Passing Off Passing Off: Dilution and the Unprincipled Extension

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Introduction

Would you like a glass of Champagne or sparkling wine? We all know the answer to this would be Champagne. Sparkling wine is the inferior product – it is a knock off of Champagne. To the naked eye there is little difference between the two products, however, in reality Champagne is made via a process requiring considerably more care.[1] If any sparkling wine was able to be called Champagne it would be damaging for producers as goodwill associated with the name Champagne would be susceptible to being destroyed. Furthermore, it would lead to inefficient choices from consumers because they would not as easily be able to distinguish genuine Champagne from a cheap knock off.[2] It is the tort of passing off that producers can thank for ensuring that the name has not been debased, and as consumers, we can thank for ensuring the two types of wines are distinguished.

Passing off prevents unfair competition in a specific circumstance: where there is a misrepresentation made by one trader which damages the goodwill of another trader.[3] Accordingly, as Lord Oliver identified in *Reckitt & Colman Products Ltd v Borden Inc* (*Jif Lemon*), misrepresentation, goodwill and damage are the essential elements of the tort:[4] they are often referred to as the 'classical trinity'.[5] There is constant pressure on the trinity to expand to ensure that an "unmeritorious defendant cannot escape liability".[6] In particular, there has been pressure on the heads of damage relevant to the tort to grow.[7] Consequently, as Hazel Carty recognises, passing off "may be on the brink of its most radical extension yet: to give protection against dilution of a trademark."[8] To that end, this dissertation shall undertake an analysis of dilution as a head of damage in a passing off action.

Dilution is the idea that the more widely a symbol is used, the less effective it will be for any one user.[9] As attempts to enlarge the tort have continued, in particular the heads of damage relevant to the tort, dilution has increasingly been alleged and often accepted as the damage

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[1] *Bollinger v Costa Brava Wine Co Ltd* (No 2) [1961] 1 WLR 277 (Ch) at 279.
[2] Hazel Carty *An analysis of the economic torts* (2nd ed, Oxford University Press, Oxford, 2010) at 267.
[3] Christopher Wadlow *The Law of Passing-Off: Unfair Competition by Misrepresentation* (5th ed, Sweet & Maxwell, London, 2016) at 8.
[4] *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491 (HL) at 499 [the *Jif Lemon* case].
[5] Carty, above n 2, at 230.
[6] Hazel Carty "The Common Law and the Quest for the IP Effect" (2007) 3 IPQ 237 at 246.
[7] Hazel Carty "Dilution and passing off: cause for concern" (1996) 112(9) EIPR 632 at 632.
[8] Ibid.
[9] Carty, above n 2, at 264.

suffered by a trader in a passing off action.[10] The argument that this dissertation will take is that dilution does not cause injury to the plaintiff's goodwill. Therefore, it does not comply with the classical trinity and undermines the rationale of the tort as a protection of goodwill. Because of this, where it is accepted as a head of damage in a passing off claim, it results in an unprincipled extension of the tort to afford a trader protection where there is no damage to their goodwill. It will be argued the implication of this unprincipled extension is that the tort is able to function more like s 9 of the Fair Trading Act 1986, and the rationale is altered to preventing unfair competition/conduct, as opposed to protecting a trader's goodwill.

Chapter I examines the history of the action and how it developed from its roots in the tort of deceit.[11] It looks at the early decisions of passing off cases, including the landmark decision in *Spalding v Gamage* which identified the interest protected in a passing off action as the goodwill of the plaintiff trader.[12] It then examines the classical trinity, explaining how each of the elements are satisfied, and finally the rationale of the tort is explained in more detail.

Chapter II looks specifically at dilution as a head of damage in a passing off action. Carty's analysis is applied to establish two variations of dilution: pure dilution and confusion dilution.[13] Firstly, it is explained why pure dilution cannot comply with the tort and should not be accepted as a form of damage. Secondly, the issues with confusion dilution and how it has resulted in an unprincipled extension of passing off is explained.

Finally, chapter III establishes how confusion dilution has been accepted in New Zealand. It then goes on to look at the implications of the unprincipled extension as a result of this, explaining that where confusion dilution is accepted as a head of damage the tort functions like s 9 of the Fair Trading Act or a general protection of unfair trading. After this, chapter III looks at the way forward and considers how equitable outcomes can still be achieved without dilution being accepted as a head of damage.

[10] Carty, above n 8, at 633.
[11] Wadlow, above n 3, at 23.
[12] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd* [1914] ALL ER Rep 147 (HL) at 150.
[13] Carty, above n 8, at 644.

