in the Court of Appeal*

Cadbury appealed Laddie J's decision. Bingham LCJ, Brooke and Chadwick LJ constituted the Court of Appeal. The leading judgment was given by Chadwick LJ, Bingham LCJ concurring, Brooke LJ concurred and delivered a separate judgment.⁹⁶

The Court of Appeal considered the alleged unclean behaviour of Lindt and Suchard when determining the existence of goodwill in the term 'Swiss chocolate'. They did not refer specifically to the clean hands maxim in this determination. They held the behaviour did not affect the reputation, thus goodwill was made out. The Court of Appeal did not discuss whether damage had occurred. The Court of Appeal's treatment of the evidence of unclean hands is more appropriate than Laddie J's treatment of this evidence and is the key to applying the concept underlying the clean hands maxim to passing off in the future.⁹⁷

On appeal the clean hands maxim was considered in relation to the availability of remedies. Chadwick LJ held that the concept of 'clean hands' was relevant to all relief, because both the injunction and damages were equitable relief.⁹⁸ This amounts to approval of the orthodox view that fusion merely mingled jurisdiction. The Court of Appeal did not view fusion as enabling them to consider equitable maxims in relation to common law relief. The Court considered any unclean behaviour to be no longer relevant to an award of relief because sufficient measures had been taken to clean the unclean hands.

⁹⁵ *Chocosuisse*, above n 10, 27.

⁹⁶ Brooke LJ's judgment was a detailed review of the evidence before Laddie J. He concluded by accepting Laddie J's findings of fact and concurring with the judgment of Chadwick LJ. For this reason Chadwick LJ's judgment has been focused on in this paper.

⁹⁷ See below Part V B.

⁹⁸ *Chocosuisse* (CA), above n 10.

While the Court of Appeal affirmed Laddie J's judgment they applied the clean hands maxim differently. Laddie J's judgment is however, still important. He is widely regarded as the most authoritative judge on intellectual property.⁹⁹ His judgment will be considered good authority, particularly as it was affirmed on appeal thus it will be an important consideration for future courts when determining the nature of a defence of clean hands to a claim for passing off.

V CLEAN HANDS AND PASSING OFF

A Rationale for Passing Off

Passing off is about protection of property. If Chocosuisse proves they possess goodwill in 'Swiss chocolate' this is a property right which they should be able to defend against deceptive use by others. Unclean hands should not be relevant to success in passing off once the property is established. Failure to succeed in passing off should be based on lack of property rather than unconscionable behaviour. Thus the plaintiff's unclean hands should be relevant to establishing a protectable property right rather than to preventing others from breaching that right once it has been proved.

B Relevance of Unclean Hands when Proving Distinctiveness

The plaintiff must prove their mark, name or get-up is sufficiently distinctive of their product to distinguish it from other similar products on the market. Goodwill stems from this distinctiveness. It is proposed that unclean hands are more relevant to the distinctiveness element than the damage element of passing off. Cadbury could have argued that Chocosuisse's behaviour reduced the distinctiveness of 'Swiss chocolate' so that sufficiently distinctive goodwill no longer existed. The Court of Appeal dealt with the plaintiff's behaviour in this way however they held the behaviour had not reduced distinctiveness so protectable goodwill remained.

In *Wineworths Group v Comite Interprofessionel du Vin de Champagne*¹⁰⁰ (*Wineworths*), the New Zealand Court of Appeal considered a similar defence. *Wineworths* was a passing off action taken by the professional association of Champagne makers to prevent use of the mark 'Champagne' on bubbly wine in New Zealand that was not made in the Champagne region of France in accordance with industry requirements.

⁹⁹ Before being appointed to the bench Laddie J was in Chambers in Francis Taylor Building, a particular set who are regarded as leaders in the Copyright field. His text *The Modern Law of Copyright and Designs* is a leading text. See also the Court of Appeal's comments about his authority in *Pro Seiben AG v Carlton Television* [1999] 1 WLR 605 (CA).

¹⁰⁰ *Wineworths Group v Comite Interprofessionel du Vin de Champagne* [1992] 2 NZLR 327 (CA) [*Wineworths*].

