

“Reaping Without Sowing”: Unfair Competition and Intellectual Property Rights in Anglo-Australian Law

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I. INTRODUCTION

In recent years it has been suggested that it would be desirable for Anglo-Australian law to develop a broad concept of “unfair competition”.¹ This would enable protection to be granted to traders in a number of situations where they are presently vulnerable to the unscrupulous activities of their competitors. It would also serve to bring our law into closer conformity with other legal systems in which general protection against unfair

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1. See, for example, *Hexagon Pty Ltd v. Australian Broadcasting Commission* (1975) 7 A.L.R. 233, 251 *per* Needham J. For general discussions of this subject, see W.L. Morison, “Unfair Competition at Common Law” (1953) *UWALR* 34; W.R. Cornish, “Unfair Competition? A Progress Report” (1972) *J. Soc’y Pub.Tchrs.L* 126; G. Dworkin, “Unfair Competition: Is the Common Law Developing a New Tort?” [1979] *EIPR* 241.

competition is firmly established, in particular those of Europe² and the United States.³ Nevertheless, as desirable as this may be as a matter of general principle, there are many difficulties in defining precisely what is meant by "unfair competition".

The purpose of this article therefore is to examine the scope and content of the term "unfair competition", and to review the protection against this which is presently provided under Australian law. As this is such a broad topic, it is intended to limit the discussion to one particular category of unfair competitive acts, namely misappropriations of the intangible fruits of another's skill, time and labour, or "reaping without sowing". This will necessitate a review of a number of different heads of protection among which it is, at first, difficult to identify any common denominator. On closer examination, however, certain common themes do emerge, and it will be seen that our law is not so far from providing the broad kind of protection against unfair competition that is found in other legal systems. In the concluding part of the article, a proposal for a new, generalized action for misappropriation of intangible business values is outlined, and the implications of adopting such an action are examined.

II. THE MEANING OF UNFAIR COMPETITION

The starting point for our discussion must be the assumption that competition between traders in the provision of goods and services provides the most efficient means of meeting and satisfying the demands of consumers for those goods and services. In a situation of "workable competition",⁴ no single trader can determine the price at which such goods and services are supplied because, if he attempts to do so, other traders will simply undercut him or consumers will purchase substitutes for his product.

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2. See, for example, W.J. Derenberg, "The Influence of the French Code Civil on the Modern Law of Unfair Competition" (1955) 4 *Am. J. Comp. L.* 1; W.S. Rowland, "Unfair Competition in West Germany" (1968) 58 *T.M. Rep.* 853.
 3. See, for example, S. Chafee, "Unfair Competition" (1940) 53 *Harv. L.Rev.* 1289; R. Callman, "He who reaps where he has not sown: Unjust Enrichment in the Law of Unfair Competition" (1942) 55 *Harv. L.Rev.* 595; C. Bunn, "The National Law of Unfair Competition" (1949) 62 *Harv. L.Rev.* 987; D.G. Baird, "Common Law Intellectual Property and the Legacy of *International News Service v. Associated Press*" (1983) 50 *U. Chi. L. Rev.* 411. See also R. Callman, *Unfair Competition, Trademarks and Monopolies*, Callaghan (3rd. ed., 1982).
 4. See the discussion of this concept by the Trade Practices Tribunal in *Re Q.C.M.A. and Defiance Holdings* [1976] A.T.P.R. 40-012 at 17, 245.

Furthermore, as each trader is striving to sell more of his product than his competitors, this gives him an incentive to undertake research and innovation so as to improve his product and lower its price. Competition therefore is a dynamic process, rather than a static condition in which an equilibrium is reached and maintained indefinitely.⁵ In everyday terms, it is aptly described as "striving for success" as each trader seeks to better the efforts of his rivals. Nevertheless, if each trader is ultimately motivated by his own self-interest, there is a corresponding advantage to the public as consumers are benefited by lower prices and ever-improving products.

At what point does competition between traders become unfair? This is not easy to answer, particularly when it is remembered that the ultimate goal of any competitor is to defeat his opponents and drive them from the field of battle. However, if competition remains a dynamic process, such success will hardly be permanent as the victor will always be vulnerable to challenge from other traders re-entering the market. Thus, where a successful competitor achieves a factual monopoly or position of substantial control over the market for a particular product, if he cannot satisfy the demand for that product, or starts charging excessive prices, other traders who are prepared to supply more or charge less will soon appear to compete with him. This, of course, assumes that there are no restraints upon such competitors doing so, and it is at this stage that the question of "fairness" arises. This is not simply a moral or ethical issue, as it can be argued that if competition is to be effective it must, like a game, be played in accordance with certain rules. In the words of one commentator, it is an "order of struggle" in which each competitor struggles with, but not against, his opponents for supremacy.⁶ At one level, this order can be maintained by rules which prevent the introduction of any element of "peace" into the competitive struggle, that is, attempts to eliminate the need to compete. At another level, it can be upheld by rules which ensure that each trader succeeds through his own unaided efforts, and not through the gaining of an advantage at the expense of an opponent or through the causing of injury to that opponent. Both kinds of rules, then, can set functional limits as to what is fair and what is unfair in the competitive process.

In Australia and the United Kingdom, the rules at the first level are to be found in trade practices controls which are mostly in

5. *Ibid.*

6. R. Callman, note 3 *supra*, para.2.19.

statutory form.⁷ These prohibit such conduct as monopolisation⁸ and the entering into of restrictive agreements among competitors.⁹ These controls over attempts to bring "peace" into the order of struggle are fairly comprehensive and will not be discussed further here. As far as the second level of rules is concerned, the situation is more confused. Essentially, the kinds of violations of the order of struggle which occur at this level are actions by one competitor which injure another competitor so as to affect the latter's ability to compete. Such behaviour may take a wide number of different forms. However, one type of conduct which merits treatment as a separate category is misappropriation of the fruits of a competitor's labour, or "reaping without sowing".¹⁰ The taking of tangible items is clearly covered by the laws of personal property and theft, but here we are concerned with the taking of what may be described as a trader's "intangible business values": his trade secrets, inventive ideas, marketing concepts, designs, name, goodwill and the like. Each of these represents the result of the application of skill, capital and labour on the trader's part, and is an asset of value to him in his participation in the order of struggle. Other categories of unfair competitive acts which have been suggested for the purposes of description and analysis are:

1. direct attacks on competitors, for example, through slanderous or untrue statements or interferences with a competitor's contractual relationships;
2. denying customers the opportunity to judge freely for themselves, for example, through misrepresentations and misdescriptions of one's own goods or services; and
3. carrying on a business in an unlawful way.

At this stage, it should be noted that not all forms of unfair trading will be covered at this second level; only those which interfere with the competitive process are relevant, and the others, if they are to be caught, must be brought within the ambit of some other set of controls, such as those found in consumer protection legislation.¹¹ Further, it should not be thought that there is any broad principle of liability in Anglo-Australian law that applies to those forms of unfair trading which do interfere with the ability

7. See, for example, Trade Practices Act 1974 (Cth) Part IV.

8. *Id.*, s.46.

9. *Id.*, s.45.

10. R. Callman, note 3 *supra*, paras.2.28-2.38.

11. See, for example, Trade Practices Act 1974 (Cth), Part V. See, further W.R. Cornish, "Unfair Competition and the Consumer in England" (1974) 5 *IIC* 73.

of traders to compete. In this regard, it is not possible to see any wide-ranging conception of "unfairness" which dictates that traders shall not engage in such conduct. Rather, liability in our system is to be found under a series of different heads, and there are lacunae which, it might be thought, on any reasonable view, should be filled. Nevertheless, these gaps are not as great as they used to be, and it seems mistaken to assume that our law has been slow to develop general approaches to the question of unfairness. This is particularly so in the area of misappropriation where a very wide range of "takings" are now actionable, particularly under the rubric of copyright protection. In the other categories, development has not been as steady; nevertheless changes have occurred and broader approaches are discernible.¹² The latter, however, are beyond the scope of this present article, which will concentrate on the first, and most important, category of misappropriation.

III. THE CONCEPT OF "MISAPPROPRIATION"

It is commonly said that Anglo-Australian law does not impose any general prohibition on persons helping themselves, without permission, to the intangible fruits of another person's labour. This view was succinctly stated by Dixon J. (as he then was) in *Victoria Park Racing and Recreation Grounds Co. Ltd v. Taylor*:¹³

[The courts] have not in British jurisdictions thrown the protection of an injunction around all the intangible elements of value, that is, value in exchange, which may flow from the exercise by an individual of his powers or resources whether in the organisation of a business or undertaking or the use of ingenuity, knowledge, skill or labour. This is sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests and not under a wide generalisation.¹⁴

Such an approach stands in contrast to the natural-rights orientation of continental legal systems, which far more readily protect both the tangible and intangible products of a person's manual and intellectual labour on the basis of a natural property right growing out of natural law.¹⁵ While such theories do not

12. See further, G. Dworkin and W.R. Cornish, note 1 *supra*.

13. (1937) 58 C.L.R. 479.

14. *Id.*, 509.

15. See generally J.R. Kase, *Copyright Thought in Continental Europe: Its Development, Legal Theories and Philosophy; a Selected and Annotated Bibliography* (1971), 8-10, and F. Machlup and E. Penrose, "The Patent Controversy in the Nineteenth Century" (1950) *X J. Econ. Hist.* 11-17.

command wide acceptance in Anglo-American jurisdictions, in the United States courts have nevertheless been prepared, on occasion, to restrain "reaping without sowing" in situations where no formal statutory protection was available.¹⁶ In the Anglo-Australian tradition, however, protection for elements of value, other than those of a purely tangible kind, has not usually been given unless some further justification, either social or economic, can be advanced for it. This restrictive approach reflects an underlying fear that any broader kind of protection will place unnecessary fetters on competition between traders; it also reflects a more general feeling that imitation and plagiarism are inherent human qualities, and that if these are too rigidly harnessed, advances in knowledge will be retarded. Anglo-Australian law therefore has only provided remedies for misappropriation of elements of intangible value in specified instances where the advantages of according protection can be said to outweigh the deleterious effects that might flow from such protection. Examples are the statutory regimes of copyright, patents and trade marks, where the attributes warranting protection are those of authorship, invention and the creation of a distinctive trade mark respectively. As a general observation, then, it can be said that, as far as misappropriations of intangible business values are concerned, our law has taken a narrower view of what is protectable than has been the case in other jurisdictions.