Chapter I: The Background

Passing off is a misrepresentation tort which helps to control trading practices.[14] The tort does so by preventing a misrepresentation made by one trader, which damages the goodwill of another.[15]

This chapter will give the background to the history of the tort and its development from the initial passing off actions to the more protean tort that we see today.[16] It will then look at the classical trinity – the elements of the tort – in more detail, outlining how each element is established with particular emphasis on damage to goodwill as an essential ingredient of the tort. Finally, this chapter will consider the rationale of passing off. This is crucial in order to demonstrate later in the dissertation how dilution as a head of damage in a passing off claim undermines this rationale and causes an unprincipled extension of the tort.

A. History of the action

1 The beginnings

Passing off arose from the tort of deceit and developed to protect traders from a misrepresentation which damages their goodwill.[17]

The basis of deceit is that if a person makes a false representation, without belief or with reckless disregard to its truth, then the person who relies on it to their detriment is able to bring a claim of deceit.[18] Because deceit is about reliance on a representation it is a consumer protection action. Therefore, if a trader misrepresented their good as those of another, then the trader whose good is being misrepresented would have no recourse as they would not be relying on the statement to their detriment.[19] Accordingly, passing off was necessary to provide a remedy for this type of situation.

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[14] Carty, above n 2, at 266.
[15] Wadlow, above n 3, at 8.
[16] *Warnink (Erven) BV v J Townend & Sons (Hull) Ltd* [1979] AC 731 (HL) at 740 [*Advocaat*].
[17] Wadlow, above n 3, at 23.
[18] Francis Cooke *Laws of New Zealand* Misrepresentation and Fraud (online ed) at [32].
[19] Carty, above n 2, at 225.

The first passing off type case, *Samford's* case, was recognised by the English common law courts in 16th century.[20] In *Samford's* case the defendant put the mark of the plaintiff, an established clothier, on inferior cloth and sold it. The court was split on the decision, and only one judge Anderson CJ, recognised the defendant was liable at common law.[21] Accordingly, no clear passing off precedent was established. It wasn't until the 19th century that passing off gained more standard and widespread recognition.[22]

Prior to common law and equity merging, Lord Eldon, in the court of equity in the early 19th century, established the principle that equity would intervene where a defendant misrepresented their good as those of the plaintiff. In doing so, he granted an injunction for the owner of a magazine against the defendant who was using the same title.[23]

Similarly, the 19th century saw the first clear case of passing off being dealt with in the common law courts and intention to deceive was viewed as essential. Therefore, in *Skyes v Skyes*, a defendant who marked their inferior good the same as the plaintiff was not liable because there was no intent to deceive.[24] Thus, in the early 19th century, equity was prepared to recognise passing off and grant an injunction where there was a misrepresentation unlike the common law where fraudulent intent of the defendant was crucial for a claim to be made out.

The late 19th century saw two significant developments occur. Firstly, in United Kingdom the 1873 the Supreme Court of Judicature Act was passed, merging equity and common law: this resulted in passing off becoming a tort of strict liability based on misrepresentation, a common law creation that blends with equity, and the common law need for fraudulent intent was abandoned.[25] Secondly, the United Kingdom Trade Marks Registration Act 1875 was enacted. This created a registration system for trade marks and also a system to deal with infringement of registered marks. The creation of the Trade Marks Registration Act destroyed a theoretical basis for passing off as a protection of a property right in a name or mark: if a trader was to have property in a name or mark it had to be registered. The action could not be

[20] See *JG v Samford* (unreported) in Wadlow, above n 3, at 20.
[21] Ibid.
[22] Wadlow, above n 3, at 22.
[23] See *Hogg v Kirby* (1803) 8 Ves. Jr. 215; (1803) 32 E.R 336, in Wadlow, at 22.
[24] See *Skyes v Skyes* (1824) 107 E.R 834, (1824) 3 B.&C. 541, in Wadlow, at 23.
[25] Carty, above n 2, at 226.

said to protect property in a mark because if it did it would be taking the role of the Trade Marks Registration Act.