In *Wineworths* it was claimed that the Champagne houses acted unconscionably by failing to take all necessary precautions to protect their mark in other jurisdictions. This was considered by the Court in determining whether distinctiveness had been so eroded that protectable goodwill no longer existed. The Court held that only the New Zealand reputation was relevant and while the international actions of the plaintiff could affect the New Zealand reputation they had not yet done so thus the defence failed.¹⁰¹ In *Chocosuisse* the alleged unconscionable behaviour occurred in the United Kingdom thus unlike *Wineworths* it was relevant to the reputation considered by the Court. Thus Cadbury could have put forward a defence that unconscionable behaviour had reduced the distinctiveness of goodwill. This is substantially similar to unclean hands reducing distinctiveness of goodwill.

This approach applies the concept underlying the clean hands maxim, that is, unconscionable behaviour can remove a plaintiff's rights and it is consistent with the rationale for passing off. The unconscionable behaviour is relevant to whether the property right exists rather than whether that right deserves protection.

A defence of unconscionable behaviour will however often be unsuccessful in passing off. *Chocosuisse* is an example where the defence would be unsuccessful. Although unclean behaviour existed the distinctiveness of 'Swiss chocolate' was not diminished thus a defence of unconscionable behaviour would be doomed to fail. This will occur in all cases where the public is unaware of the plaintiff's unconscionable behaviour. The public will still regard the mark, name or get-up as distinctive and thus a defence of unconscionable behaviour is redundant in these situations.

While a defence of unconscionable behaviour may fail in some cases it is proposed that this is a just outcome. A plaintiff whose unconscionable behaviour has not yet diminished the distinctiveness of their mark should be able to succeed in an action for passing off because passing off protects a property right. If the right exists the plaintiff should be entitled to protect it against deceptive use by rivals. The defence of unconscionable conduct puts them on notice that their mark's distinctiveness, and consequently their rights for passing off, are at risk. They can choose either to continue with the unconscionable behaviour and risk losing their property right if the distinctiveness is lost or to clean their hands and retain their rights.

In cases of extended passing off where only some members of the class have acted unconscionably it would be unjust for all the class to lose their rights when the unclean hands of some members have not diminished shared goodwill. This justifies consideration of unclean hands in relation to the goodwill element rather than to the damage element of

¹⁰¹ *Wineworths*, above n 100, 333 per Cooke P.

passing off. As Laddie J pointed out the other members of the class may have been unaware of the unconscionable behaviour.¹⁰² Once they are put on notice of it the 'clean' members of the class can take steps to stop incorrect application of the shared mark. This may require an action for passing off against those members whose behaviour is unconscionable. A cause of action would exist because even members of the class of traders entitled to use the mark are not entitled to apply it incorrectly.¹⁰³ The damage element would be satisfied by the likelihood that the misrepresentation would impair the distinctiveness of the mark.

C Relevance of Unclean Hands to the Quantum of Damages

Traditionally the clean hands maxim was only relevant to the discretion to grant equitable remedies. Typically in tort if liability for the loss is shared between plaintiff and defendant the defendant can claim contributory negligence on the part of the plaintiff and the court will apportion damages accordingly.¹⁰⁴ Contributory negligence is not available to a defendant in passing off because it is an economic tort.¹⁰⁵ This explains why it is desirable to use the clean hands maxim to take the plaintiff's behaviour into account when determining the quantum of damages.

Equitable remedies traditionally operated in an all or nothing fashion; unclean hands meant the plaintiff would not be granted an equitable remedy.¹⁰⁶ The remedy would not be reduced in proportion to the plaintiff's behaviour. Recent New Zealand decisions have not followed this tradition rather they have borrowed from contributory negligence and apportioned liability when the plaintiff was partly liable for the loss.¹⁰⁷

Apportionment of liability for losses is discussed in *Day v Mead*, and *Mouat v Clark Boyce*. In both decisions the Court of Appeal held that compensation otherwise recoverable for breach of fiduciary duty could be reduced to reflect the plaintiff's responsibility for the loss. In so holding the Court seemed to modify the traditional equitable rules of restitutionary compensation.

¹⁰² *Chocosuisse*, above n 10, 27.

¹⁰³ *Chocosuisse*, above n 10, 6.

¹⁰⁴ *Heuston & Buckley*, above n 19, 489-490.

¹⁰⁵ *Rogers Winfield and Jolowicz on Tort* (14 ed, Sweet & Maxwell, London, 1994) 177, see footnote 17.

¹⁰⁶ *Dal Pont & Chalmers*, above n 50, 10.