Nevertheless, on closer examination this generalisation requires considerable qualification. While Dixon J.'s statement remains true at a very general level, considerable inroads to it have been made in a number of areas. Thus, the law of copyright has, over the past 250 years, developed into a statutory code that protects from misappropriation a wide range of intangible subject matter, much of which is far removed from "works of authorship" in the everyday sense of that term. Likewise, there have been changes in the laws of patents, designs and trade marks, which enable a broader range of subject matter to be brought under those heads. Finally, common law and equity provide significant protection against unauthorised appropriations of the intangible business values of trade secrets and goodwill. Each of these is subject to restrictions which, at the moment, prevent the establishment of a broad, over-arching principle of liability. At the same time, they

16. In this regard, the decision of the U.S. Supreme Court in *International News Service v. Associated Press* (1918) 248 U.S. 215 is the most celebrated example. See further, D.G. Baird, "Common Law Intellectual Property and the Legacy of *International News Service v. Associated Press*" (1983) 50 *U. Chi. L.Rev.* 411.

provide considerable protection against misappropriations by competitors, and therefore merit more detailed further consideration.

IV. COPYRIGHT PROTECTION

The first Copyright Act of 1709 (U.K.)¹⁷ was, in a very real sense, a measure to prevent unfair competition in the printing and publishing trades.¹⁸ Following the collapse of the licensing Acts which had buttressed their privileged position until the last decade of the seventeenth century, the members of the Stationers' Company found themselves vulnerable to unwelcome competition from any person who owned a printing press and who could, without further formality, make unauthorised editions of books which the Stationers' monopoly over printing had hitherto prevented. This sudden loss of their "property" led the Stationers to petition Parliament for statutory protection for their copies. However, Parliament was slow to extend such protection, because of a growing dislike of the restrictive practices of such bodies as the Stationers which seemed increasingly out of tempo with the growing liberalism of the times.¹⁹ For this reason, it seems that the Stationers, in their petitions for relief, began to put forward the rights and concerns of authors as the reason for extending protection, arguing that such protection was necessary if knowledge and learning were to advance.²⁰ At this time, authors were hardly an identifiable interest group, although it is clear that certain individuals, such as Addison and Steele, were beginning to break free of the traditional bonds of patronage, and to emerge as independent figures in English literary life. However, the reasoning of the Stationers was that if authors were given rights in relation to the printing of their books, these could be readily assigned to the Stationers who, after all, undertook the considerable investment of time and capital necessary for the production of books. In this way, they would regain the protection which they had previously enjoyed under the decrees of

17. Statute of Anne 1709 (8 Anne c.19).

18. On the history of copyright protection, see generally L.R. Patterson, *Copyright in Historical Perspective* (1968); H.R. Ransom, *The First Copyright Statute* (1956); W. Holdsworth, *A History of English Law*, Vol. VI (2nd. ed. 1939, rep. 1966); B. Kaplan, *An Unhurried View of Copyright* (1967); V. Bonham-Carter, *Authors By Profession*, Vol. I (1978).

19. L.R. Patterson, note 18 *supra*, 135ff.

20. L.R. Patterson, note 18 *supra*, 138-142; H.R. Ransom, note 18 *supra*, 89-92.

Star Chamber in Tudor and Stuart times and licensing Ordinances and Acts of the Commonwealth and Restoration periods.

Thus, the Statute of Anne can be readily viewed as one of the first statutory protections against unfair competition. At the same time, it was a protection that was only accorded on the basis that it was protecting a special interest, that of authorship, which would atrophy if not given material encouragement, with resultant detriment to the advancement of learning. This curious blending of the Stationers' economic interests and the higher public interest in the encouragement of authorship is embodied in the preamble to the Statute:

An Act for the Encouragement of learning, by vesting the Copies of printed Books in the Authors or Purchasers of such Copies, during the Times therein mentioned. Whereas Printers, Booksellers and other Persons have of late frequently taken the liberty of printing, reprinting and publishing, or causing to be printed, reprinted and republished Books and other Writings, without the consent of the Authors or Proprietors of such Books and Writings, to their very great Detriment, and too often to the Ruin of them and their Families: For preventing therefore such Practices for the future, and for the Encouragement of learned Men to compose and write Books...

While the early cases arising under the Act concerned works of undoubted literary merit, such as James Thompson's "The Seasons",²¹ it was soon clear that the terms "author" and "book" were flexible concepts in relation to which questions of merit were secondary. Furthermore, until the second part of the century, a majority of judges accepted the existence of a common law copyright that existed after publication in addition to the statutory right, on the basis that it was "certainly not agreeable to natural justice, that a stranger should reap the beneficial pecuniary produce of another man's work".²² Although this common law copyright was ultimately declared not to exist,²³ this wide notion of "reaping without sowing" was carried into successive decisions under the Statute. Thus, maps,²⁴ books of roads²⁵ and calendars of court officials and East India Company

21. *Millar v. Taylor* (1769) 4 Burr. 2303, 98 E.R. 201.

22. *Id.*, 2334 *per* Willis J.

23. By a narrow majority in *Donaldson v. Beckett* (1774) 4 Burr. 2408, 98 E.R. 257. For further background on these early cases, see J. Phillips, "Legal Outrage and Established Guile" [1981] EIPR 295.

24. *Sayre v. Moore* (1785) 1 East 361n, 102 E.R. 139n. (although here it was held no infringement had occurred).

25. See, for example, *Carnan v. Bowles* (1786) 2 Bro. C.C. 80, 29 E.R. 45; *Cary v. Faden* (1799) 5 Ves. Jun. 24, 31 E.R. 453; *Cary v. Longman* (1801) 1 East 358, 102 E.R. 138; *Cary v. Kearsley* (1802) 4 Esp. 168, 170 E.R. 679.

personnel²⁶ successively received protection as “books”, and the acts of abridgement²⁷ and compilation²⁸ were recognised as coming within the concept of “authorship”. This tendency was continued under the Literary Copyright Act 1842 (U.K.)²⁹ where “Book” was defined expressly for the first time as meaning and including “every Volume, Part or Division of a Volume, Pamphlet, Sheet of Letter-Press, Sheet of Music, Map, Chart, or Plan separately published”.³⁰ This definition confirmed that merit was not a precondition for protection, and an ever-increasing range of mundane subject matter, ranging from railway timetables³¹ to trade catalogues and directories,³² was accorded protection. Indeed, the most extreme manifestation of the “reaping without sowing” doctrine is to be seen in the celebrated case of *Walter v. Lane*³³ in which the House of Lords held that the makers of shorthand reports of the *ex tempore* speeches of a well known politician were the “authors” of those reports which were therefore entitled to protection under the 1842 Act. Although the efforts of these reporters were a long way removed from those of “authors” in the traditional sense, or even those of the compilers of catalogues and directories, the House of Lords held that the skill and labour which went into the making of accurate reports were worthy of protection. In Lord Halsbury L.C.’s words:

My Lords, I should very much regret it if I were compelled to come to the conclusion that the state of the law permitted one man to make profit and to appropriate to himself the labour, skill, and capital of another.³⁴

This remains the basic approach of the courts under modern copyright legislation. Even though section 1 of the Copyright Act 1911 (U.K.)³⁵ accorded protection only to “authors” of “original literary works”, it was soon held that there was nothing in the adoption of the terms “original” and “literary” to indicate a change in policy. Thus, “originality” was the correlative of

26. *Longman v. Winchester* (1809) 16 Ves. 269, 33 E.R. 987; *Matthewson v. Stockdale* (1806) 12 Ves. Jun. 270, 33 E.R. 103.

27. *Newbery’s Case* (1773) Lofft. 775, 98 E.R. 913.

28. See notes 25 and 26 *supra*.

29. 5 & 6 Vict. c.45

30. *Id.*, s.II.

31. *Leslie v. J. Young & Sons* [1894] A.C. 335.

32. See, for example, *Hotten v. Arthur* (1863) 11 W.R. 934; *Grace v. Newman* (1875) 19 L.R. Eq. Cas. 623; *Cable v. Marks* (1882) 52 L.J. Ch. 107; *Maple & Co. v. Junior Army & Navy Stores* (1882) 21 Ch.D. 368.

33. [1900] A.C. 539.

34. *Id.*, 545.

35. 1 & 2 Geo. 4, c.46.

“authorship”,³⁶ and meant only that the subject matter for which protection was claimed was the result of the application of some element of skill and labour which emanated from the alleged “author”.³⁷ Again, “literary” implied nothing by way of artistic merit, but was simply a generic term which distinguished “literary works” from other broad genera of works, such as “artistic” and “musical works”.³⁸ The same “reaping without sowing” orientation is seen clearly in the famous dictum of Peterson J. in *University of London Press Ltd v. University Tutorial Press Ltd* that “what is worth copying is *prima facie* worth protecting”.³⁹ These conclusions were also assisted by a statutory definition of “literary work” which included “maps, charts, plans, tables and compilations”.⁴⁰

As a consequence, provided that they are the result of the application of some minimal degree of labour, skill and time on the part of the “author”, an even wider range of “literary productions” has been eligible for protection under the 1911 and 1968 Acts. The following examples illustrate the width of this protection: an alphabetical index to railway stations in the United Kingdom,⁴¹ a list of names of horses and weights for horses accepted for a race meeting,⁴² a chronological list of football fixtures,⁴³ a newspaper column of births and deaths,⁴⁴ the arrangement of headings on a football betting coupon,⁴⁵ and a sequence of numbers in a newspaper “bingo” game.⁴⁶ In this

36. *Sands & McDougall Pty Ltd v. Robinson* (1917) 23 C.L.R. 49, 55 *per* Isaacs J.

