Privy Council Appeal No. 5 of 1980

Cadbury Schweppes Pty. Limited and others – – *Appellants*

v.

The Pub Squash Co. Pty. Limited – – – – *Respondent*

FROM

THE SUPREME COURT OF NEW SOUTH WALES EQUITY DIVISION

JUDGMENT OF THE LORDS OF THE JUDICIAL COMMITTEE OF THE PRIVY COUNCIL, DELIVERED THE 13TH OCTOBER, 1980

Present at the Hearing:

LORD WILBERFORCE
LORD EDMUND-DAVIES
LORD FRASER OF TULLYBELTON
LORD SCARMAN
LORD ROSKILL

[*Delivered by* LORD SCARMAN]

Two questions arise in this appeal from the Supreme Court of New South Wales, Equity Division. One, which goes to the merits of the dispute, is whether the appellants, who are the plaintiffs in the suit, have established a cause of action in tort against the respondent. The tort alleged is that which is known to lawyers as passing off one's own goods as the goods of another. The second question is whether Her Majesty in Council has jurisdiction to entertain the appeal. The trial judge, Mr. Justice Powell, found against the appellants on the first question. He did not consider, nor was it any part of his duty to consider, the second question; for it could not arise until the appellants sought leave to appeal to Her Majesty in Council. Counsel, for reasons which will later emerge, developed the case on the merits before they turned to the question of jurisdiction. It will be convenient for their Lordships to take the same course.

The History

The full story is well and, as counsel admit, accurately told by Mr. Justice Powell. Their Lordships, therefore, extract from his narrative only the critical events. The appellants are members of the Cadbury Schweppes Australian group of companies. It will suffice to refer to them as "Cadbury Schweppes". The respondent company, which was incorporated in 1973, came under the control of a Mr. P. R. Brooks in 1974, when he acquired its shares. Originally Langeath Pty. Limited, the respondent company changed its name, when Mr. Brooks acquired control, to Passiona Marketers Pty. Limited. In 1976 there was another change of name to The Pub Squash Co. Pty. Limited.

In 1973 Cadbury Schweppes decided upon a new strategy to increase their share of the market in soft drinks in Australia. They would develop a new product to compete with Coca-Cola. It was to be of a different flavour from Cola. They selected as their product a lemon squash, which the trial judge described as " a type of soft drink commonly accepted in hotels and licensed clubs and restaurants as an occasional alternative to beer ". It was to be presented as a man's drink, fit for, and a favourite with, rugged masculine adventurers. The advertising campaign was to stress its masculinity and at the same time to awake happy memories of the sort of squash hotels and bars in the past used to make. The two themes of manliness and pubs were reflected in the name of the product and its get-up. They named it " Solo " and designed a medallion type of label very similar to the labels on beer sold in Australia. It was to be put up in cans and bottles—but especially cans, for which they chose a distinctive greenish yellow colour.

A major feature in launching the new product was a television and radio advertising campaign. Their Lordships would not seek to better the trial Judge's description of this campaign.

They [i.e. the commercials] were, he said, as follows :—

" (i) *Television Commercial*

The bulk of this commercial was devoted to action shots (accompanied by dramatic background music) of a rugged lone male canoeist shooting the rapids in a single kayak, attention being focused upon the potential dangers, such as rocky outcrops, bends, eddies, and the like upon the run down the rapids. At the conclusion of the run, the canoeist pushes his kayak ashore. He then reaches into a portable ice-box and, having taken out and opened a can of ' Solo ', gulps it down. While he is drinking, a " voice-over " announcer says " You've never tasted a lemon drink like ' Solo ' before . . . . . unless it was one of those great lemon squashes that pubs used to make . . . . . . extra tang . . . . . not too many bubbles . . . .". As he drinks, the canoeist spills some of the liquid down his chin. He finishes his drink with a smile and wipes his chin with the back of his hand. The " voice-over " announcer says, and, as well, there is flashed on the screen, the words " ' Solo '—a man's drink ".