2 Lord Parkers landmark decision

For much of the 19th century it was not always clear what interest passing off protected.[26] It was unclear whether it was preventing fraud or protecting some property right of the plaintiff. Accordingly, Lord Parker provided a landmark decision in *Spalding v Gamage* when he highlighted the theoretical basis of the tort, a basis which still stands today.[27]

In *Spalding* Lord Parker identified that whilst some authorities had suggested passing off protected the property in the mark, name or get-up improperly used by the defendant, what it actually protected was the property in the goodwill that is damaged or likely to be damaged via a misrepresentation.[28] Goodwill, "the attractive force which brings in custom",[29] was able to be damaged by a misrepresentation as it could result in the goodwill being destroyed or deprived.[30]

The reason Lord Parker preferred the view the property right protected was goodwill as opposed to the name, mark, or get-up itself is two-fold.[31] Firstly, there can be instances where there is a misrepresentation which is unrelated to the name, mark, or get-up that is still damaging. For example, if a trader was to say a good is A's of a high quality, but it is actually A's of a low quality there is no name, mark or get-up misrepresented, yet there is still a misrepresentation which could cause significant damage to A. The reason for this is consumers may buy their product and then be disappointed in its quality.[32] Secondly, if you recognise the right protected is the name, mark, or get-up itself you are saying the trader has a property right in that name, mark or get-up. However, if it unregistered a trader can have no such property right.[33]

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[26] Wadlow, above n 3, at 31.
[27] At 32.
[28] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd*, above n 12, at 150.
[29] *Inland Revenue Commissioners v Muller & Co's Margarine Ltd* [1901] AC 217 (HL) at 233.
[30] Wadlow, above n 3, at 222.
[31] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd*, above n 12, at 150.
[32] See the facts, at 150.
[33] At 150.

Importantly, goodwill – the attractive force which brings in custom – is clearly able to be damaged by a variety of misrepresentations.[34] Lord Parkers' decision meant passing off was no longer limited to the situation where someone misrepresented their good as another's. As highlighted by Lord Diplock, "misrepresenting ones' 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 passing off.[35] Thus, the decision meant that any misrepresentation which damaged the plaintiff's goodwill was actionable.[36]

3 Continued development

The tort began dealing with deceptive conduct more generally after the decision in *Spalding*. This extension of passing off was "a natural corollary of recognising that what the law protects in a passing off action is a traders property in his business or goodwill".[37].

In *Bollinger v Costa Brava* producers of sparkling wine from the Champagne region of France brought a claim against producers from outside of the region who were calling their sparkling wine 'Spanish Champagne'.[38] As Wadlow notes, "misdescription of goods or misuse of a descriptive term was generally considered to be outside the reach of civil law".[39] However, the claim in *Bollinger* succeeded and the producers from the Champagne region were able to prevent another producer from outside of the region calling their wine 'Spanish Champagne'. The reason this claim succeeded was because goodwill associated with the name 'Champagne' was held to be part of the plaintiffs' collective goodwill as Champagne was produced in a geographical area and had acquired a reputation.[40] In this instance there was no misrepresentation that the defendant's product was the plaintiffs', rather there was a misrepresentation that the defendant's product was part of a certain class of product when it was not – this was the first recognition of 'extended passing off'.

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[34] Wadlow, above n 3, at 32.
[35] *Advocaat*, above n 16, at 741.
[36] Wadlow, above n 3, at 32.
[37] *Advocaat*, above n 16, at 741.
[38] *Bollinger v Costa Brava Wine Co Ltd (No 2)*, above n 1, at 278.
[39] Wadlow above n 3, at 34.
[40] *Bollinger v Costa Brava Wine Co Ltd (No 2)*, above n 1, at 286.

Advocaat affirmed the application of extended passing off. In this instance, a producer of genuine Dutch Advocaat, a drink made out of egg and spirt, was able to prevent the defendant using the name 'Old English Advocaat' for an inferior product, known as egg flip, made out of egg powder and sherry. It was recognised that there was no risk that the defendant's product would be confused with the plaintiff's given they were clearly distinguishable, therefore, there was no passing off in the classic form.[41] However, Lord Diplock saw no reason why passing off should afford protection where a product comes from a particular locality, but lose such protection if the product is not restricted to a geographical area.[42] Thus, it was held that the conduct of the defendant still amounted to passing off given they were misrepresenting their product was of a type – defined by the ingredients used – when it was not, and this caused serious injury to the plaintiff's goodwill.[43] Whenever the drink was produced in conformity with the official recipe it would be entitled to take advantage of the goodwill attached to the name Advocaat, if it was not, it would amount to passing off.[44]

Both *Bollinger* and *Advocaat* highlight how claimants have pushed the limits of passing off as they seek protection for their efforts. In doing so, passing off has clearly become more liberal. However, the key point is that the court remained careful to ensure the elements of passing off (which I will explain below in greater detail) had been made out, and the rationale of ensuring the plaintiff's goodwill was protected was firmly upheld. Arguably, this carefulness has not been maintained. Claimants have continued to push the limits of the tort, and the court has been motivated to prevent an "unmeritorious defendant escape liability".[45] In doing so they have allowed the trinity and rationale to be undermined allowing an unprincipled extension of passing off.