37. See, for example, *University of London Press Ltd v. University Tutorial Press Ltd* [1916] 2 Ch. 601; *MacMillan & Co. Ltd v. K. & J. Cooper* (1924) 93 L.J.P.C. 113 (India); *Smith's Newspapers Ltd v. The Labour Daily* (1925) 25 S.R. (N.S.W.) 593; *Football League Ltd v. Littlewoods Pools Ltd* [1959] 1 Ch. 637; *Ladbroke (Football) Ltd v. William Hill (Football) Ltd* [1964] 1 All E.R. 465.

38. *University of London Press*, note 37 *supra*, 608 *per* Peterson J.

39. *Ibid.*

40. Copyright Act 1911 (U.K.) s. 35(1).

41. *H. Blacklock & Co. Ltd. v. C. Arthur Pearson Ltd* [1915] 2 Ch. 376.

42. *Canterbury Park Race Course Ltd v. Hopkins* (1932) 49 W.N. (N.S.W.) 27. See also *Moorfield Race Club Ltd v. Longfield* (1932) 49 W.N. (N.S.W.) 102; *Mander v. O'Brien* [1934] S.A.S.R. 87; *Winterbottom v. Whittle* (1947) 50 W.A.L.R. 58.

43. *Football League Ltd v. Littlewoods Pools Ltd* [1959] 1 Ch. 637.

44. *Fairfax (John) & Sons Pty Ltd v. Australian Consolidated Press Ltd* [1960] S.R. (N.S.W.) 413.

45. *Ladbroke (Football) Ltd v. William Hill (Football) Ltd* [1964] 1 All E.R. 465.

46. *Mirror Newspapers Ltd v. Queensland Newspapers Pty Ltd* [1982] A.C.L.D. 230.

regard, it is worth noting that the news items which were misappropriated by the defendant in the leading United States case on unfair competition, *International News Service v. Associated Press*,⁴⁷ would undoubtedly have been protectable as "literary works" under Australian copyright law. If the kind of skills involved in the creation of these works are far removed from the kind of skill displayed by even the worst poet or dramatist, this only serves to emphasise the fact that in these cases the courts have, subject to the limits imposed by the widest possible interpretation of "literary", been essentially concerned to protect the investments of time, effort and skill made by their creators. In this regard, it is of interest to note that the courts have been reluctant to distinguish the skill and labour involved in preliminary research and calculation, as in the determination of a series of football fixtures or the collection of the names and weights of horses for a horse race, from the skill and labour involved in the reduction of such matters to material form.⁴⁸ This reluctance further underlines the unfair competition orientation of the courts in these cases.

The above approach is not confined to literary works. It applies equally in the case of artistic works, a category which, in recent years, has offered considerable protection to manufacturers wishing to protect their investments in the development of new kinds of products. The chief vehicle for this has been the sub-category of "drawings" which includes, inter alia, diagrams, maps, charts and plans.⁴⁹ Under this rubric, manufacturers have been able to gain protection for the shape and appearance of such mundane objects as light fittings,⁵⁰ plastic drawers,⁵¹ exhaust pipes,⁵² plastic fish boxes⁵³ and the parts of a boat.⁵⁴ Likewise, the

47. (1918) 248 U.S. 215. For two early cases in which such items were protected, see *Wilson v. Luke* (1875) 1 V.L.R. (E) 127; *Wilson v. Rowcroft* (1873) 4 A.J.R. 57.

48. *Ladbroke (Football) Ltd v. William Hill (Football) Ltd*, note 45 *supra*; Cf. *Purefoy Engineering Co. Ltd v. Sykes Boxall & Co. Ltd* (1955) 72 R.P.C. 89; *Odham's Press Ltd v. London & Provincial Sporting News Agency* [1935] Ch. 672.

49. Copyright Act 1968 (Cth) s.10(1).

50. *Merchant Adventurers Ltd v. M. Grew & Co Ltd* [1971] 2 All E.R. 657.

51. *L.B. (Plastics) Ltd v. Swish Products Ltd* [1979] R.P.C. 551.

52. *British Leyland Motor Corp. v. Armstrong Patents Co. Ltd* [1982] F.S.R. 481.

53. *Hilbert S.A. v. O'Connor* [1981] F.S.R. 613.

54. *Dorling v. Honnor Marine Ltd* [1965] 1 Ch. 1. See also *Fire Nymph Products Ltd v. Jalco Products (W.A.) Pty Ltd* (1983) 47 A.L.R. 355 and *Rebeschini v. Miles Laboratories Australia Pty Ltd* [1983] A.I.P.C. 90-021.

sub-category of "engravings" has proved a useful source of protection, as witnessed by one recent New Zealand case involving the ubiquitous "frisbee".⁵⁵ These cases demonstrate that, just as with literary works, the legislature and courts have not been concerned with the protection of artistic authorship and creativity as such, but rather with the protection of the skill and labour which is embodied in subject matter which is "artistic" only in the broadest sense of that word. This is confirmed by the definition of "artistic work" which provides that this includes, inter alia, "drawings", "engravings" and "sculptures", irrespective of whether these are of artistic quality or not.⁵⁶

The same general approach is even more explicit in the protection which the legislature has extended in recent years, under the general heading of copyright, to other kinds of subject matter, such as sound recordings,⁵⁷ cinematograph films,⁵⁸ broadcasts⁵⁹ and published editions of works.⁶⁰ In these instances, there is not even any minimal requirement of "originality": copyright subsists in such subject matter when it is "made",⁶¹ and it is made clear that the owner of the copyright is the person who provided the capital for the making of the film, recording, broadcast or edition.⁶²

Further indications that copyright law provides a wide degree of protection against misappropriation are to be found in the scope of the copyright owner's rights. Although based historically on the complementary rights of reproduction and public performance, the latter now cover a wide number of ways in which a copyright owner's work or subject matter may be disseminated to the world. Thus, "copying" need not be exact: as long as there is substantial similarity, this will suffice.⁶³ Furthermore, transformations into a different kind of material form will not escape liability,⁶⁴ and a wide variety of adaptations are caught.⁶⁵ In the case of performance, a wide range of methods are included,⁶⁶ as well as

55. *Wham-O Manufacturing Co. v. Lincoln Industries Ltd* [1982] R.P.C. 281.

56. Copyright Act 1968 (Cth) s.10(1).

57. *Id.*, s.85.

58. *Id.*, s.86.

59. *Id.*, s.87.

60. *Id.*, s.88.

61. Copyright Act 1968 (Cth) s.22(2)-(5).

62. *Ibid.*

63. See, for example, *Francis, Day & Hunter Ltd v. Bron* [1963] 1 Ch. 587; *L.B. (Plastics) Ltd v. Swish Products Ltd*, note 51 *supra*.

64. Copyright Act 1968 (Cth) s.21.

65. *Id.*, ss.10(1) and 31(1)(a)(vi).

broadcasting and diffusion over cable networks.⁶⁷ The only factors preventing the law of copyright developing into a general law against misappropriation are (i) the requirement of material form,⁶⁸ and (ii) the limitation of protection to the author's form of expression, rather than the ideas which he has sought to convey.⁶⁹ Nevertheless, even these factors have been modified over time. As far as the first is concerned, it is arguable that material form is not a necessary condition for protection, as is evidenced by the moves in recent years to confer a copyright on performers in respect of their live performances.⁷⁰ Secondly, the doctrine that copyright does not protect ideas has been steadily eroded by the gradual extensions of the copyright owner's rights that have occurred.⁷¹ On the other hand, the long period of copyright protection appears to go far beyond what is necessary to remove the unfair competitive disadvantage which is suffered by a copyright owner when his work is plagiarised by a competitor.⁷² Nevertheless, it can still be said that the law of copyright has, from its first statutory embodiment, been a law against unfair competition which has been steadily widened in scope through legislative and judicial action.

V. DESIGNS PROTECTION

Designs protection has traditionally been concerned with safeguarding the particular shape or ornamentation which traders give to their products.⁷³ A striking pattern or appearance may be decisive in influencing a consumer to buy goods of trader A, rather than those of trader B. Accordingly, Anglo-Australian law has long protected the designs which traders have applied to their goods, the earliest examples being the patterns of linens and calicos.⁷⁴ This is clearly an instance where the legislature has

66. *Id.*, s.27.

67. *Id.*, ss.25, 26, 31(1)(a)(iv)(v) and 31(1)(a)(iii)(iv).

68. *Id.*, ss.21, 22 and 31(1)(a)(i) and (b)(i).

69. *Baker v. Selden* (1879) 101 U.S. 99; *Hollinrake v. Truswell* [1894] 3 Ch. 420; *L.B. (Plastics) v. Swish Products*, note 51 *supra*.

70. See J. Gilchrist, "Current Developments in the Law of Copyright", in *Intellectual and Industrial Property Law Lecture Series*, Monash University 1977.

71. See notes 63-67 *supra*. See also *Elanco Products Ltd v. Mandrops (Agrochemical Specialists) Ltd* [1979] F.S.R. 46.

72. Copyright Act 1968 (Cth) ss. 33, 34, 93-96.

73. See, for example, *Wolanski's Registered Design* (1953) 88 C.L.R. 278, 281 *per* Kitto J. and *Malleys Ltd v. J.W. Tomlin Pty Ltd* (1961) 35 A.L.J.R. 352.

74. Designing and Printing of Linens, etc. Act 1787 (27 Geo. 3, c.38).

intervened to prevent the labour and skill of one trader being filched by his rivals.⁷⁵ Nevertheless, unlike copyright, designs protection is contingent upon registration, and the latter, in turn, depends upon compliance with certain requirements, notably those of novelty and originality.⁷⁶ Furthermore, both the legislature and courts have been vigilant to ensure that the designs monopoly does not confer incidental protection over the article to which the design is applied.⁷⁷ On the other hand, the question of whether features which serve a wholly or partly functional purpose should be protected has finally been resolved, as far as Australia is concerned, in favour of protection.⁷⁸ While there is room for debate as to whether this last change represents a broadening in the previous law,⁷⁹ it is now clear that a very wide range of designs are potentially within the ambit of registered designs protection.