(ii) *Radio Commercials*

Although the first two radio commercials were not precisely identified, it seems that they were in or to the following effect :—

(A) " You hear the sound first . . . . . the hairs on the back of your neck rise. And you're into the white water. It's not so much the rocks you see that bother ya. It's the ones ya can't see. You've only a thin skin of fibreglass under you and no time to think. Just react. And all the time you're building up a ' Solo ' thirst. ' Solo ' lemon. With all the tang of those great lemon squashes that pubs used to make. ' Solo ' lemon. A man's drink."

(B) " Remember those lemon squashes the pubs used to make? Dry, hard extra tang. Today, Tarax have captured that true lemon squash in ' Solo '. 'Solo ' is the lemon drink you can quaff straight down without too many bubbles getting in the way of your thirst. Just like the lemon squashes you remember. ' Solo ' lemon. A man's drink."

The initial launch was in Victoria and Queensland during the summer months of 1974. Television and radio advertising began in the two states in December 1973 and continued, with a break in January 1974, until the end of May 1974. It was backed up by a drive to introduce the product to supermarkets, hotels, and other retail outlets. The advertising material used in the drive included such descriptions as

> " Great product, research proven, just like the old Pub Squash."

By the end of May or June in 1974 the limited initial launch was considered a success and it was decided to launch the product nation-wide in the coming spring.

Radio advertising was resumed in July 1974 and television advertising in September when the product went on sale. Again, by way of back-up, there was the distribution of advertising material to the trade. The cost of the advertising represented a very substantial investment in the product; television and radio advertising in 1974 alone cost some $300,000. As the national campaign developed, the theme of the lone male adventurer was further elaborated. Viewers were introduced to a lone sailor fighting his way through boiling surf in a catamaran, and two virile men battling it out in a squash court. Lone masculine endeavour was the theme supporting the name " Solo ". Meanwhile the " audio " in television and the radio broadcasts maintained the other theme, nostalgia for " those great lemon squashes the pubs used to make ".

The product sold well. The advertising programme continued throughout 1975, television costing over $400,000 and radio over $160,000 in that year. New rugged men arrived on television—amongst others, a big-game fisherman, a horse-breaker and wrestlers. The nostalgic pub squash theme continued to sound in the ears of viewers and listeners. The trial judge summed up the success of the campaign in these words:—

> " . . . . the impact of this advertising campaign, and, in particular, of the television advertising campaign, appears to have been quite remarkable. Nearly every witness who was called, whether by the Plaintiffs or the Defendant, recalled the television advertisements, particularly the first, and the incident of the canoeist spilling some of the drink down his chin, and many recalled the slogans ' a great squash like the pubs used to make ' and ' a man's drink ', although not all the witnesses associated the former slogan with ' Solo '."

Advertising " Solo " continued along the same lines in 1976 and 1977: but in September 1976 the pub motif disappeared, sound as well as vision now concentrating on " a man's drink " and the word " Solo".

On the 8th April 1975 the respondent launched on the market its product " Pub Squash ". Full-scale production did not, however, begin until June 1975. A television advertising programme, modest when compared with that of the appellants, began at the end of April. Its theme was, as was that for " Solo ", heroically masculine (" The Million Dollar Man ") and the audio was similarly nostalgic, the hero after his endeavours ripping into a Pub Lemon Soda Squash. The label on the product was of a medallion type upon which the name "Pub Squash " appeared in bold red letters. The cans in which it was sold were of the same size and the same shade of yellow as those in which " Solo " was put up. On the 6th May 1975 the respondent applied to register its " Pub Squash " label as a trade-mark; and on the 6th September 1976 it was registered in Class 32 No. B.286,987.

The competition from " Pub Squash " and certain other lemon squashes which entered the market in 1975 had its effect upon the sales of " Solo ". They were 15% lower in 1976 than they had been in 1975.