¹⁰⁷ *Maxton*, above n 52, 7; *Day v Mead* [1987] 2 NZLR 443; *Mouat v Clark Boyce* [1992] 2 NZLR 559.

This is a result of developments since fusion.¹⁰⁸ It shows the court's willingness to borrow ideas from tort to use in equity.

Based on the views of Lord Diplock and the New Zealand Courts¹⁰⁹ it is submitted that the distinction between legal and equitable remedies is no longer required. This approach is supported by Maxton who writes that in New Zealand "it may well be more appropriate to suggest that damage rules common to all causes of action are evolving."¹¹⁰ Consequently it was unnecessary for Chadwick LJ to claim that the damages for passing off were equitable to take clean hands into account when determining their quantum.¹¹¹ Thus despite passing off being an economic tort, fusion enables the principles of contributory negligence to be applied when determining the quantum of damages by using the clean hands maxim.

In fact scenarios similar to *Chocosuisse* where a property right exists it is proposed that the plaintiff should be entitled to an injunction to prevent loss of that right regardless of their unclean hands. The plaintiff should then be given an opportunity to clean their hands while the goodwill remains intact.

While proof of a property right should result in an automatic injunction it is proposed that the court should consider unclean hands when determining the quantum damages to award because it would be inconsistent to award damages for loss caused by the defendant's misrepresentations if some members of the plaintiff class also made misrepresentations. A plaintiff with unclean hands should not profit from the deceptive conduct of others. This may result in a reduction of damages or no award at all.

D Unclean Hands and Consumer Protection

Some may argue that the historical equitable basis of passing off justifies the consideration of clean hands to the damage element in order to ensure consumer protection however this cannot be sustained because passing off is now categorised as a tort. The law of torts makes the moral wrongdoer pay for damage they have caused.¹¹² The focus is responsibility for loss, not the needs of victims. Passing off can be distinguished from other torts because there are two groups of victims. The first group are the traders whose goodwill has been misappropriated; they are protected by passing off.

108 Maxton, above n 52, 7.

109 See above, Part III D.

110 Maxton, above n 52, 6.

111 *Chocosuisse* (CA), above n 10.

112 Todd, above n 2, 15.

The second group are the consumers deceived by the defendant's misrepresentations. Consumers are not directly protected by passing off. Acceptance of the unclean hands defence to remedy the loss suffered by deceived consumers is attempting to use the tort of passing off to meet the needs of victims however this is not the focus of tort liability.

Acceptance of the unclean hands defence is arguable to prevent misleading behaviour by all traders. If unclean hands would cause loss of passing off rights traders will strive not to behave unconscionably. A successful unclean hands defence means both plaintiff and defendant have behaved unconscionably. Both parties are moral wrongdoers, both are responsible for loss suffered by the deceived consumers and therefore both should be liable. Thus plaintiffs who deceive consumers should be denied protection against passing off.

This consumer protection argument appears to support distinguishing passing off from other torts to allow a clean hands defence once passing off rights have been established but on closer analysis it is clear that this defence would not provide any remedy to deceived consumers. Plaintiffs with unclean hands would refrain from taking an action for passing off because they will be punished by the court. This would result in even less protection for consumers as both parties will continue to deceive them.

Consumer protection is also inconsistent with the rationale for passing off. While consumers are victims of the deceptive trading passing off does not attempt to protect them because it protects property. Consumers do not have property in the use of trade names. It is inconsistent for passing off to attempt to protect consumers.

It is submitted that consumer protection should be considered under consumer protection laws. In New Zealand and Australia consumer protection measures would have been a viable alternative for Chocosuisse to use to prevent Cadbury using the 'Swiss Chalet' brand. In New Zealand the Fair Trading Act 1986 provides consumers with protection against deceptive trade practices. Section nine states:

9. Misleading and Deceptive Conduct Generally - No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

In *Wineworths* the Court of Appeal held that section nine could be used by rival traders to stop deceptive conduct and that they would not be required to prove damage to their goodwill in order to succeed.¹¹³ Similar use of the Australian Trade Practices Act 1974 has also been upheld.¹¹⁴ The remedy is based on public deception rather than protection of

¹¹³ *Wineworths*, above n 100, 333 per Cooke P.