By contrast with copyright, designs protection confers on the registered owner of a design a monopoly over the use and exploitation of his design. Such protection goes beyond what is strictly necessary to prevent a competitor taking unfair advantage of another's work: it prevents the former developing the same, or a similar, design in an independent fashion.⁸⁰ This higher degree of protection is justified on the basis that it is necessary to provide some incentive for creative persons to undertake the development of new designs. In addition, it is said that the freedom of other traders is not too severely curtailed, because the monopoly which is granted is only of limited duration. By contrast, copyright which is concerned with analogous subject matter, is based on the need to establish copying, and, in the context of the competitive process, it can be said that this is all that is necessary to ensure that each trader works from his own resources and does not reap where he has not sown.

75. The current legislation in force in Australia is the Designs Act 1906 (Cth) which was extensively amended in 1981.

76. Designs Act 1906 (Cth) s.17(1).

77. *Id.*, s.4(1) (definition of "design"). See also *Moody v. Tree* (1892) 9 R.P.C. 333; *Pugh v. Riley Cycle Co. Ltd* [1912] 1 Ch. 613; *Wolanski's Registered Design*, note 73 *supra*.

78. Designs Act 1906 (Cth) s.18.

79. See, for example, *Macrae Knitting Mills Ltd v. Lowes Ltd* (1936) 55 C.L.R. 725; *British Franco Electric Pty Ltd v. Dowling Plastics Pty Ltd* [1981] 1 N.S.W.L.R. 448; *Ogden Industries Pty Ltd v. Kis (Australia) Pty Ltd* [1982] 2 N.S.W.L.R. 283.

80. Designs Act 1906 (Cth) ss.25, 30(1).

VI. PATENT PROTECTION

Patents are concerned with the protection of inventions and are only obtainable after compliance with rigorous conditions relating to such matters as novelty, level of inventiveness, utility, and the like.⁸¹ These strict standards are usually justified by reference to the extensive protection which is conferred upon a patentee by his patent monopoly. Thus, it is argued that the grant of a patent represents a kind of contract between the patentee and the public, pursuant to which the former agrees to disclose to the latter the details of his invention in return for a temporary monopoly over that invention.⁸² Furthermore, in common with other intellectual property rights, it is said that the availability of patent protection provides both a stimulus to inventive persons to carry on their activities, and a safeguard for their investments to manufacturers and financiers who undertake the development of new inventions.⁸³

Unlike the terms "author" and "work" in copyright law, the terms "inventor" and "invention"⁸⁴ in patent law are synonymous with high levels of skill and labour. On the other hand, the range of subject matter eligible for patent protection has been significantly widened in recent years. This has occurred in two directions. The first is to be found in the flexible interpretation which the courts have given to the term "invention", particularly since the decision of the High Court of Australia in *National Research Development Corporation v. Commissioner of Patents*.⁸⁵ Thus, it is no longer necessary that the alleged invention be directed at the manufacture or treatment of a vendible product: any artificially created condition which is of economic significance will be capable of coming within the statutory definition of "invention", as a "manner of manufacture" within the meaning of section 6 of the Statute of Monopolies 1623 (U.K.).⁸⁶

The second important development has been the institution of

81. Patents Act 1952 (Cth) ss.48(3), 59(1) and 100(1).

82. See, for example, F. Machlup, *An Economic Review of the Patent System*, Study No. 15 of the U.S. Sub-Committee on Patents, Trademarks and Copyrights, 85 Congress (1958).

83. *Ibid.* See also E.W. Kitch, "The Nature and Function of the Patent System" (1978) 20 *J.L. & Econ.* 265.

84. Patents Act 1952 (Cth) s.6(1) (definition of "invention") and s.34(1) (persons entitled to apply for protection).

85. (1959) 102 C.L.R. 252.

86. *Id.*, 276-277 (Full Court).

system of "petty patents". Introduced in 1979, the professed object of this legislation was to provide protection for inventions which could be developed and marketed within a relatively short period of time.⁸⁷ Although the standards of patentability are the same as for standard patents,⁸⁸ the procedural requirements for obtaining protection are far less onerous,⁸⁹ and the period of protection is much shorter.⁹⁰ Nevertheless, the purpose seems to be to give protection to lesser kinds of inventions which would otherwise not have been worth patenting, for example, kitchen utensils, household gadgets, and the like. Here, then, is another example of legislative intervention to provide protection for a particular kind of manifestation of a trader's skill and labour.

As with a registered design, a patent confers monopoly protection, preventing any third party from making, exercising, vending or using the patentee's invention without the latter's authority.⁹¹ The anti-competitive effects of such protection are apparent, but are generally justified by reference to the disclosure and incentive functions of the patent system. Nevertheless, as with the design monopoly, from the viewpoint of fairness between competitors it may be queried whether such extensive protection is warranted.

VII. THE LAW OF CONFIDENCE

Although *Prince Albert v. Strange*,⁹² the case which really marks the start of the modern action of breach of confidence, can hardly be regarded as an instance of unfair competition, since this time the action has chiefly been invoked in situations where one trader or business man has sought to reap where he has not sown. This approach is exemplified in the "springboard" doctrine under which courts have held liable persons who seek to use another's confidential information and thereby save themselves the trouble and effort of acquiring this information through their own unaided efforts.⁹³ Unlike copyright, there is no requirement of

87. Hon. I. McPhee, Minister for Productivity, Second Reading Speech, Patents Amendment Bill 1979, *Commonwealth Parliamentary Debates*, Vol. H. of R. 113, 183 (21 February 1979).

88. Patents Act, 1952 (Cth) s.49A(ii).

89. *Id.*, s.49A.

90. *Id.*, s.68A (a maximum term of 6 years).

91. *Id.*, s.69.

92. (1849) 1 H. & Tw. 1, 47 E.R. 1302.

93. See, for example, *Terrapin Ltd v. Builders' Supply Co. (Hayes) Ltd* [1967] R.P.C. 375; *Cranleigh Precision Engineering Ltd v. Bryant* [1964] 3 All

material form; furthermore, there is no embargo on the protection of ideas, as long as they remain confidential.⁹⁴ In this regard, there are no other preconditions for protection, such as the need for inventiveness or originality.⁹⁵ It also now seems clear that there need be no initial communication in confidence for liability to arise: recent U.K. and Australian cases have imposed liability where information has been obtained by other means. Thus, in the Queensland case of *Franklin v. Giddins*⁹⁶ the defendant was held liable in breach of confidence where he used nectarine budwood which he had stolen from the plaintiff's orchard. Likewise, in *Francome v. Mirror Group Newspapers*⁹⁷ the Court of Appeal held that the defendant was liable where it sought to publish information obtained from wiretaps of the plaintiff's conversations. In addition, liability for breach of confidence extends to third parties who come into possession of the plaintiff's information,⁹⁸ and there is authority to the effect that there may be liability where the defendant has acted innocently.⁹⁹

As a result, the action of breach of confidence can be seen as providing a considerable degree of protection against the unfair acts of competitors. While there may be doubt as to whether the action is based on the plaintiff's proprietary rights in his information or on the defendant's failure to act in a conscionable fashion,¹⁰⁰ there can be no doubt that its effect is to prevent misappropriations by third parties of the fruits of the plaintiff's skill and labour. The major restriction, of course, is the need for the information to be confidential, but, even here, this requirement has been interpreted in a flexible fashion, and the

E.R. 289; *Yates Circuits Foil Co. v. Electrofoils Ltd* [1976] F.S.R. 345; *Ansell Rubber Co. Pty Ltd v. Allied Rubber Industries Pty Ltd* [1967] V.R. 37.

94. See, for example, *Talbot v. General Television Corporation Pty Ltd* [1980] V.R. 224.

95. *Ansell Rubber v. Allied Rubber*, note 93 *supra*, 44 *per* Gowans J.; *Saltman Engineering Co. Ltd v. Campbell Engineering Co. Ltd* (1948) 65 R.P.C. 203, 215 *per* Lord Greene M.R.

96. [1978] Qd. R. 72.

97. *Times Law Report*, 17 March, 1984.

98. *Prince Albert v. Strange* (1849) 1 H & Tw. 1, 47 E.R. 1302.

99. *Seager v. Copydex Ltd (No. 1)* [1967] 2 All E.R. 415; *Talbot v. General Television Corporation*, note 94 *supra*.

100. See, for example, G. Jones, "Restitution of Benefits Obtained in Breach of Another's Confidence" (1970) 86 *Law Q. Rev.* 463; S. Ricketson, "Confidential Information — A New Proprietary Interest? Part I" (1977) 11 *Melb. U.L. Rev.* 225, "Part II" (1978) 11 *Melb. U.L. Rev.* 289; J. Stuckey, "Is Information Property?" (1981) 9 *Sydney L. Rev.* 402.

courts have, on occasion, protected information which has been circulated, or made available, to a wide range of persons.¹⁰¹

VIII. TRADE MARK PROTECTION

Under the registered trade mark system, a trader can obtain protection for a trade mark which he is using, or proposes to use, in relation to his goods or services, without the necessity of proving the existence of a goodwill or reputation which is attached to that mark (as would be required in a passing off action).¹⁰² Apart from particular provisions dealing with the protection of the public¹⁰³ and other traders with similar marks,¹⁰⁴ the chief prerequisite for registration under the Trade Marks Act 1955 (Cth) is that the applicant's trade mark is distinctive,¹⁰⁵ that is, that it is capable of distinguishing the applicant's goods or services from those of other traders.¹⁰⁶ This is not satisfied by proof of factual distinctiveness alone: in all cases, there must also be some inherent ability to distinguish.¹⁰⁷ It will therefore be seen that the registered trade mark system protects two kinds of skill and labour from misappropriation by third parties: first (and always), the effort involved in the creation of an inherently distinctive mark, whether by the registered proprietor or a predecessor in title; secondly (but not necessarily), the goodwill which has been built up around that mark by the same persons through user. Furthermore, while registration of a trade mark confers a monopoly over the use of that mark,¹⁰⁸ this is a more vulnerable kind of monopoly than a patent or registered design. Thus, a trade mark registration may be expunged in the event of non-use of the mark¹⁰⁹ or its loss of distinctiveness,¹¹⁰ or where the mark becomes generic¹¹¹ or deceptive.¹¹²

101. See, for example, *Foster v. Mountford & Rigby Ltd* (1977) 14 A.L.R. 71; *Schering Chemicals Ltd v. Falkman Ltd* [1981] 2 All E.R. 321.