Cadbury-Schweppes believed—and the belief was not unreasonable—that the advent of Pub Squash, timed as it was to take advantage of their advertising campaign, put up in not dissimilar cans, and accompanied by its own advertising campaign stressing its high favour with stalwart men and evoking the memory of the pub squashes of the past, was a substantial cause of the drop in the sales of "Solo". On the 1st June 1977 they instituted these proceedings, claiming damages or an account of profits and an injunction in respect of "passing off", and the expungement from the register of the respondent's "Pub Squash" trademark. By a later amendment they added a claim in respect of unfair trading.

The Appeal on the Merits

It is unnecessary to explore the law in any depth, because it is now accepted by both sides that the issue in the case is whether in promoting its product the respondent so confused or deceived the market that it passed its product off as the product of the appellants. Nevertheless the case presents one feature which is not to be found in the earlier case law. The passing-off of which the appellants complain depends to a large extent upon the deliberate adoption by the respondent of an advertising campaign based on themes and slogans closely related to those which the appellants had developed and made familiar to the market in the radio and television advertising of their product. Does confusion or deception, if it be shown to arise from such an advertising campaign, amount to a passing-off? To answer the question it is necessary to consider the modern character of the tort.

In *Erven Warnink Besloten Vennootschap v. J. Townend & Sons (Hull) Ltd.* [1979] A.C. 731 (the "Advocaat" case) the House of Lords formulated, so far as the law of England is concerned, the modern principle which governs the tortious liability compendiously described as "passing-off". The facts of that case bear no resemblance to the present case: but the declarations of principle to be found in the speeches of Lord Diplock and Lord Fraser of Tullybelton are of general application.

Lord Diplock found a rational basis for the modern tort in the speech of Lord Parker in *A.G. Spalding & Bros. v. A.W. Gamage Ltd.* (1915) 84 L.J. Ch. 449, 450, where he identified the right protected by the tort as the "property in the business or goodwill likely to be injured by the misrepresentation": p. 741. The significance of *Spalding v. Gamage* Lord Diplock found to lie:

> "in its recognition that misrepresenting one's own goods as the goods of someone else was not a separate genus of actionable wrong but a particular species of wrong included in a wider genus of which a premonitory hint had been given by Lord Herschell in *Reddaway v. Banham* [1896] A.C. 199, 211 when, in speaking of the deceptive use of a descriptive term, he said:
>
> > 'I am unable to see why a man should be allowed *in this way more than in any other* to deceive purchasers into the belief that they are getting what they are not, and thus to filch the business of a rival.'"

Lord Fraser of Tullybelton at p. 755, stated the principle as being that

> "the plaintiff is entitled to protect his right of property in the goodwill attached to a name which is *distinctive* of a product or class of products sold by him in the course of his business."
> [emphasis supplied].

The "Advocaat" case was all about a name. But Lord Fraser of Tullybelton did not, any more than did Lord Diplock, limit the principle to the misappropriation of a name. He cited with approval, as also had Lord Diplock, Lord Herschell's speech in *Reddaway v. Banham* [1896]

A.C. 199, and quoted a passage at p. 209, where Lord Herschell approved the now classic dictum of Lord Kingdsdown in *Leather Cloth Co. Ltd. v. American Leather Cloth Co. Ltd.* (1865) 11 H.L.C. 523 to the effect that:—

> " The fundamental rule is, that one man has no right to put off his goods for sale as the goods of a rival trader, and he cannot, therefore (in the language of Lord Langdale, in the case of *Perry v. Truefitt*, 6 Beav. 66), be allowed to use names, marks, letters, *or other indicia*, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person." [emphasis supplied]

In *Hornsby Building Information Centre Pty. Ltd. v. Sydney Building Information Centre Pty. Ltd.* (1978) 52 A.L.J.R. 392 the High Court of Australia stated the principle in similar terms. Again the case was about a name but Stephen J., with whom Barwick C.J. agreed, formulated the principle in terms which allow of its applicability to " other indicia " than the name of the product. But he also sounded a warning as to its application in cases where the descriptive material which the defendant has misappropriated is also applicable to " other like businesses."