B. The classical trinity

Lord Diplock identified five essential characteristics to make out a claim of passing off in *Advocaat*. These characteristics were intended to provide a framework for the tort.[46]

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[41] *Advocaat*, above n 16, at 741.
[42] At 745.
[43] At 748.
[44] Ibid.
[45] Carty, above n 6, at 246.
[46] *Advocaat*, above n 16, at 741.

However, in *Jif Lemon* Lord Oliver simplified the test of passing off down to three elements.[47]

In *Jif Lemon* the plaintiff had sold lemon juice in yellow plastic containers that looked like a lemon with the word 'Jif' embossed onto them for a long period of time. The defendant entered the market and started selling lemon juice in a similar yellow container (but without the word 'Jif'). It was argued that the defendant was misrepresenting their product as the plaintiff's by using a deceptively similar get-up.[48] The claim succeeded given that there was a misrepresentation which "deceived the public into an erroneous belief regarding the source of the product".[49] Though there was similar get-up, that was not the only reason the passing off claim succeed. The claim was successful because it had the effect of damaging the plaintiff's goodwill via a diversion of sales (effectively they lost their customer connection via the misrepresentation of the defendant).[50]

In *Jif Lemon*, Lord Oliver recognised that the test for passing off requires the plaintiff to establish:[51]

1. Goodwill attached to the goods or services which he supplies, by association with the identifying get-up (brand name, trade description, or individual features of labelling or packaging), such that the get-up is recognised by the public as distinctive specifically of the plaintiffs goods or services.
2. A misrepresentation by the defendant to the public, whether intentional or not, leading or likely to lead the public to believe that the goods or services offered by the defendant are the goods or services of the plaintiff.
3. Damage, or likelihood of damage, by reason of the erroneous belief due to the defendants misrepresentation, that the source of the defendants goods or services is the same as the source of those offered by the plaintiff.

This approach has been commonly cited in New Zealand courts and is now the test applied here.[52]

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[47] *Jif Lemon case*, above n 4, at 499.
[48] At 495.
[49] At 505.
[50] At 503.
[51] At 499
[52] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing* [1993] 1 NZLR 325 (HC); *Wineworths Group Ltd v Comite Interprofessionel Du Vin De Champagne* [1992] 2 NZLR 327 (CA); *Levi Strauss & Co v Kimbyr Investments Ltd* [1994] 1 NZLR 332 (HC).

These three elements are known as the classical trinity and provide the framework for the torts application.[53] As Carty notes, the elements provide "valuable fence posts" given they are all interlinked and help to define and limit one another.[54] To be relevant to the tort the misrepresentation must be one which is made by the defendant and will "cause damage to goodwill of the claimant".[55] The link between damage and goodwill means that not any damage will suffice, the damage must be capable of causing injury to the claimant's goodwill otherwise a passing off action should not succeed.[56] Furthermore, "the need for goodwill both determines the misrepresentations which are actionable and demands that the claimant be deserving of protection".[57] For the misrepresentation to be actionable it must damage the plaintiff's goodwill and if there is no damage to their goodwill then there will be no cause of action.

As can be seen misrepresentation, damage and goodwill are at the heart of liability.[58] However, at times there has been a "manipulation" of the trinity to "achieve a desired result".[59] Dilution as a head of damage is an example of one of the ways the trinity has been manipulated and as I will come to explain why the result of is an unprincipled extension of passing off.

1 Misrepresentation

A misrepresentation requires that there is actual deception leading the purchasing public to "an erroneous belief regarding the source of the product".[60] Accordingly, the notion of a misrepresentation is not the same as mere causing to wonder, there must be real deception to give rise to a cause of action.[61]

[53] Carty, above n 2, at 230.
[54] At 268.
[55] Wadlow, above n 3, at 259.
[56] Carty, above n 2, at 257.
[57] At 268.
[58] *Hodgkinson & Corby Ltd and Another v Wards Mobility Services Ltd* [1994] 1 WLR 1564 (Ch) at 1570.
[59] Hazel Carty "Passing off: frameworks of liability debated" (2012) 2 IPQ 106 at 107.
[60] *Jif Lemon* case, above n 4, at 505.
[61] Carty, above n 2, at 231.