102. Trade Marks Act 1955 (Cth) s.6(1) (definition of trade mark) and s.40 (entitlement to apply).

103. *Id.*, s.28.

104. *Id.*, ss.33, 34.

105. *Id.*, s.24.

106. *Id.*, s.26.

107. *Id.*, s.26(2).

108. *Id.*, ss.58(1) and 62(1).

109. *Id.*, s.23.

110. *Id.*, ss.22, 24, 60 and 61.

111. *Id.*, s.56.

112. *Id.*, ss.22, 28, 60 and 61.

IX. THE LAW OF PASSING OFF

Apart from the registered trade marks system, the major means by which a trader can protect his business goodwill and reputation is the action of passing off. It has long been accepted by the courts that goodwill, that is, "the benefit and advantage of the good name, reputation, and connection of a business . . . the attractive force which brings in custom",¹¹³ is one of the most valuable intangible business assets of a trader, and therefore worthy of protection. Furthermore, like a literary or artistic production or a trade secret, goodwill represents the result of a considerable application of skill and labour on the part of a trader in building up a reputation which is focused on the particular name, mark or other insignia of origin under which his goods or services are sold or provided. Accordingly, any attempt by a trader to use another trader's name or mark represents a form of unfair competition, namely an attempt to gain a competitive advantage by seeking to appropriate to himself some of the benefits attached to the second trader's reputation.

The classic passing off situation is where one trader represents that his goods or services are those of another trader.¹¹⁴ However, the range of representations which are now actionable has become far broader, and more flexible notions on the question of damage have developed. Some of the more important of these developments are as follows:

1. *The range of actionable representations*

It has long been clear that it is unnecessary for a defendant to assert that his goods or services are those of the plaintiff. Thus, any representation that the plaintiff is in some way associated with the defendant's business, whether by way of partnership, sponsorship or licensing, will suffice.¹¹⁵ Furthermore, it is unnecessary that the plaintiff's name or mark identifies him personally: it is enough if the relevant public believes that the

113. *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd* [1901] A.C. 217, 223-224 *per* Lord Macnaghten quoted with approval by Lord Diplock in *Erven Warnink v. Townend* [1979] 2 All E.R. 927, 932.

114. *Reddaway v. Banham* [1896] A.C. 199; *Joseph Rogers & Sons Ltd v. W.N. Rogers & Co* (1924) 41 R.P.C. 277; *Turner v. General Motors (Australia) Pty Ltd* (1929) 42 C.L.R. 352.

115. See, for example, *Borthwick v. The Evening Post* (1888) 37 Ch.D. 449 *The Clock Ltd v. The Clock House Hotel Ltd* (1936) 53 R.P.C. 269; *F.M.C. Engineering Pty Ltd v. F.M.C. (Australia) Ltd* [1966] V.R. 529; *Ronson Products Ltd v. James Ronson Pty Ltd* (No. 2) [1957] V.R. 731.

plaintiff's name or mark, when attached to particular goods or services, indicates a particular trade provenance.¹¹⁶ In addition, if the plaintiff's goods or services are known because of their possession of a certain quality or characteristic, an assertion by the defendant that his goods or services also possess this quality can, in appropriate cases, amount to a representation that his goods or services have that trade provenance.¹¹⁷

The above kinds of representations are essentially concerned with the origin of goods or services, that is, whether they come from, or are in some way associated with, a particular trade source. Recent cases, however, have held that other kinds of representation are actionable. In this regard, the "Spanish Champagne"¹¹⁸ and "Advocaat"¹¹⁹ cases are the leading examples. In both cases, the representations of the defendant did not relate to the origin of the defendant's product, but to a particular quality possessed by that product. In the case of "Spanish Champagne", this took the form of a representation that this was the "real thing", a claim that could only properly be made in relation to sparkling wine made by the champenois method in the Champagne district of France. Therefore, even though it was in one sense accurate to describe wine made by the champenois method in Spain as "Spanish Champagne", it was misleading to do so as this might lead persons to think that this was the authentic champagne product which was so well known. In the case of advocaat, the representation was of a different kind, namely an assertion by the defendant that its product was of the same composition as the traditional advocaat. Unlike the champagne producers, there was no necessary geographical limitation on the place in which "real advocaat" could be made, although advocaat had generally been associated with Holland. However, in both cases, it was recognised that the producers of champagne and advocaat possessed a goodwill associated with the names of their products, which could be protected against attempts by other traders who sought to depict their products as

116. *Wotherspoon v. Currie* (1872) L.R. 5 H.L. 508; *Reddaway v. Banham*, note 114 *supra*.

117. *Spalding Bros. v. Gammage* (1915) 32 R.P.C. 273; *Plomein Fuel Economiser Co. Ltd v. National School of Salesmanship Ltd* (1943) 60 R.P.C. 209; *Copydex Ltd v. Noso Products Ltd* (1952) 69 R.P.C. 38. Cf. *Serville v. Constance* [1954] 1 W.L.R. 487.

118. *Bollinger v. Costa Brava Wine Co. Ltd* [1960] 1 Ch. 262. See also *Vine Products Ltd v. MacKenzie* R.P.C. 1; *John Walker & Sons v. Henry Ost & Co. Ltd* [1970] R.P.C. 489.

119. *Erven Warnink v. Townend*, note 113 *supra*.

being the "same thing". Such protection therefore provides a means for traders to prevent the dilution of the exclusive reputation which they have built up in their products.¹²⁰

2. *The question of damage*

Courts have also developed more flexible notions as to the ways in which a trader's goodwill may be damaged as the result of the passing off activities of another trader. Thus, recent cases have made it clear that a plaintiff may bring an action against a trader who seeks to use his name or mark in another field of activity in which the plaintiff does not trade or have any intention of doing so.¹²¹ It may be thought that this is not strictly an act of unfair competition, as the parties are not in competition with each other. Nevertheless it can still be regarded as such, because the defendant is seeking to gain a competitive advantage for himself in his own area of activity by representing that he has an association with the plaintiff. However, the major difficulty which the courts have had in these kinds of cases has been to identify the nature of the damage caused to the plaintiff's goodwill by such conduct, particularly where the latter does not lead to a diversion of custom from the plaintiff. In some cases, it was possible to find a likelihood of damage in the unfavourable impression which might attach to the plaintiff's business if the public thought that there was some association with the defendant's activities. Thus, in one celebrated case, *The Times* newspaper was able to restrain the use of its name in relation to bicycles,¹²² and in a number of other cases charitable organisations and professional associations succeeded in restraining traders from using their names.¹²³

120. See, further, W.R. Cornish, "The Passing Off Action in English Common Law" [1982] *Indus. Prop.* 186, 192ff.

121. See, for example, *Radio Corporation Ltd v. Henderson* [1960] N.S.W.R. 279; *Totalizator Agency Board v. Turf News Pty Ltd* [1967] V.R. 605, *Annabel's (Berkeley) Square Ltd v. Schock* [1972] R.P.C. 838; *News Group Newspapers Ltd v. The Rocket Record Co. Ltd* [1981] F.S.R. 69. See further M. Blakeney and J. McKeough, "Recent Developments in Passing Off" (1984) 12 *Austl. Bus. L. Rev.* 17, 27-31.

122. *Walter v. Ashton* [1902] 1 Ch. 282. See also *Routh v. Webster* (1847) 10 Beav. 561, 50 E.R. 698; *Harrods Ltd v. R. Harrod Ltd* (1923) 51 R.P.C. 76.

123. See, for example, *Society of Accountants & Auditors v. Goodway* [1907] 1 Ch. 489; *British Legion v. British Legion Club (Street) Ltd* (1931) 48 R.P.C. 555; *British Medical Association v. Marsh* (1931) 48 R.P.C. 565; *Dr. Barnardo's Homes v. Barnardo Amalgamated Industries Ltd* (1949) 66 R.P.C. 103; *Institute of Electrical Engineers v. Emmerson* (1950) 67 R.P.C. 167; *Royal Automobile Association of South Australia v. Hancock* [1979] S.A.S.R. 60. Cf. *Kean v. McGivan* [1982] F.S.R. 119.

However, in *McCulloch v. May (Produce Distributors) Ltd*¹²⁴ the scope for judicial intervention was qualified by the requirement that the parties be in a common field of activity. This cannot have been intended as a rejection of the earlier cases, and may simply have been meant as a reminder that deception becomes less likely where the parties are in different fields of activity. Nevertheless, this does not mean that confusion, and damage to the plaintiff's goodwill, cannot occur in such cases. One obvious way in which this may happen is where the plaintiff would otherwise have sold his endorsement or sponsorship to the defendant: in such cases, if the defendant has acted without authority, he has deprived the plaintiff of an opportunity of exploiting the valuable reputation which he has built up.¹²⁵ This is particularly applicable to the practice of "character merchandising", where a person has built up a reputation through success in a particular field of endeavour, such as sport or entertainment, and then licenses traders to use his name or image in relation to their goods or services.¹²⁶ In all these cases, however, whether or not the plaintiff is a "character merchandiser", the defendant's conduct can be viewed as a species of "reaping without sowing" to which the dictum of Peterson J. in the *University Tutorial Press* case¹²⁷ that what is "worth copying is worth protecting" seems equally applicable. This now appears to be the approach taken by both U.K. and Australian courts, which have virtually abandoned the "common field of activity" test.¹²⁸

A similar argument is relevant to cases where a trader is located outside the jurisdiction, and wishes to prevent a local trader using his name or insignia. To succeed in passing off, the foreign plaintiff must demonstrate that he has a reputation within the jurisdiction in which he brings his action.¹²⁹ However, what must

124. (1948) 65 R.P.C. 58.