Stephen J., after referring, at p. 396, to the principle that the tort of passing-off is essentially an infringement of the " plaintiff's intangible property rights " in the goodwill attaching to his product, went on to say—

> " There is a price to be paid for the advantages flowing from the possession of an eloquently descriptive trade name. Because it is descriptive it is equally applicable to any business of a like kind, its very descriptiveness ensures that it is not distinctive of any particular business and hence its application to other like businesses will not ordinarily mislead the public. In cases of passing off, where it is the wrongful appropriation of the reputation of another or that of his goods that is in question, a plaintiff which uses descriptive words in its trade name will find that quite small differences in a competitor's trade name will render the latter immune from action—*Office Cleaning Services Ltd. v. Westminster Window and General Cleaners Ltd.* (1946) 63 R.P.C. 39, per Lord Simonds at p.42. As his Lordship said at p.43, the possibility of blunders by members of the public will always be present when names consist of descriptive words—' So long as descriptive words are used by two traders as part of their respective trade names, it is possible that some members of the public will be confused whatever the differentiating words may be.' The risk of confusion must be accepted, to do otherwise is to give to one who appropriates to himself descriptive words an unfair monopoly in those words and might even deter others from pursuing the occupation which the words describe."

He is discussing a name: but what he says about a name may with equal force be applied to other descriptive material, if it has given to a product (or business) a distinctive character.

The width of the principle now authoritatively recognised by the High Court of Australia and the House of Lords is, therefore, such that the tort is no longer anchored, as in its early 19th century formulation, to the name or trade-mark of a product or business. It is wide enough to encompass other descriptive material, such as slogans or visual images, which radio, television or newspaper advertising campaigns can lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product. And the test is whether the product has derived from the advertising a distinctive character which the market recognises.

But competition must remain free: and competition is safeguarded by the necessity for the plaintiff to prove that he has built up an " intangible property right " in the advertised descriptions of his product: or, in other words, that he has succeeded by such methods in giving his product a distinctive character accepted by the market. A defendant, however, does no wrong by entering a market created by another and there competing with its creator. The line may be difficult to draw: but unless it is drawn, competition will be stifled. The test applied by Powell J. in the instant case was to enquire whether the consuming public was confused or misled by the get-up, the formula or the advertising of the respondent's product into thinking that it was the appellants' product. And he held on the facts that the public was not deceived. Their Lordships do not think that his approach in law, (save in one respect, as will later appear), to the central problem of the case can be faulted. The real question in the appeal is, therefore, one of fact:— whether the judge erred in the inferences he drew from the admitted primary facts.

The appellants' alternative case of unfair trading irrespective of whether the market was deceived or confused into mistaking the respondent's product for that of the appellants need not be considered by the Board, since the appellants now restrict themselves to a case based on such confusion. For such a case to succeed it would be necessary to show that the law of Australia has developed a tort of unfair competition along the lines suggested in the well-known decision of the U.S. Supreme Court, *International News Service v. Associated Press,* (1918) 248 U.S. 215, in which Pitney J., delivering the majority opinion, said (at p. 241, 242):—

> " It is said that the elements of unfair competition are lacking because there is no attempt by defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition: *Howe Scale Co. v. Wyckoff, Seamans & Benedict,* 198 U.S. 118, 140. But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as *quasi* property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own."

The development of such a tort has not escaped judicial criticism in the U.S.A. itself (e.g. Learned Hand J., *Cheney Bros. v. Doris Silk* (1929, CA2) 35 F2d 279). It has also been criticised in Australia: see *Victoria Park Racing and Recreation Grounds Company Limited v. Taylor* (1937) 58 C.L.R. 479, and, in particular, the criticism offered by Dixon J. at pages 508–9. Their Lordships prefer to express no opinion on it in a case such as the present where the facts do not require that it be considered.