A prime example of the threshold for deception to be established is *Cadbury Schweppes v Pub Squash*.[62] In this case, the plaintiff Cadbury had produced and marketed a new lemon drink, and the following year Pub Squash created a similar drink and sold the product in a similar get-up – that of a yellow can. As a result Cadbury brought an action of passing off against Pub Squash. It was recognised that the critical question was whether "potential customers were led by similarities in the get-up and advertising of the two products into believing that Pub Squash was the plaintiffs product".[63] Lord Scarman held that Pub Squash's competition took advantage of the plaintiff's product but it never actually deceived anyone that the Pub Squash was the product of the plaintiff. Although the cans and advertising themes were similar, it was noted it "can readily be seen they are different", and more importantly, Cadbury were not entitled to a monopoly in yellow cans.[64] Pub Squash was clearly intending to win a share of the market from Cadbury, however, because it didn't lead to any deception, there was no actionable claim for passing off.[65]

Cadbury Schweppes shows that an appropriation is not the same as a misrepresentation and the importance of distinguishing the two. As I noted, a misrepresentation requires deception. Alternatively, an appropriation does not require deceptive conduct and will occur where a name, mark, or get-up is taken from a competitor but there is no deception as a results.[66] Where an appropriation takes place the plaintiff's goodwill, their customer connection/attractive force which brings in custom,[67] will not be damaged as consumers are still able to distinguish the source of products. Thus, as an appropriation causes no injury to goodwill the tort does not prevent it. Although some might believe that appropriation is unfair, if the appropriation does not deceive the consumer then upholding a passing off claim "would only serve to stifle competition".[68]

Ultimately, need for damage to the plaintiff's goodwill means that only deceptive conduct will be actionable for the purpose of a passing off claim.

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[62] *Cadbury-Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1980] 2 NSWLR 851 (PC).
[63] At 859.
[64] At 860.
[65] At 863.
[66] Wadlow, above n 3, at 262.
[67] *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*, above n 29, at 233.
[68] *Hodgkinson & Corby Ltd and Another v Wards Mobility Services Ltd*, above n 5858, at 1571.

2 Goodwill

Goodwill is the attractive force which brings in custom and the customer connection of the trader.[69] It is this attractive force/customer connection which the action of passing off protects.[70]

Although some case law can speak of goodwill and reputation interchangeably, Wadlow highlights that "goodwill as a form of legal property is to be distinguished from mere reputation which is primarily matter of fact".[71] The reason for this is because although a business with goodwill will have a reputation, a business with a reputation will not necessarily have goodwill.[72] For example, a business may have a reputation for being of terrible quality and will have no goodwill as a result. Therefore, the plaintiff must prove they have goodwill, an attractive force which brings in custom/customer connection to be deserving of protection.[73]

More importantly, the identification of goodwill as the right protected means that "there is no right of property in the name, mark or get-up that the claimant uses".[74] The relationship between the name, mark or get-up and the plaintiff's goodwill is of the greatest importance given it will generally be the former being deceptively similar to the plaintiff which the claim will be based.[75] However, as Wadlow highlights, "it is the right of property in the goodwill in connection with which the mark was being used which the action is protecting, not any goodwill in the mark itself".[76]

The distinguishment between property in the name, mark or get-up and property in the goodwill was well recognised by Millet LJ in *Harrods v Harrodian School*:[77]

> "It is well settled that no one has a monopoly in his brand name or get up however familiar these may be. Passing off is a wrongful invasion of a right of property vested

[69] *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*, above n 29, at 233.
[70] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd*, above n 12, at 150.
[71] Wadlow, above n 3, at 91.
[72] Ibid.
[73] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd*, above n 12, at 150.
[74] Carty, above n 2, at 249.
[75] Wadlow, above n 3, at 92.
[76] Ibid.
[77] *Harrods v Harrodian School Ltd* [1996] RPC 697 at 711.

> in the plaintiff; but the property which is protected by an action of passing off is not the plaintiff's proprietary right in the name or get-up which the defendant has misappropriated but the goodwill and reputation of the business which is likely to be harmed by the defendants misrepresentation."

Accordingly, it is crucial that the damage is to the plaintiff's goodwill, not merely to the exclusivity of their name, mark or get-up. This is an important feature that I will come to explain when looking at dilution as a head of damage.