125. *Radio Corporation Ltd v. Henderson*, note 121 *supra*. See also *Lego System Aktieselskab v. Lego M. Lemelstrich Ltd* [1983] F.S.R. 155.

126. As in *Children's Television Workshop Inc. v. Woolworths (N.S.W.) Ltd* [1981] 1 N.S.W.L.R. 73; *I.P.C. Magazines Ltd v. Black and White Music Corporation* [1983] F.S.R. 348.

127. *University of London Press Ltd v. University Tutorial Press Ltd* [1916] 2 Ch. 601.

128. So held in the cases referred to in note 125, but compare the opposite conclusion reached in a number of earlier U.K. cases: *Wombles Ltd v. Wombles Skips Ltd* [1977] R.P.C. 99; *Taverner Rutledge Ltd v. Trexapalm Ltd* [1975] F.S.R. 479; *Lyngstad v. Anabas Products Ltd* [1977] F.S.R. 62; *Harrison v. Polydor Ltd* [1977] F.S.R. 1. See also D. Vaver, "The Protection of Character Merchandising — A Survey of Some Common Law Jurisdictions" (1978) 9 *IIC* 541.

129. See further, M. Blakeney and J. McKeough, note 121 *supra*, 22-26.

the foreign trader show in order to establish this? Must he show that he has actually carried on business within the jurisdiction, or at least that his product has been imported and sold there? Will it be sufficient if he has customers from that jurisdiction with whom he has dealt in his own country? Finally, what is the situation if he is simply known in that jurisdiction, such as often occurs with a famous restaurant or nightclub? There is no clear consensus in the cases on these questions: in some, the need for actual user within the jurisdiction has been insisted upon,¹³⁰ while in others the courts have been prepared to allow plaintiffs to succeed where they have simply advertised their intention of commencing business there¹³¹ or where they have had some business dealings with customers from that country.¹³² However, as a matter of principle, it should not matter how a foreign trader establishes his reputation within the jurisdiction, as long as he can show that his name or insignia is known there and is distinctive of his goods or services.¹³³ If this is so, then a local trader who uses the same name or insignia in such a way as to deceive consumers into thinking that his goods or services are those of the foreign trader, or are associated with him, causes as much an injury to the foreign trader's goodwill as if the latter were actually carrying on business within the jurisdiction.

The chief limitation on the action of passing off becoming a more general action in respect of unfair competition is the requirement that the damage or likely damage to the plaintiff's goodwill must be a consequence of deception caused by the defendant's conduct. However, there are a number of other kinds of conduct which, while not involving deception, can still be regarded as misappropriations of a trader's goodwill, and thus as

130. See, for example, *Alain Bernadin et Cie v. Pavillion Properties Ltd* [1967] R.P.C. 521; *Amway Corporation v. Eurway International Ltd* [1974] R.P.C. 82.

131. See, for example, *Turner v. General Motors (Australia) Pty Ltd* (1929) 42 C.L.R. 352; *Fletcher Challenge Ltd v. Fletcher Challenge Pty Ltd* [1981] 1 N.S.W.L.R. 196. See also *Maxims Ltd v. Dye* [1977] 1 W.L.R. 1155 and *B.M. Auto Sales Pty Ltd v. Budget Rent A Car System Pty Ltd* (1977) 51 A.L.J.R. 254.

132. See, for example, *Globelegance B.V. v. Sarkissan* [1974] R.P.C. 603; *Metric Resources Corporation v. Leasemetrix Ltd* [1979] F.S.R. 571; *Athletes Foot Marketing Associates Inc. v. Cobra Sports Ltd* [1980] R.P.C. 343; *C. & A. Modes v. C. & A. (Waterford) Ltd* [1978] F.S.R. 126 (Ir.); *Taco Company of Australia Inc. v. Taco Bell Pty Ltd* (1982) 40 A.L.R. 153, (1982) 42 A.L.R. 177.

133. To this effect, see *Baskin-Robbins Ice Cream Co. v. Gutman* [1976] F.S.R. 545, 548 per Graham J.

acts of unfair competition. As will be seen, our law does not yet provide protection in relation to these kinds of “reaping without sowing”. In broad terms, they can be categorised as follows: product simulation, image stealing and importing a reference.

(a) Product simulation

Product simulation occurs where a trader, in selling his product, imitates the product of a competitor as closely as possible.¹³⁴ Such conduct obviously can be restrained if the second trader has a patent on the making of his product or a registered design in respect of its appearance. However, such protection is subject to strict tests of novelty and inventiveness, and, in any case, is of limited duration.¹³⁵ As a consequence, protection may not be available in respect of particular features which a trader finds of advantage in selling his product, for example, a particular design feature or features, a shape or an appearance. If that trader is the only person who sells that kind of product, he will feel aggrieved if another trader starts selling the identical item in competition with him, thereby taking some of his custom. Is this a form of “reaping without sowing”, or is it a fair act of competition, carried out in accordance with the rules of the “order of struggle”? It is necessary to distinguish two situations here. The first is where the second trader’s conduct leads customers to believe that his product is that of the first trader. In such cases, the second trader should be liable under normal passing off principles, although the cases in this area have tended to become bedevilled over an awkward distinction between similarities in “get-up” or extraneous packaging (which are actionable) and similarities in actual appearance (which are not).¹³⁶ However, liability in the second situation — where there is no deception — is far less certain. There is certainly no scope for passing off where

134. See further, M. Blakeney and J. McKeough, note 121 *supra* 32-34; J.M. Evans, “Passing-Off and the Problem of Product Simulation” (1968) 1 *Mod. L. Rev.* 642.

135. Patents Act 1952 (Cth) ss.48(3), 59(1) and 68; Designs Act 1906 (Cth) ss.17 and 27A.

136. See, for example, *J.B. Williams & Co. v. Bronnley* (1909) 26 R.P.C. 773; *Hawkins & Tipson Ltd v. Fludes Carpets Ltd* [1957] R.P.C. 8; *Benchairs Ltd v. Chair Centre Ltd* [1974] R.P.C. 429; *Parkdale Custom Built Furniture Ltd v. Puxu Pty Ltd* (1982) 56 A.L.J.R. 715, 728 *per* Brennan J. Cf. *Edge & Sons Ltd v. William Nicolls & Sons Ltd* [1911] A.C. 693; *Hoffman-La Roche v. D.D.S.A. Pharmaceuticals* [1972] R.P.C. 1; *Jarman & Platt Ltd v. Barget* [1977] F.S.R. 260; *White Hudson & Co. Ltd v. Asian Organisation Ltd* [1964] 1 W.L.R. 1466; *John Englander & Co. Pty Ltd v. Ideal Toy Corporation* [1981] A.T.P.R. 40-218.

the second trader has taken sufficient care to distinguish his product, however similar it otherwise is, from that of the first trader.¹³⁷ Nevertheless, there is still an element of "reaping without sowing": if the first trader has, through his own efforts, built up a market for his product where previously there was none, why should the second trader be permitted to save himself these developmental costs and profit from the first trader's efforts? The principal objection to this is that, in the absence of deception, the effect of granting protection in such a case would be to confer a *de facto* monopoly on the first trader and to insulate him from competitive pressures.¹³⁸ This insulation, however, might not be as absolute as may be supposed: in many, if not most, instances, a competitor will still be able to develop a substitute product which is sufficiently differentiated from that of the first trader, and in this way challenge the latter's supremacy.

The question of whether product simulation without deception is an act of unfair competition is therefore a contentious one. To date, it would seem that common law and equity have not been prepared to hold it actionable.¹³⁹ However, the law of copyright provides some protection through the flexible interpretation given to the terms "artistic" and "literary works", and the scope of the exclusive rights conferred on the owners of copyright in such works.¹⁴⁰ Thus, a trader who closely imitates the shape and appearance of another trader's product may be liable for infringing the copyright in the latter's design drawings of that product in a three dimensional fashion.¹⁴¹ Alternatively, he may be held to have infringed the plaintiff's copyright in an engraving¹⁴² or work of artistic craftsmanship.¹⁴³ While it may be argued in a number of these instances that the plaintiff has lost the copyright in his artistic works by applying them as industrial designs, sections 74-77 of the Copyright Act 1968 (Cth) which deal with this kind of situation do not operate uniformly and will not

137. *Parkdale v. Puxu*, note 136 *supra*; *Adidas Sportsclub Fabriken Adi Dassler K.G. v. Charles O'Neill & Co. Ltd* [1983] F.S.R. 76 (Ireland).

138. *Williams v. Bronnley*, note 136 *supra*, 773-774 *per* Fletcher Moulton L.J.; *Parkdale v. Puxu*, note 136 *supra*, 728 *per* Brennan J. See also J.M. Evans, note 134 *supra*.

139. See notes 135-137 *supra*.

140. Copyright Act 1968 (Cth) ss.19(1), 21(3), 31(1)(a)(i) and (b)(ii).

141. See notes 49-50 *supra*. See also *Rebeschini v. Miles Laboratories Australia Pty Ltd* [1983] A.I.P.C. 90-021.

142. *Wham-O Manufacturing Co. v. Lincoln Industries Ltd* [1982] R.P.C. 281.