The hearing before Powell J. occupied some 26 days. Sixty-four witnesses gave evidence, some thirty of whom spoke to the issue of confusion between the two products. As always in a " passing-off " action the ultimately critical question was one of fact. The critical question in this case proved to be: were customers, or potential customers, led by the similarities in the get-up and advertising of the two products into believing that " Pub Squash " was the Cadbury-Schweppes product? Or, if no deception be proved, was there a real probability of deception? The trial judge addressed himself to this question of fact first when considering the claim in " passing-off ", and secondly when stating his conclusions on the alternative claim of unfair trading. In respect of passing-off, he asked himself whether the respondent did sufficiently distinguish its product from " Solo ". He answered the question as follows: —

> ". . . . . it can readily be seen that they are different. This, however, is not necessarily enough, for one must take into account the nature of the market-place and the habits of ordinary purchasers (see, for example, *Saville Perfumery Limited v. June Perfect Limited* (1941) 58 R.P.C. 147, 174–5; *Tavener Rutledge Limited v. Specters Limited* (1959) R.P.C 83, 88–9). As I have pointed out earlier, it is not uncommon, albeit that it is not the universal practice, both in supermarkets, and in mixed businesses and milk-bars which have self-selection display refrigerators for products such as ' Solo ' and ' Pub Squash ' to be displayed alongside each other; and in those cases in which they are not, they are, nonetheless displayed in close proximity to each other. Further, as I have pointed out, the purchase of a soft drink is often a casual transaction. These two features of the market seem to explain most, if not all, of the cases of incorrect selection of which evidence has been given. . . . . . But even accepting, as I do, that by reason of the nature of the market-place and of the habits of purchasers, mistakes are likely to, and do, in fact, occur, the evidence would seem to demonstrate that in most, although not all, cases in which there has initially been a wrong selection by a customer, or the wrong product has been offered by the shopkeeper, the error has been recognised before the purchase has been completed . . . . . This being so, it seems to me that the Defendant has sufficiently differentiated its product from that of the Plaintiff's."

This answer, it is true, related to the effect of get-up as a cause of confusion and was not addressed to the problems of the advertising campaign. Nor, when he gave it, was the judge directing his attention, let alone making any findings, upon the conduct of Mr. Brooks or any of the other officers of the respondent company in the marketing of their product.

When, however, he came to consider the claim of unfair trading, he examined in detail, and made a number of adverse findings upon, their conduct in the development and marketing of " Pub Squash ". He stated his findings and conclusion on this aspect of the case in a remarkable passage which, because it is the key to a full understanding of his judgment, their Lordships quote in full: —

> " (vii) *Conclusion*
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> From what I have written above it will appear that it is my view that, as from a time being no later than the later part of August 1974, the Defendant, having by means of one or more of its officers become aware of the successful launch of 'Solo ' in Victoria and of the sale of ' Solo ' in Southern New South Wales, and, thus, appreciating that in all probability the Victorian " launch " would be followed by a large-scale " launch " of ' Solo ' upon the New South Wales market, set out in a deliberate and calculated fashion to take advantage of the Plaintiffs' past efforts in developing ' Solo ' and of the Plaintiffs' past and anticipated future efforts in developing a market for a product such as ' Solo', and that, in particular the Defendant, by its officers, sought to copy or to approximate the formula for ' Solo ', and chose a product name and package for the Defendant's proposed product derived from, and intended to gain, the benefit of the Plaintiffs' past and anticipated advertising campaign, and the Plaintiffs' package for their product.
>
> " Notwithstanding these findings, it is my view, as I have earlier indicated, that, as the facts, as I have earlier found them, do not reveal any relevant misrepresentation on the part of the Defendant

as to its goods, the Plaintiffs have not made out a case for relief based upon the expanded concept of " passing-off " or upon " unfair trading "."