3 Damage

Damage or the likelihood of damage is the final element of the trinity. Damage acts as an important limitation on the tort as if there is no prospect of damage to the plaintiff's goodwill there will be no cause of action for passing off.[78] It is the acceptance of dilution as a head of damage that I believe has resulted in an unprincipled extension of passing off because it does not necessarily cause damage to the plaintiff's goodwill.

As recognised, not any damage will suffice. The damage must be to the plaintiff's goodwill and therefore "the concept of damage in the tort is governed by the definition of goodwill".[79] Although goodwill is a term often used in the English language, in regard to passing off the kind of goodwill we are interested in protecting is the plaintiff's customer connection or their attractive force which bring in custom.[80] Any damage which does not impact this goodwill is not actionable.[81] Therefore, the need to show *damage to goodwill* is an essential element of the tort. If any damage – such as damage to the claimant's competitive edge – sufficed then the threshold of the tort would be lowered and there would be an unprincipled extension of the tort as it would become much more like an action to prevent unfair competition.[82]

Although damage is an essential element of the tort there is a spectrum in which establishing damage will be more or less important.[83] In some cases, such as a classic case of A

[78] Wadlow above n 3, at 221.
[79] Carty, above n 8, at 640.
[80] *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*, above n 29, at 233.
[81] *Taylor Bros Ltd v Taylors Group Ltd* [1988] 2 NZLR 1 (HC) at 22.
[82] Carty, above n 2, at 257.
[83] At 258.

misrepresenting their good as B, there is an intrinsic likelihood of damage and therefore the requirement the plaintiff establish damage will not be as high. Alternatively, in less typical cases of passing off there may not be the intrinsic likelihood of damage and it is in these cases that it must be investigated closely that the misrepresentation did actually cause damage to the plaintiff's goodwill.[84] Where this is the case, damage to the plaintiff's goodwill is able to act as "an acid test to distinguish actionable misrepresentations from those which are beneath the notice of the law".[85]

Wadlow identifies that the claimant is capable of suffering damage to goodwill in two ways, labelled generally as either 'destruction' or 'deprivation'.[86] Where goodwill suffers damage via destruction it is "destroyed, damaged, or depreciated".[87] A prime example of this would be if there was an injurious association as inferior goods are sold under the claimant's name. Regardless of whether the claimant and defendant are in competition this would damage the plaintiff's customer connection given customers may stop relying on the name.[88] Where goodwill suffers damage via a deprivation, the plaintiff is deprived of the benefit and attractive force of the goodwill. An example of this would be where the misrepresentation results in a diversion of trade/loss of sales.[89] In this instance the goodwill may not be damaged to a measurable extent, but the plaintiff is still deprived of their customer connection.[90] Within these two general kinds of damage are multiple heads, all of which sit under the broad umbrella of 'destruction' or 'deprivation'.[91] As recognised by Carty, "the classical trinity demands that the heads of damage should relate back to the claimant's goodwill – the interest protected by the tort".[92] Some examples of different heads of damage are diversion of trade, injurious association, restriction on expansion potential, or loss of licensing opportunity.[93]

Given the importance of establishing damage in a passing off action there has been constant pressure on the heads of damage to expand in order to grow the ambit of the tort. This links

[84] Carty, above n 2, at 258
[85] Wadlow, above n 3, at 9.
[86] At 222.
[87] Ibid.
[88] Carty, above n 8, at 640.
[89] At 640
[90] Wadlow, above n 3, at 222.
[91] At 235.
[92] Carty, above n 2, at 258.
[93] Wadlow, above n 3, at 235-250.

into the idea of the spectrum in which establishing damage becomes more important.[94] By accepting more liberal notions of damage to goodwill it allows less typical cases of passing off to be made out, and as I will argue, including some which do not comply with the trinity and therefore undermine the rationale of the tort.[95] Carty highlights there is "nothing to prevent new heads of damage being added to the tort, but the fact remains that any damage pleaded should involve harm to the plaintiffs customer connection".[96] Where damage is accepted which does not cause harm to the plaintiff's goodwill the tort expands via a "backdoor method". The reason for this is because misrepresentations which do not cause injury to goodwill are capable of being actionable.[97] Consequently, the trinity is altered and the rationale of the tort as a protection of a trader's goodwill is undermined.

The issue I will discuss in chapter II is dilution as one of these heads which has been added to the tort and how it results in an unprincipled extension of passing off because it does not comply with the trinity or rationale of the passing off.