¹¹⁴ *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216.

goodwill.¹¹⁵ Thus both plaintiff and defendant would be prevented from continuing with deceptive practices.

Allowing rival traders a cause of action under consumer protection legislation provides consumers with more complete protection than a clean hands defence to passing off. The rival trader is more likely than consumers to be aware of deceptive practices and to be in a better financial position to take an action under section nine. Thus in New Zealand and Australia it is inappropriate for passing off to be extended to allow a defence of clean hands to improve consumer protection.

When, as is often the case, both passing off and the Fair Trading Act are pleaded passing off remedies may conflict with those available for breach of the Fair Trading Act. It has been proposed that a successful cause of action for passing off should result in an automatic injunction while Fair Trading Act remedies require both plaintiff and defendant to mend their deceptive practices. These remedies need not be inconsistent. If both are pleaded and there is a successful unclean hands defence to remedies then the injunction should be conditional on the plaintiff cleaning their hands. This satisfies the rationale of both passing off and the Fair Trading Act.

E Conclusion on Clean Hands and Passing Off

Laddie J's use of the clean hands maxim does not sit well with the law of passing off. Passing off protects a property right which once established should not be denied. The concept may however be relevant if applied differently. If the unclean behaviour has diminished the distinctiveness of the mark thus destroying the property protected by passing off, passing off rights will cease to exist. Following the New Zealand Court of Appeal the plaintiff's unconscionable behaviour should be evidence to deny the distinctiveness of goodwill. Unclean hands will then be relevant to whether the right to pursue remedies for passing off exists. This is more appropriate than considering clean hands in relation to making out the damage element of passing off.

If distinctive goodwill is proved the plaintiffs should be entitled to injunctive relief to preserve their goodwill. They should not however, be automatically entitled to damages. The clean hands maxim should be relevant to the quantum of damages. This is justified by the fusion of law and equity.

Consumer protection motives should not be considered in passing off and are not a viable justification for use of a clean hands defence. Consumer protection is more appropriately dealt with by consumer protection laws. Thus New Zealand and Australian

¹¹⁵ Trindade & Cane, above n 24, 191-192.

courts should not adopt Laddie J's alterations to the law of passing off in an attempt to increase consumer protection.

VI 'EXTENDED EXTENDED' PASSING OFF

To satisfy the goodwill element of passing off the plaintiff must prove the mark has a distinctive reputation that distinguishes their product from others on the market. Both the High Court and the Court of Appeal in *Chocosuisse* lowered the distinctiveness standard for protectable goodwill. This section discusses the ramifications of this.

A *Goodwill in Extended Passing Off*

The early extended passing off cases, *Spanish Champagne* and *Advocaat*, required the plaintiff's mark, name or get-up to be associated with recognised and distinctive qualities to have protectable goodwill. This required a precise definition of the distinctive characteristics, the product that the mark was protected in relation to and the class of traders entitled to use the mark.¹¹⁶

B *Chocosuisse Goodwill*

In *Chocosuisse* Laddie J defined the requisite distinctiveness for goodwill in a different manner. This definition was affirmed by the Court of Appeal. Laddie J held that distinctiveness requires a descriptive term "used in relation to a *reasonably* identifiable group of products which have acquired a *perceived* distinctive quality"¹¹⁷ (emphasis added). Laddie J held that the distinctive characteristic of 'Swiss chocolate' is that the chocolate is made in Switzerland in accordance with Swiss food regulations.¹¹⁸

This definition is inconsistent with the *Advocaat* requirement for precision of definition. It was recognised in *Chocosuisse* that the requirement that the chocolate be made in accordance with Swiss food regulations allowed vast differences in composition and quality. It was also recognised that this was a broader definition than required to protect *Chocosuisse* products. Thus the requirement of manufacture in accordance with Swiss food regulations was unsubstantive. Laddie J's protection of goodwill in the term 'Swiss chocolate' is related merely to the origin of the product.

¹¹⁶ *Advocaat*, above n 9, 747 per Lord Diplock.

¹¹⁷ *Chocosuisse*, above n 10, 9.

¹¹⁸ The Swiss food regulations are not extensive enough to ensure that the chocolate is made in a particular way. They require that it has at least 25% cocoa solid content and they allow up to 5% vegetable fat. The plaintiffs claimed that Swiss chocolate contains no vegetable fat other than cocoa fat despite other fats being allowed under the regulations.