Put very shortly, the learned trial judge concluded that there was no " relevant misrepresentation ", no deception or probability of deception. The competition developed by the respondent and its officers took advantage of the appellants' promotion of their own product but never went so far as to suggest that " Pub Squash " was the product of the appellants, or merely another name for " Solo ". It might have been expected that he would have inferred from these findings the existence of confusion and the fact of deception: but after a long trial and a detailed examination of the evidence he refused to take the step of drawing the inference. His decision, taken very deliberately and with full awareness of what the respondent and its officers did in promoting their product, is, whether right or wrong, entitled to the greatest respect.

Counsel for the appellants accepted that the issue of deception was crucial. In submitting that the judge fell into error, he sought to rely on three points. He submitted first that the judge misled himself by the way in which he " compartmentalised " his judgment; secondly, that he misled himself by an error of law as to the relevant date for establishing the necessary goodwill or reputation of the plaintiff's product; and thirdly, that his conclusion was contrary to his primary findings of fact.

First, the " compartmentalisation " point. The appellants' submission may be summarised as follows. Counsel attributed the error, into which, on his submission, the judge fell, to the structure of the judgment. The judge, as their Lordships have already noted, dealt with the cause of action in passing-off first. At that stage he made no findings as to the conduct of the respondent's officers, Mr. Brooks and his colleagues. He found that there was no " relevant misrepresentation on the part of the defendant as to its goods " without considering the defendant's intentions. But intention is relevant. Having found no misrepresentation, he then considered the case of unfair trading. He now found as a fact that the respondent set out deliberately to take advantage of the appellants' efforts to develop the market for " Solo "; but this was of no consequence, since he had already found no deception or misrepresentation. Had the learned judge appreciated that the case must be considered as a whole, and not in separate compartments, he would have had regard to the respondent's intention in determining whether there was deception or the probability of deception; and, had he done so, only one conclusion was possible: namely, that the respondent was passing off its goods as the goods of the appellants.

This is a formidable submission.

Where an intention to deceive is found, it is not difficult for the Court to infer that the intention has been, or in all probability will be, effective: *Slazenger & Sons v. Feltham & Co. (2)* (1889) VI R.P.C. 531 per Lindley L.J. at p. 538. But in dealing with the issue of deception the learned judge directed himself correctly and made the comment, which is also good law, that

> ". . . . . the Court must be on its guard against finding fraud *merely* because there has been an imitation of another's goods, get-up, method of trading or trading style (see, for example, *Goya Limited v. Gala of London Limited* (1952) 69 R.P.C. 188)."

After a very careful consideration of the judgment as a whole, their Lordships do not think that in the arrangement of the subject-matter of his judgment the judge allowed himself to overlook the importance, subject to safeguards, of a defendant's intention when deciding the issue of deception.

Once it is accepted that the judge was not unmindful of the respondent's deliberate purpose (as he found) to take advantage of the appellants' efforts to develop " Solo ", the finding of " no deception " can be seen to be very weighty: for he has reached it, notwithstanding his view of the respondent's purpose. But it is also necessary to bear in mind the nature of the purpose found by the judge. He found that the respondent did sufficiently distinguish its goods from those of the appellants. The intention was not to pass off the respondent's goods as those of the appellants but to take advantage of the market developed by the advertising campaign for " Solo ". Unless it can be shown that in so doing the respondent infringed " the plaintiffs' intangible property rights " in the goodwill attaching to their product, there is no tort: for such infringement is the foundation of the tort: see Stephen J., in *Hornsby Building Information Centre Pty. Ltd. v. Sydney Building Information Centre Pty. Ltd. (supra).*

In their Lordships' view, therefore, the first submission fails. And, once the conclusion is reached that the judge did not allow the structure of his judgment to mislead him, the submission recoils upon itself. The finding of the judge becomes, by its rejection, immensely strengthened.