C. Rationale of the tort

Passing off protects a trader's goodwill where it is damaged by a misrepresentation of a defendant.[98] Therefore, the underlying rationale of the tort is protecting a claimant's goodwill, however, because the tort also ensures that correct information is presented to consumers (given it prevents deceptive conduct), there is an indirect public interest rationale as well.[99]

This section will give some background to the rationale of the tort as a protection goodwill, where it is in the public interest to do so. Finally, it will highlight what the tort is not.

[94] Carty, above n 2, at 263.
[95] Ibid.
[96] Hazel Carty, above n 8, at 641.
[97] Jenifer Davis "Why the United Kingdom Should Have a Law Against Misappropriation" (2010) 69(3) CLJ 561 at 567.
[98] Carty, above n 2, at 267.
[99] At 266.

1 Protection of goodwill

The key thrust of the tort is a protection of a trader's goodwill: their attractive force which brings in custom/their customer connection.[100] Much of the rationale of the tort as a protection of goodwill has been explained throughout the section on the classical trinity, therefore, I will only re-examine it briefly.

There are two important things to note about the rationale of the tort as a protection of goodwill. Firstly, as I mentioned previously in the section on goodwill "since the right protected by the action for passing off is the goodwill of the claimant's business as a whole, passing off does not directly protect marks, get-up, or other signs and indica; nor does it recognise them as a form of property in their own right".[101] Accordingly, the tort does not operate like an action for an infringement of a registered trademark where use of the mark amounts to an infringement.[102] As Wadlow highlights, there is no monopoly in any name, mark or get-up where it is unregistered: in theory, the defendant "is always free to use such material if he can effectively distinguish his own goods or business, or if the circumstances are such there is no need to take active steps to distinguish it in the first place".[103]

Secondly, the rationale of the tort as a protection of a trader's goodwill means that the action is one based around "the success of the claimant rather than the freeride achieved by the defendant".[104] The requirement that the claimant shows damage to their customer connection/attractive force which brings in custom ensures that protection is only afforded to a deserving claimant where they suffer harm to their success.[105] Importantly, this means that a defendant can ride on the back of a competitor so long as they do not damage the claimant's goodwill.[106] Therefore, where an appropriation or a misrepresentation which causes no injury to goodwill is prevented the rationale of passing off is undermined.[107]

[100] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd*, above n 12, at 150; *Inland Revenue Commissioners v Muller & Co's Margarine Ltd*, above n 29, at 233.
[101] Wadlow, above n 3, 92.
[102] Trademarks Act 2002, s 89(1)(d).
[103] Wadlow, above n 3, 261.
[104] Carty, above n 2, at 267.
[105] At 268.
[106] *Hodgkinson & Corby Ltd and Another v Wards Mobility Services Ltd*, above n 58, at 1569.
[107] *Cadbury-Schweppes Pty Ltd v Pub Squash Co Pty Ltd*, above n 62, at 868.

Ultimately, the rationale of the tort as a protection of goodwill is the crux of passing off. It is paramount that the plaintiff's customer connection is damaged, otherwise passing off should not be made out.[108] Dilution as a head of damage ignores this rationale and allows for an unprincipled extension of the tort, affording traders protection where their goodwill has not been injured.

2 Public Interest

Consumers cannot sue under the tort and therefore the primary concern of the action is to protect the trader rather than the consumer.[109] However, there is an indirect public interest rationale to passing off given its role in preventing misrepresentations and ensuring that correct information is presented to consumers.[110]

As a result of preventing misrepresentations which damage the claimant's customer connection, the consumer connection with the trader is also upheld. Accordingly, there is an indirect public interest in the application of passing off as it ensures that consumers are able to make efficient choices and not be deceived when purchasing goods and services.[111] Judicially, public interest as part of the rationale for the tort has been highlighted in New Zealand in *Tot Toys v Mitchell*. Fisher J noted: [112]

> "There is a legitimate private interest in protecting business goodwill against deceptive conduct of competitors. Even more importantly, there is a strong public interest in preserving the means of identifying the source of the products".

Given the torts requirement of deceptive conduct which damages the plaintiff's goodwill, it should always serve the public interest for a claim of passing off to be made out. If public interest is not served in the torts application it will generally mean there has either not been a misrepresentation, or there is no damage to the plaintiff's goodwill, thus passing off should not succeed.

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[108] Ian Finch *James and Wells Intellectual Property Law in New Zealand* (3rd ed, Thomson Reuters New Zealand Ltd, Wellington, 2017) at 1141.
[109] Carty, above n 2, at 266.
[110] Ibid.
[111] At 267.
[112] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 341.