Laddie J accepted a vague impression that Swiss chocolate is a luxury good as sufficient distinctiveness to establish goodwill. He did not require a common understanding of the distinctive qualities. Sufficient goodwill existed because a substantial number of people believed that 'Swiss chocolate' was somehow different to and of a higher quality than other chocolate although their reasons for this belief differed vastly.

In passing off, the fact of copying is often said to imply the existence of goodwill.¹¹⁹ This may explain Laddie J's findings. If Cadbury did not believe the 'Swiss Chalet' brand would draw in custom they would not have used it. The function of goodwill is its ability to draw in custom. Thus Cadbury's use of the name 'Swiss Chalet' is arguably proof that 'Swiss chocolate' has recognisable goodwill.

It is submitted that a reputation for luxury alone is insufficient because the protected product, the protected reputation and the protected class of traders are all difficult to determine. Laddie J's judgment signals a broadening of the tort of passing off by making protection more readily available for descriptive terms.¹²⁰ This may cause many difficulties.

C The Problems Created by Chocosuisse Distinctiveness

1 Lack of precise definition of distinctive characteristics

Laddie J did not require a distinct definition of the distinctive characteristics of 'Swiss chocolate'. There was no evidence that the reputation was associated with distinct ingredients or processes. It would seem that any trader who made chocolate in Switzerland in accordance with Swiss food regulations falls within the class. A manufacturer could set up business in Switzerland, making an inferior product without the allure of luxury that current Swiss chocolate has. The existing Swiss traders could not prevent application of the term 'Swiss chocolate' to this product because the new trader would fulfill Laddie J's definition despite not having the reputation for luxury that is protected in *Chocosuisse*. If the new trader applies 'Swiss chocolate' to their product the term may lose its reputation and become generic. The original Swiss chocolate makers will lose their passing off rights. As extended passing off protects a class of traders it is important to have a discrete definition of the distinctive characteristics of goodwill otherwise future courts may have difficulty determining both the protected product and those who fall within the class of traders entitled to apply the mark to their product.

119 Todd, above n 2, 762.

120 Giles Fernando "Passing Off – Swiss Chocolate" (1999) 21 EIPR 128, 130.

2 *Perceived distinctive characteristics*

Laddie J also lowered the distinctiveness threshold by allowing distinctive characteristics to be perceived rather than factual. Laddie J pointed out that to hold otherwise would be to treat classic and extended passing off differently.¹²¹ While it may be preferable to treat classic and extended passing off in the same manner they are actually different causes of action thus it is inappropriate to apply the same test to both. It is inherent in the nature of extended passing off that the characteristics of the product are actually recognisable and distinctive. To hold otherwise would allow a class of traders monopoly rights over a descriptive term that does not accurately describe their product. Traders holding a such monopoly should be required to apply the term accurately. Laddie J himself states that passing off protects the "accuracy and exclusivity of the descriptive term".¹²² To allow protection for an inaccurate perception, rather than actual distinctive characteristics is contradictory to the aim of extended passing off to protect correct application of descriptive terms.

In determining the *perceived* distinctive characteristics of 'Swiss chocolate' Laddie J allowed goodwill to be recognised while acknowledging conflicting evidence of perceived distinctive characteristics. While all consumers need not be able to define the specific characteristics of goodwill those characteristics ought however be defined consistently by the consumers who do have knowledge of them.

For example in *Wineworths* there was evidence from a group of trade consumers who as group defined the distinctive characteristics of Champagne consistently. In *Chocosuisse* there was only evidence from one trader, the purchaser for Marks and Spencer's, who gave evidence that 'Swiss chocolate' had a reputation for luxury. She did not give evidence as to its composition nor the processes used in its production. The characteristic that she identified that gave 'Swiss chocolate' its reputation was merely that it was a premium product made in Switzerland.¹²³ This 'trade' definition does not possess the accuracy of the trade definition in *Wineworths*. Without an accurate trade definition of actual distinctive characteristics of the goodwill being protected it is important that general consumers' beliefs about the qualities that constitute goodwill are consistent. Without this consistency it is impossible to determine exactly what is protected. In *Chocosuisse* there was no such consistency of belief.

¹²¹ *Chocosuisse*, above n 10, 9.

¹²² *Chocosuisse*, above n 10, 7.