143. See, for example, *Plannedsigns Pty Ltd v. Sea Jays of Adelaide Pty Ltd*. Unreported, Supreme Court of South Australia, 7 & 12 September 1983.

apply where the corresponding design is not registrable.¹⁴⁴ Accordingly, copyright may afford a considerable degree of protection against product simulation. In addition, literary copyright may provide protection in relation to such items as labels, leaflets and other written material.¹⁴⁵

(b) Image stealing

This kind of activity is directly related to product simulation, but, whereas the first involves the imitation of the plaintiff's actual product, image stealing involves taking something of the promotional campaign which the plaintiff has built up in order to sell his product. Typically, this consists of a particular image which the plaintiff has developed in association with his product, for example, an image of sophistication, rugged individualism, or rustic simplicity. Where a trader steals another trader's product image, the latter may suffer damage in two ways: through loss of sales which would otherwise have been his or through the dilution of his image which may occur, particularly where the rival's product is of an inferior quality or a different kind. As far as our present law is concerned, image stealing may attract liability in passing off where this involves deception.¹⁴⁶ Alternatively, copyright protection may be available in respect of such subject matter as labels, brochures, packaging and the like.¹⁴⁷ In the absence of such protection, however, it does not at present appear that Anglo-Australian law offers a remedy, even though image stealing appears to be a more serious kind of misappropriation than product simulation. In the latter situation, to prevent a trader copying another's product may effectively prevent the first from competing at all. On the other hand, to prohibit image stealing does not prevent a rival trader undertaking his own promotional campaign.

The attitude of the U.K. and Australian courts in this area is strikingly illustrated by two recent cases. In *H.P. Bulmer Ltd & Showerings Ltd v. J. Bollinger S.A.*,¹⁴⁸ several cider and perry producers had sought to take advantage of the reputation for exclusivity and sophistication which the French makers of

144. *Dorling v. Honnor Marine Ltd* [1965] Ch. 1; *Ogden Industries Pty Ltd v. Kis (Australia) Pty Ltd* (1983) 45 A.L.R. 129.

145. See, for example, *Elanco Products Ltd v. Mandops (Agrochemical Specialists) Ltd* [1979] F.S.R. 46.

146. See, for example, *Elida Gibbs Ltd v. Colgate-Palmolive Ltd* [1983] F.S.R. 95.

147. *Elanco Products v. Mandrops*, note 145 *supra*.

148. [1978] R.P.C. 79.

champagne wine had built up in their product. This they did by giving their products a "champagne image", that is, by marketing them in champagne style bottles and packaging, and using the names "champagne cider" and "champagne perry". While there was no clear evidence that consumers of the defendants' products thought that these were champagne or had been made by, or were associated with, the makers of French champagne, there can be little doubt that, in adopting this marketing style, the defendants were concerned to enhance the sale of their products through an association with the exclusive champagne image. Furthermore, there can be little doubt that this conduct carried a corresponding risk of damage to the champagne producers' goodwill, namely a debasing or cheapening of the exclusive champagne image. Despite this clear element of "reaping without sowing", the Court of Appeal still refused the plaintiffs a remedy, on the basis that there was no proof of deception or likely deception. A similar refusal to go beyond the normal scope of a passing off action occurred in the second case, *Cadbury-Schweppes Pty Ltd v. Pub Squash Co. Pty Ltd*.¹⁴⁹ The defendant here had attempted to "ride into" the soft drink market by using a get-up and advertising image that was similar, though not confusingly so, to that of the plaintiff. At first instance, Powell J. found against the plaintiff in relation to both passing off and a more general allegation of unfair trading. In relation to the latter, he held that no basis for it existed in Anglo-Australian law. On appeal to the Privy Council, the issue was apparently not argued and the Court declined to take it any further.

(c) *Importing a reference*

This is another kind of conduct which may feed parasitically on a trader's success in promoting his product or service.¹⁵⁰ Typically, it will consist of conduct which attempts to identify the defendant's goods or services with those of the plaintiff, but not in such a way as to cause deception. Thus, trader A might advertise his goods as being a substitute for those of B, or as being suitable for use on or, with B's goods. While this does not give rise to any liability in passing off, such conduct can be regarded as unfair in that the defendant tries to gain some credence or recognition for his goods or services through an association with

149. [1980] 2 N.S.W.L.R. 85. See also J. Lahore, "The Pub Squash Case" [1981] *EIPR* 54.

150. See further G. Dworkin, "'Knocking Copy' - Comparative Advertising" [1979] *EIPR* 41.

those of the plaintiff. If this involves some incidental false assertion about the plaintiff's or the defendant's goods or services, an action for injurious falsehood¹⁵¹ or an action under Part V of the Trade Practices Act 1974 (Cth)¹⁵² may provide relief. Apart from these possibilities, however, no remedy is available in Australian law. By contrast, in the United Kingdom, where the defendant's conduct involves the use of a mark which is identical with a registered trade mark, or so nearly resembles the latter as to be likely to deceive or cause confusion, this will constitute infringement of the registered mark if done in the course of trade in relation to any goods in respect of which the mark is registered and

in such manner as to render the use of the mark likely to be taken either

(a) ...; or

(b) in a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular or other advertisement issued to the public, as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person as aforesaid is connected in the course of trade.¹⁵³

This form of infringement of a registered trade mark, through "importing a reference", became part of U.K. trade marks law in 1938, following the decision of the House of Lords in *Irving's Yeast-Vite Ltd v. Horsenail*.¹⁵⁴ In that case, it was held that the use of a registered trade mark in a comparative fashion, where the defendant did not use the plaintiff's mark in relation to his own goods, was not an infringing use of that mark "as a trade mark". However, the above provision which was passed to cover this situation has not proved easy to interpret and has received unfavourable comments from the courts.¹⁵⁵ Accordingly, the Dean Committee on Australian trade marks law¹⁵⁶ recommended against the adoption of such a provision in the Australian Act. The Committee also went further and recommended against the adoption of any similar kind of provision, giving the following reasons:

151. See further J.D. Heydon, *Economic Torts*. (2nd ed. 1978), 81-86.

152. See further G.Q. Taperell, R.B. Vermeesch and D.J. Harland, *Trade Practices and Consumer Protection* (3rd. ed. 1983), chs. 13 & 14.

153. Trade Marks Act 1938 (U.K.) s.4(1).

154. (1934) 51 R.P.C. 110.

155. *Bismag Ltd v. Ambling (Chemists) Ltd* [1940] Ch. 667.

156. *Report of the Committee Appointed by the Attorney-General of the Commonwealth to consider what Alterations are Desirable in the Trade Marks Law of the Commonwealth together with Copy of the Report of the Committee Previously Appointed to consider the Same Matter*, Commonwealth of Australia (1954) ('Dean Committee').

- (a) There does not appear to be any real demand for it. The conduct complained of has seldom occurred and mainly in the patent medicine trade.
- (b) The conduct complained of, while no doubt annoying, does not appear to involve any real detriment to the proprietor of the mark.
- (c) It would prove extremely difficult, even perhaps impossible, to draft a satisfactory provision.
- (d) In reality, what is really sought to be protected is not the right conferred by registration but the goodwill acquired by advertisement and user. A registered mark cannot properly claim this protection unless it is supported by a considerable reputation. It is this reputation of which the defendant is taking advantage and any such provision should be limited to cases where such a reputation exists.
- (e) If there is an undesirable trade practice, it would seem more appropriate for State Parliaments to deal with it and prohibit it independently of whether or not the mark is registered.
- (f) The right conferred by the proposed provision is a startlingly novel one and involves an entirely new departure in trade mark law. As such, it should not be adopted in the absence of a strong case for its necessity.¹⁵⁷

While these reasons are convincing enough in the context of the registered trade marks system, the fourth reason is of interest for the purposes of our present discussion, as it supports the view that "importing a reference" is an unfair appropriation where the plaintiff's mark is supported by a reputation. Such conduct is often regarded as an act of unfair competition in civil law jurisdictions,¹⁵⁸ but in Anglo-Australian law does not yet attract any common law or equitable liability, in the absence of some accompanying misrepresentation.

X. CONCLUSIONS

It will be seen from the above discussion that the protection provided by Anglo-Australian law against misappropriations of a competitor's intangible business values is considerable, but not comprehensive. Thus, copyright has proved a fruitful source of protection for a wide range of intangible subject matter, while the

157. *Id.*, 11.

158. W.J. Derenberg, note 2 *supra*.

laws of patents, designs, trade marks, passing off, and trade secrets provide useful protection for other kinds of subject matter. However, while the present law of intellectual property leaves relatively few gaps, there is still no general principle of liability applicable to all situations in which a trader misappropriates the intangible results of his competitor's skill and labour. In addition, where protection is available, the preconditions for obtaining it vary widely according to the nature of the subject matter in question, and it may take the form of an absolute monopoly or a more limited right against copying. According to the Dixonian approach, this failure to accord comprehensive protection on the basis of a "wide generalisation" is because English law treats copyright, patents and the like as "special heads of protected interests", that is, situations where some particular reason for protection exists, beyond that of the bare fact of expenditure of time, skill and labour. At one level, such an approach can be seen as pro-competitive, as the only restraints on competition between traders are those imposed by the established categories of intellectual property. On the other hand, fairness in competition implies that parties should participate in the "order of struggle" on the basis of their own unaided efforts, and without the assistance of material which they have taken from their competitors. Moreover, as this article has sought to show, this notion of "fairness" has gradually permeated most of the current categories of intellectual property protection. Thus, copyright is no longer concerned, if indeed it ever was, with the protection and encouragement of authorship in the pure literary or artistic sense, but has broadened into a comprehensive statutory code which protects a very large number of manifestations in material form of a person's skill and labour. Similar widenings in the subject matter protected are to be seen, to varying degrees, in each of the other intellectual property regimes, including the patent system. Accordingly, it is now difficult to see any clear basis of distinction between those cases in which protection is not available, and those more frequent situations in which it is.