The second submission is less formidable. The judge, it is conceded, misdirected himself in holding that the relevant date for determining whether a plaintiff has established the necessary goodwill or reputation of his product is the date of the commencement of the proceedings, (i.e. 1st June 1977). The relevant date is, in law, the date of the commencement of the conduct complained of, i.e. 8th April 1975 when the respondent began to market " Pub Squash ": *Norman Kark Publications Ltd. v. Odhams Press Ltd.* [1962] R.P.C. 163. Despite his error, the learned judge did direct his mind to the facts as they were in " the early months of 1975 ". He found that by then " Solo " had attained a significant level of recognition and acceptance in the market and went on to consider, and make findings upon, " the nature and extent of the goodwill and reputation which ' Solo' had, *by early 1975* [emphasis supplied], attained, and which it thereafter maintained." This submission, therefore fails.

Their Lordships now turn to the main attack upon the judge's conclusion. His primary findings, which the appellants accept, should, it is submitted, have led him to conclude that there was confusion amongst buyers and deception by the respondent.

The judge's analysis of the nature of the goodwill or distinctive reputation which " Solo " had acquired by April 1975 cannot, in their Lordships' view, be challenged. The reputation he found to be that of " a lemon squash type of soft drink, marketed under the name of ' Solo ', packaged, principally in yellow cans bearing a rondel-like or medallion-like device . . . . ., and widely advertised on television by advertisements featuring a rugged masculine figure." He was not, however, persuaded that *any of the variants* upon the phrase " those great old squashes like the pubs used to make " and " a man's drink " were generally associated with " Solo " [emphasis supplied]. He based his negative conclusion upon his understanding of the evidence of " the confusion witnesses ", especially those members of the consuming public, who were called, and upon his view of the nature and effect of the advertisements for " Solo ", of which he said that " he had regard to two particular types . . . , namely:

> the fact that television is principally a visual medium so that the ' audio ' tends to have less impact than the visual image, and, secondly, the fact that, no matter what variation be worked upon it, the phrase ' those great old squashes the pubs used to make ' is essentially descriptive of the *type* of product advertised—it does not, of itself,

identify, or denote the origin of, the product being advertised. (cf & cp. the slogan in issue in *Chemical Corporation of America v. Anheuser-Busch Inc.* (1962) 306 F. 2d 433)."

The appellants' challenge is to the negative conclusion. In their Lordships' opinion, it fails to displace either the judge's inference, based on his analysis of the nature of the market in which the two products were sold, or his finding that the advertising of " Pub Squash ", intended though it was to win a share of the market from its competitor " Solo ", led to no significant confusion or deception. He accepted that on occasions there was confusion at the point of sale: but he found, and there was plenty of evidence on which he could find, that the confusion was almost always corrected before the moment of sale. Such confusion as there was arose, in his view, from the casual attitude of many purchasers in the market to the product offered and not from any failure of the respondent sufficiently to distinguish its product from " Solo ".

He found that " the principal, if not the only, part of the market in which the wrong product has been selected or given, is in relation to cans ". He saw the two cans: he refused to hold that, because " Solo " became known as being sold in yellow cans, it " thereby became entitled to a monopoly " of sale or that the mere fact the defendant adopted a yellow can for its product dictated a finding of " passing-off ". He was unable, on the evidence, to find that the consuming public associated yellow cans only with " Solo ".

Nevertheless, the judge recognised that the similarity in size and shape of can (which was a stock size and shape in the trade), and in colour made it " incumbent " upon the respondent to distinguish its package from that of " Solo ". He looked at the cans and commented that " it can readily be seen that they are different " and then proceeded to analyse the market and the effect of such confusion as there was in the way already described.

When the judge turned to consider the effect of the radio and television advertising, he rejected the submission that either of the two themes used in these media had become the property of the appellants in the sense in which the word " property " is used in this class of case. They were descriptive of the product (perhaps even " eloquently descriptive "), but never became a distinguishing feature. There was ample evidence to support his rejection of this submission, and their Lordships are in no position to substitute for his assessment of the effect of the " Solo " advertising campaign a different assessment or to challenge his analysis of the market, i.e. the character of the buying public.