¹²³ *Chocosuisse*, above n 10, 12-13

3 *Reasonably identifiable products*

Laddie J allowed 'Swiss chocolate' to be protected in relation to a *reasonably* identifiable group of products. In *Advocaat* Lord Diplock required the product that the goodwill applied to be precisely defined because:¹²⁴

...if one can define with reasonable precision the type of product that has acquired the reputation, one can identify the members of the class entitled to share in the goodwill ...

To be truly distinctive the product itself must have a distinct composition that can be precisely defined.

The reasonableness standard in *Chocosuisse* is unjustified as it makes it difficult to determine the products in relation to which the mark is protected. The injunctive remedy provided in successful passing off cases is a severe fetter on the defendant trader's right to compete. To obtain this advantage the plaintiff's goodwill should encompass more than a *reasonably* identifiable group of products; those products should be actually identifiable. If this is not required the plaintiff class will gain much broader protection than necessary.

D *Conclusion on 'Extended Extended' Passing Off*

Laddie J's distinctiveness requirement for protectable goodwill has lowered the threshold for passing off protection in many ways. He allowed a general idea of luxury rather than a discrete definition of distinctive characteristics to be sufficient for extended passing off goodwill. He allowed the distinctiveness to be perceived rather than actual and did not even require a standard perception of distinctiveness. He also required the term to be distinctive only in relation to a reasonably identifiable group of products. Laddie J's definition makes it easier to gain extended passing off protection and extends the protection afforded by passing off thus creating 'extended extended' passing off. This definition will cause problems for future traders and courts because it will be difficult to determine precisely which products and which traders are protected.

VII *USE OF PASSING OFF TO PROTECT GEOGRAPHICAL INDICATORS*

A *Passing Off's Traditional Treatment of Geographical Indicators*

In the past the courts have avoided using passing off to protect geographical indicators. Geographical terms are part of the public domain; every trader should have the right to indicate the geographical origin of their goods.¹²⁵ Traditionally to gain passing off

¹²⁴ *Advocaat*, above n 9, 747 per Lord Diplock.

¹²⁵ Thomas Heilbling "The Term 'Swiss' on Trade Goods: A Denomination of Origin and its Legal Protection in the United Kingdom" (1997) 19 EIPR 51, 51.

protection for a geographical term a trader was required to prove that the term had acquired a secondary meaning that distinguished their product from others on the market.

Laddie J's definition of the goodwill in 'Swiss chocolate' protected a geographical term that did not have such a secondary meaning. His definition is chocolate made in Switzerland in accordance with Swiss food regulations which effectively means chocolate made in Switzerland because generally chocolate made in Switzerland will be made in accordance with Swiss food regulations.¹²⁶ His definition protects accurate use of the geographical indicator 'Swiss'. Laddie J says "prime facie, Swiss chocolate means chocolate made in Switzerland."¹²⁷ This is use of passing off to protect correct application of a geographical indicator.

Commentaries discuss the Champagne cases as examples of the use of passing off to protect a mark descriptive of origin.¹²⁸ This is inaccurate. While one element of 'Champagne' is its origin there are other elements associated with the term. Together these elements gave 'Champagne' its distinctive reputation. The Champagne cases are not authority for the proposition that extended passing off enables protection of geographical indicators.

B Use of Passing Off to Protect Accurate Application of Geographical Indicators

Laddie J held that descriptive terms which indicate "nothing about the goods in respect of which they are used save that they come from a particular geographical location"¹²⁹ will not be afforded passing off protection. He gave the examples 'French ball-bearings' and 'Italian pencils'.¹³⁰ However the term 'Swiss chocolate' is indistinguishable from 'French ball-bearings' and 'Italian pencils' because it indicates nothing about the product other than its place of origin. Laddie J's identifier that the chocolate be made in accordance with Swiss food regulations does not distinguish it. The Swiss food regulations set a lower standard than that complied with by Chocosuisse members. It is possible that Cadbury's chocolate was made in accordance with Swiss food regulations. Thus the distinction between Chocosuisse chocolate and Cadbury's 'Swiss Chalet' chocolate was merely their location of manufacture. What is more, if there were domestic regulations for manufacture of 'French ball-bearings' and 'Italian pencils' consumers in the United Kingdom would assume that

126 Ensuring Swiss products are made in compliance with Swiss food regulations is the role of the Swiss authorities rather than the British courts.