In the light of the above, it seems logical to argue that our legal system is now ready for the adoption of a general principle of liability that will cover all situations of "reaping without sowing" on the part of a competitor. Such protection should be available, irrespective of the presence of deception, without the need to comply with strict standards of novelty and inventiveness, and whether or not the subject matter taken subsists in a material form. The sole requirement for protection should simply be that the plaintiff has expended time, skill and labour in the creation of

some intangible business value, for example, a new name or mark, manufacturing process, design, marketing format, or literary or artistic creation. This requirement would be analogous to that of "originality" in copyright law, which has already, within its present limits, become a broad kind of protection against misappropriation. However, as the action proposed here is concerned with competition between traders, it should only be available where the defendant, in taking the plaintiff's subject matter, has either obtained for himself an actual or potential competitive advantage or has placed the plaintiff at an actual or potential competitive disadvantage. Furthermore, unlike a patent, design or trade mark, such protection should only be against copying: it should in no way inhibit the defendant from carrying on his own independent research and development. The following consequences of the adoption of such a general principle of liability can be identified:

1. There would no longer be a need for any of the established intellectual property regimes, both statutory and common law or equitable, as the subject matter presently protected under these would be subsumed under the new, generalised action. This would accord formal recognition of the reality of the present situation in which each intellectual property regime, in particular those of copyright, trade secrets and passing off, has been steadily moving away from concern with "special heads of protected interests", such as authorship and invention, to more general forms of protection against misappropriation. This would have two main advantages:
 - (a) It would avoid the need to stretch the requirements of the existing intellectual property regimes to cover new categories of subject matter. This has long been a feature of copyright protection, where the scope of literary and artistic works has been constantly expanded and new categories of subject matter have been created. It has also occurred in recent years in relation to such subject matter as computer programs, live performances and plant varieties. All this subject matter could be protected, without the need for contrivance, under the new general action of misappropriation.
 - (b) A perennial problem with the existing intellectual property regimes has been the possibility that a plaintiff may have available to him, in respect of the same subject matter, a number of heads of protection. For example, patentable information may also be protected by the law of trade

secrets,¹⁵⁹ and, in some circumstances, by the law of copyright;¹⁶⁰ an artistic work may qualify for registered designs protection;¹⁶¹ and a trade mark may be protected under the registered trade mark system through the action of passing off and an action under section 52 of the Trade Practices Act 1974 (Cth), and possibly as an artistic or literary work under the Copyright Act 1968 (Cth).¹⁶² In some instances, in particular that of copyright and designs, attempts to avoid overlap have been made.¹⁶³ However, such attempts have not always been successful, and there are still many instances in which a person who fails to satisfy the requirements for one form of protection can bring himself under another head.¹⁶⁴ The need for these kinds of manoeuvres (which often depend on the astuteness of a trader's legal advisers) would be avoided if there were a generalized action for misappropriation.

2. It was stated above that the proposed action for misappropriation should lie if one of two conditions is satisfied: there is an actual or potential competitive advantage to the defendant or an actual or potential competitive disadvantage to the plaintiff. Several glosses on these requirements need to be made:
 - (a) The reference to a "potential competitive advantage" or a "potential competitive disadvantage" should be taken as meaning an advantage or disadvantage that is reasonably ascertainable, not something that is purely speculative or hypothetical.
 - (b) It should not matter whether the plaintiff and defendant are in direct competition with each other. Even where this is not the case, if the defendant has misappropriated the plaintiff's intangible business values and uses these in another field of activity, the defendant still obtains a competitive advantage vis-a-vis traders in that field. In

159. See, for example, *Seager v. Copydex Ltd (No 2)* [1969] R.P.C. 250; *Kewanee Oil Co. v. Bicron Corporation* (1974) 416 U.S. 470.

160. See, for example, *L.B. (Plastics) Ltd. v. Swish Products Ltd.* [1979] R.P.C. 551 and *Rebeschini v. Miles Laboratories Australia Pty Ltd* [1983] A.I.P.C. 90-021.

161. Designs Act 1906 (Cth) s.4(1).

162. See, for example, "*Karo Step*" Trade Mark [1977] R.P.C. 255; "*Oscar*" Trade Mark [1980] F.S.R. 429. Cf. *Exxon Corporations v. Exxon Insurance Consultants International Ltd* [1981] 3 All E.R. 241.

163. Copyright Act 1968 (Cth) ss. 74-77.

164. See, for example, *Dorling v. Honnor Marine* [1965] Ch. 1.

these circumstances, the plaintiff still suffers damage or potential damage, as he could have earned a fee by licensing the defendant's use.

- (c) The reference to "damage" in the preceding paragraph, however, should not be understood as meaning that damage, in the absence of some effect on competition, should ever be sufficient to found an action for misappropriation. This is not to say that protection should not be available where, for example, a plaintiff's moral rights or his privacy are injured as a result of the defendant's misappropriation. Moral rights and privacy are both interests that could be protected by separate actions which could be brought independently of, or concurrently with, an action for misappropriation. In this context, both interests should be given a broad content, particularly in the case of moral rights which should not be confined to copyright types of subject matter. Discussion of these additional actions lies outside the scope of this article, but it is worth noting here that the protection of both moral rights and privacy has recently been the subject of considerable discussion in Australia.¹⁶⁵ Finally, it should be noted that an action for misappropriation could be coupled with actions in respect of any of the other forms of unfair competition noted at the outset of this article.

3. If the purpose of the proposed action for misappropriation is to ensure fair competition between traders, a corollary to this is that it must not be capable of being used as a means of inhibiting competition, either through eliminating competitors from a market or preventing their entry into that market. In this regard, it is useful to distinguish between two broad categories of intangible business values which would be protected by the new action. The first is a trader's "ideas", which he uses in the production of his goods or services, for example, a process, formula, device or plan. The second, which may overlap with the first, is matters that are principally concerned with the promotion or marketing of his goods or services, for example, a name, mark, logo or design. Where an action for misappropriation is brought in respect of values falling within either category, adverse competitive consequences to the defendant could be avoided by the

165. See Australian Law Reform Commission, *Report No. 22, Privacy*, (2 Vol.), A.G.P.S. (1983); Australia Council, *National Symposium on Moral Rights* (1979).

appropriate use of remedies. The following possibilities can be envisaged:

- (a) In cases where it is economically feasible for the defendant to remain in the relevant market and to compete on the basis of his own resources, he should be restrained from continuing to use the plaintiff's intangible business value. It is to be expected that this will most often be the case in situations involving the misuse of a plaintiff's promotional values, as it should nearly always be economically feasible for a defendant to adopt a new name, marketing style or the like. Furthermore, while he may then sustain expense in building up his own promotional values, such relief is perfectly reasonable, as it simply divests him of the unfair competitive advantage which he has previously obtained but does not prevent him from continuing to compete. In cases where he has misappropriated the plaintiff's ideas, it will provide him with an incentive to undertake his own innovation and development.
 - (b) In cases where it would not be economically feasible for the defendant to continue to compete if he were restrained, the appropriate remedy would be an award of damages or perhaps the payment of a continuing royalty to the plaintiff, placing the defendant in the position of a compulsory purchaser or licensee. It is to be expected that this kind of approach will most often be relevant in cases involving misappropriation of a plaintiff's ideas. In each instance, it will be necessary for the court to tailor and limit its relief, so as to balance the "competitive equities" on both sides, and to give appropriate weight to such factors as the uniqueness of the plaintiff's idea, its inventiveness, and the time and effort involved in its development.
4. There might be need for there to be defences to the new action, where this is required by the public interest. This need, of course, would not arise where no competitive advantage or disadvantage flowed from the defendant's actions. However, there may be instances where such an advantage or disadvantage arises, but is nonetheless outweighed by a countervailing public interest, for example, in the cases of educational and research use, domestic use, and so on. Appropriate defences would therefore need to be devised for these situations.¹⁶⁶

166. An appropriate guide to these might be found in the defences provided in the Copyright Act 1968 (Cth) Part III, Divisions 3-5, 7.

5. A final problem concerns the constitutional questions involved in giving effect to the proposals discussed above. Under section 51(xviii) of the Commonwealth Constitution, the Commonwealth Parliament has power to legislate with respect to "copyrights, patents of inventions and designs, and trade marks". By contrast, trade secrets and business reputation are protected under State law. If the proposed action for misappropriation is to have effect throughout Australia, it would be preferable for the Commonwealth Parliament to have legislative competence in this regard. However, section 51(xviii) would not confer sufficient power for this purpose, as the new action would have to cover subject matter extending beyond the scope of that paragraph, and, indeed, the scope of the present State laws of breach of confidence and passing off. On the other hand, power might be found under section 51(xxix), which gives the Commonwealth Parliament power to legislate with respect to external affairs, including inter alia the enactment of legislation to give effect domestically to international treaty obligations.¹⁶⁷ In this regard, the Commonwealth can point to article 10 bis of the *Paris Convention for the Protection of Industrial Property* 1886, to which Australia has been signatory since 1925. This article has been in the Convention since the Brussels Revision of 1900, and has been in its present form since 1958. It provides as follows:

ARTICLE 10 bis

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
 1. all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;
 2. false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;

167. See, for example, *Koowarta v. Bjelke-Petersen* (1982) 56 A.L.J.R. 625; *Commonwealth of Australia v. State of Tasmania* (1983) 46 A.L.R. 625.

3. indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.

While the acts referred to in article 10 bis(3) relate to misrepresentations which do not necessarily involve misappropriation of some intangible business value, these are only instances of the wider genus of unfair competition defined in article 10 bis(2). However, as a matter of principle, the latter provision must surely include misappropriations of intangible business values, as these are usually accepted as forming the most important part of the concept of unfair competition. If this is so, the Commonwealth Parliament should then have power to legislate with respect to such matters under section 51(xxix). In doing this, it may not be possible to abolish the existing intellectual property regimes, at least immediately. As far as the State laws of trade secrets and passing off are concerned, this would require some form of co-operative arrangement. As far as the statutory regimes are concerned, Australia presently has treaty obligations which require her to accord national treatment to foreign copyrights, designs, trade marks and patents.¹⁶⁸ Accordingly, it might be necessary to retain these regimes for the time being. Nevertheless, the proposed action for misappropriation would provide residual protection in all situations where the statutory regimes do not apply or where the plaintiff fails to satisfy the conditions for protection under those regimes.

168. *Berne Convention for the Protection of Literary and Artistic Works* 1886; *Universal Copyright Convention* 1952; *Paris Convention for the Protection of Industrial Property* 1886.

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