In reaching his conclusion of fact that the respondent had " sufficiently " distinguished its product from " Solo ", the judge had not only to conduct an elaborate and detailed analysis of the evidence, which he certainly did, but to bear in mind the necessity in this branch of the law of the balance to be maintained between the protection of a plaintiff's investment in his product and the protection of free competition. It is only if a plaintiff can establish that a defendant has invaded his " intangible property right " in his product by misappropriating descriptions which have become recognised by the market as distinctive of the product that the law will permit competition to be restricted. Any other approach would encourage monopoly. The new, small man would increasingly find his entry into an existing market obstructed by the large traders already well known as operating in it.

For these reasons their Lordships are of the opinion that the appeal fails, even if it be competent—the question to which they now turn.

The question of jurisdiction

By their statement of claim the appellants raised a question of federal law, i.e. the validity or otherwise of the respondent's registered trade-mark, and sought the expungement of the trade-mark from the register. Powell, J., though a State judge, undoubtedly possessed the necessary federal jurisdiction to deal with the trade-mark question: and, if he did so, no appeal would lie to Her Majesty in Council. Final appeal in such a case would lie only to the High Court: s.39(2), Judiciary Act 1903–1973. The only exception would be if the High Court itself should certify (which in this case it has not done) that the question is one which ought to be determined by Her Majesty in Council: Article 74 of the Constitution. The respondent submits that the judge was exercising his federal jurisdiction and that no appeal lies, therefore, to Her Majesty in Council. The judge ruled, it is submitted, upon the question *even though he did not expressly deal with it.*

The propositions of constitutional law, to which their Lordships have briefly referred, are, of course, not in dispute: nor is it disputed that the trade-mark question was raised upon the pleadings. But the appellants say that the question was not litigated at trial and that, by consent, the judge confined himself to the issue of liability, which the judge clearly understood to be that of passing-off. The federal question was, therefore, it is submitted, not adjudicated upon: on the contrary, the judge confined himself to the issue of passing-off, which was within his State jurisdiction.

The very late appearance of the point strongly suggests that neither the parties nor the judge regarded the trial as directed to any issue other than that of passing-off. If the point were going to be raised, the time to raise it was when the appellants sought leave to appeal. But the respondent did not raise it until it lodged its written case. The point has no merits and, were it not one of jurisdiction, would be rejected out of hand.

But, since it goes to the competence of the Board to entertain the appeal, the submission of the respondent must be considered. The issue is whether, the trade-mark question having been raised and never abandoned, the trial judge must be held to have been exercising his federal jurisdiction when dealing with the case. The submission that he must be held to have been doing so largely rested on the decision of the High Court in *Felton v. Mulligan* (1971) 124 C.L.R. 367, and in particular upon the following passage in the judgment of Barwick C.J. at p. 374:—

> " The critical question in the case is whether the defence did involve the exercise of federal jurisdiction by the Supreme Court. It would do so if the matter before the Supreme Court became or involved by reason of the defence raised to the applicant's claim, either wholly or partly a matter arising under a law made by the Parliament . . . . . Further the matter arising under a law of the Parliament will have arisen if the suit could have been disposed of by deciding the matter, whether or not the suit was so disposed of. . . . . It is of course not enough that a law made by the Parliament must be construed in the course of the decision of the case. There must be a matter arising under a law of the Parliament."

In their Lordships' view the question is one of legal policy which is pre-eminently a matter for the High Court to determine. Their Lordships would not, therefore, express an opinion unless it were necessary for a decision in the appeal. In the present case the necessity does not arise. For the reasons given in considering the appellants' claim based on passing-off their Lordships are able to advise Her Majesty that the appeal be dismissed without having to rule on the point so belatedly raised by the respondent as to its competence. Accordingly, they humbly advise Her Majesty that the appeal be dismissed with costs.

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In the Privy Council

CADBURY SCHWEPPES PTY. LIMITED AND OTHERS

v.

THE PUB SQUASH CO. PTY. LIMITED

DELIVERED BY
LORD SCARMAN

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1980