127 *Chocosuisse*, above n 10, 15.

128 James, above n 8, 323; *Halsbury's Laws of England*, above n 3, para 185, 114.

129 *Chocosuisse*, above n 10, 10.

130 *Chocosuisse*, above n 10, 10.

the products had been made in accordance with those regulations. By protecting the term 'Swiss chocolate' Laddie J extended passing off protection to geographical indicators.

C Protection of Geographical Indicators is Inconsistent with Passing Off Rationale

Protection of geographical indicators is an inappropriate use of passing off. While extended passing off does protect correct application of descriptive terms it only does so when there is protectable goodwill associated with the term that distinguishes the product from others on the market.

Laddie J's decision may create a problematic precedent. While it is simple to see that the geographical term 'Swiss' can be easily defined in relation to the geographical region of Switzerland, there may be problems when this precedent is applied to geographical terms that do not describe clearly defined areas. This will be particularly problematic when the geographical term in question accurately describes more than one area. For example the term 'Canterbury'. Both the United Kingdom and New Zealand have a region called Canterbury. If passing off protection was extended to the term 'Canterbury wool' in relation to wool products from the Canterbury in the United Kingdom wool products from Canterbury in New Zealand would be prevented from using the mark 'Canterbury wool' despite it being a correct application of the geographical indicator. This is an unsatisfactory outcome.

D Alternative Methods to Enforce Correct Use of Geographical Indicators

1 The Trade Descriptions Act

In *Chocosuisse* Laddie J held that wrongful application of a geographical indicator would be a breach of the Trade Descriptions Act 1968 (UK) however this Act does not give rise to a civil cause of action.¹³¹ The Trade Descriptions Act has to be enforced by domestic prosecution. Even if *Chocosuisse* could convince the British authorities to undertake such a prosecution it is unlikely to be successful because Cadbury's packaging stated that the chocolate was made in the United Kingdom thus the only course open to *Chocosuisse* to protect their geographical indicator within the British system was passing off.

2 The World Trade Organisation Dispute Settlement Body

(a) TRIPs article 22

While passing off was the only mechanism available to *Chocosuisse* within the British system there was another option outside the British system. TRIPs requires member states to provide means for interested parties to prevent misapplication of geographical

¹³¹ *Chocosuisse*, above n 10, 10.

indicators.¹³² The United Kingdom had not yet complied with this obligation so Switzerland had a valid complaint which it could have taken to the WTO Dispute Settlement Body.

Article 22 of TRIPs requires that:¹³³

...In respect of geographical indications, Members shall provide the legal means for interested parties to prevent:

(a) the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good;

Chocosuisse is an article 22 interested party. Thus the United Kingdom ought to provide means for them to ensure correct application of the geographical indicator 'Swiss'.

While the United Kingdom has not complied with this requirement, New Zealand has implemented the Geographical Indications Act 1994 to fulfill their TRIPs obligation. The New Zealand Act is however not yet in force because it is too difficult to determine the boundaries of geographical regions in respect of specific products. Although it is relatively easy to define the boundaries of geographical regions of states the obligation also applies to geographical indicators of smaller regions. Problems arise when attempting to define these regions. The difficulty is increased because the boundaries may differ depending on the product in relation to which the geographical indicator is used. Despite these difficulties the United Kingdom's failure to comply with their obligations under TRIPs to provide means for interested parties to prevent incorrect use of geographical indicators is a breach of TRIPs Article 22.

(b) The WTO dispute settlement process

Disputes over compliance with TRIPs are settled under the General Agreement on Tariffs and Trade (GATT)¹³⁴ provisions for dispute settlement.¹³⁵ This is settlement by the WTO Dispute Settlement Body.¹³⁶ Thus to enforce compliance with article 22 Chocosuisse could have taken a dispute to the WTO Dispute Settlement Body. This is not an easy process and may not have effectively solved the problem faced by Chocosuisse.

132 TRIPs, above n 11, art 22.

133 TRIPs, above n 11, art 22.

134 General Agreement on Tariffs and Trade 1994.

135 TRIPs, above n 11, art 64.

136 Understanding on the Rules and Procedures Governing the Settlement of Disputes 1994.

Only a member state can take a dispute against another member state to the WTO Dispute Settlement Body.¹³⁷ Thus Chocosuisse could not take the dispute themselves; the Swiss authorities would have to take the dispute on their behalf. Matters are further complicated because as a member of the European Union, the United Kingdom is not individually represented at the WTO. Switzerland would have to take the European Union to the Dispute Settlement Body. In turn the European Union would then require the Dispute Settlement Panel's findings to be enforced in the United Kingdom. This is an extremely indirect process.

In addition to these difficulties the Dispute Settlement Panel has no power to stop use of the offending term while the dispute is settled. Thus during the settlement process Cadbury would still have been able to use the 'Swiss Chalet' mark. If the Dispute Settlement Body held in favour of Switzerland, further time would be allowed for the United Kingdom to remedy the breach of TRIPs.¹³⁸ This would enable further erosion of the reputation of Swiss chocolate.

The WTO has no power to enforce Dispute Settlement Panel findings so the United Kingdom would not be bound its findings. If they failed to comply with the findings Switzerland could impose retaliative sanctions.¹³⁹ Thus, even if successful at the WTO, Chocosuisse might not obtain the protection they desire. These problems make it understandable why Chocosuisse chose to take an action for passing off instead of attempting to seek resolution through WTO mechanisms.

While the practical reality makes it understandable that Chocosuisse chose not to take the dispute to the WTO this would theoretically have been a more appropriate method of dealing with the problem because protection of geographical indicators is inconsistent with the rationale of passing off. *Chocosuisse* effectively extends passing off to provide the protection required by TRIPs. As one text points out "the common law has in effect produced something akin to the system of *appellation controlee* protection."¹⁴⁰ It is submitted that this is not an appropriate extension to passing off because it takes the protection afforded beyond the justifications of passing off. Passing off protects traders' property in their goodwill; it does not prevent deceptive use of geographical indicators. The protection required by TRIPs should be provided by legislative measures. It is a matter that should properly be debated by parliament. It should not be up to judges to determine the contentious issue of geographical boundaries.

137 Understanding on the Rules and Procedures Governing the Settlement of Disputes 1994.

138 Understanding on the Rules and Procedures Governing the Settlement of Disputes 1994.

139 Understanding on the Rules and Procedures Governing the Settlement of Disputes 1994.

140 Rogers, above n 29, 671.

VIII CONCLUSION

Laddie J's judgment in *Chocosuisse* has pushed the boundaries of extended passing off beyond its traditional rationale. The ramifications of this may cause significant alteration to the law of passing off. Future courts should thus take caution before applying Laddie J's extensions to passing off.

Laddie J applied the clean hands maxim in a unique manner. His consideration of the clean hands maxim as a defence to the damage element of passing off is both unorthodox and unjustifiable. The concepts underlying the clean hands maxim can be applied more appropriately to passing off by considering them in relation to the distinctiveness element of passing off. This could take the form of a defence of unconscionable behaviour. Fusion of equity and the law has been widely accepted to have caused fusion of remedies thus on proof of a passing off there should be automatic entitlement to an injunction and clean hands should be a relevant to the quantum of damages. Passing off is not the appropriate forum for consumer protection measures. A clean hands defence should not be allowed in an attempt to ensure consumer protection which is more appropriately dealt with by consumer protection legislation.

Laddie J created 'extended extended passing off' by lowering the distinctiveness standard for goodwill in extended passing off. Future courts ought not follow Laddie J's lead in this area because his findings mean in the future it will be much easier for plaintiffs to prove goodwill in extended passing off cases which may lead to plaintiffs obtaining a broad monopoly over descriptive terms that the plaintiffs themselves may not apply correctly. It will be difficult for future courts to determine with precision the protected reputation, the product in relation to which the reputation is protected and the protected class of traders.

The definition of goodwill in *Chocosuisse* protects a mere geographical indicator. Passing off has avoided affording this protection in the past. *Chocosuisse* may create a problematic precedent when applied to regional geographical terms. An alternative course is to take a dispute to the WTO over breach of TRIPs obligations. While theoretically this is a more appropriate course as it would encourage implementation of legislation to protect geographical indicators the practical realities of the WTO dispute settlement process make it an unattractive option for plaintiffs. This type of protection however does not fit well with passing off and is more appropriately dealt with by legislation. Passing off should not be extended in this manner.

The potential of Laddie J's judgment to alter the law of passing off is vast. Whether or not courts in the future will adopt Laddie J's far reaching changes remains to be seen.