3 What the tort is not?

In order to highlight when an unprincipled extension has taken place it is equally important to understand what is not the rationale of the tort.

As highlighted by Wadlow, "Passing off is not a general tort of misappropriation or unfair copying".[113] Regardless of the time and effort spent making a product, and promoting it or "whether it is custom of the trade to reap the benefit without close competition, so far as the law of passing off is concerned, all of this may be copied wholesale if no misrepresentation results".[114] What Wadlow recognises in this statement is that a claim of passing off should only succeed where there is deceptive conduct.[115] Consequently, where there is an appropriation, but no misrepresentation, a claim of passing off should not succeed as the lack of deception means there will be no damage to the claimant's customer connection (their goodwill).

In *Hodgkinson & Corby Ltd and Another v Wards Mobility Services Ltd,* the plaintiff, a producer of a cushion for use in wheel chairs, complained that their product had been passed off because the defendant's replica cushion was so similar that it amounted to deceptive conduct which would damage their goodwill.[116] It was held this was not passing off on the circumstances of the case. The conduct did not amount to a misrepresentation as the defendant had distinguished their product from the plaintiff as it was sold under a different name with different packaging.[117] In deciding this, Jacob J highlighted what passing off was not, recognizing that it does not prevent copying and even going as far as saying that copying can said to be "the lifeblood of competition".[118] He further stated, "You can ride on the back of a competitor by deceiving customers or honest competition. One is lawful, the other is not".[119] What this identifies is that where a rival trader appropriates another trader's name, mark or get-up, but does so in a way which is not deceptive, it will be lawful competition. At the heart of succeeding in a claim of passing off is deceptive conduct which damages the

[113] Wadlow, above n 3, at 262.
[114] Ibid.
[115] See Trade Mark Act 2002, s 89(1)(d) – Non-deceptive use of a trademark will run afoul of registered trademark law but not passing off.
[116] *Hodgkinson & Corby Ltd and Another v Wards Mobility Services Ltd*, above n 58, at 1565.
[117] At 1568.
[118] Ibid.
[119] At 1569

claimant's goodwill.[120] To allow passing off to succeed in any other circumstance would be to grant a monopoly right in the name, mark or get-up (and potentially a type of product), rather than protect the claimant's goodwill.

Furthermore, passing off is not a protection against any misrepresentation which causes damage: passing off requires damage to the plaintiff's goodwill. Generally, this issue arises in regard to connection misrepresentations where there may be a misrepresentation that two businesses are connected, however, there is no obvious damage to the plaintiff's goodwill as a result. A prime example is *Stringfellow v McCain* where the plaintiff, a night club owner, wanted to prevent the defendant using the same name for their oven ready chips. Although it was accepted there may be some confusion as to a connection between the two businesses, there was no harm to the plaintiff's goodwill as a result.[121] In this kind of situation, a claim of passing off should not succeed as to do so is to undermine the importance of damage to goodwill as an element of passing off.[122] If a claim did succeed where there was no damage to the claimant's goodwill there would be an unprincipled extension of passing off as the action would function more like general tort of unfair competition: conduct would be prevented on the basis that it is unfair and the result would be that traders are over protected as the threshold for passing off would be lowered to allow misrepresentation per se to be actionable.[123] It is this which I will argue has occurred due to the acceptance of confusion dilution as a head of damage.

However flexible or protean the tort of passing off may be it is not a general protection of misappropriation or unfair trading.[124] Over the last chapter I have demonstrated that the tort is grounded in the classical trinity and its rationale as a protection of a trader's goodwill. Where the trinity or rationale is not adhered to there will be an unprincipled extension of the tort. I will explore this more in the second chapter in relation to dilution as a head of damage in a passing off claim.

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[120] Ibid.
[121] *Stringfellow v McCain* [1984] RPC 501 (CA Civ).
[122] Carty, above n 8, at 646.
[123] Carty, above n 2, at 297.
[124] At 230.

Chapter II: Dilution as a Head of Damage

As established, damage to the plaintiff's goodwill is a crucial element of the tort which must be made out for a passing off claim to succeed. Because of this, claimants have continually sought to increase the heads of damage.[125] Nothing prevents them doing so however it is crucial that any new heads of damage should involve harm to the plaintiff's customer connection.[126] Accordingly, goodwill acts as an important limitation on what constitutes damage for the purpose of a passing off claim.

One of the heads of damage which has been increasingly alleged since the 1980s is dilution, or its equivalent, erosion or loss of exclusivity.[127] Judicially, it has received a mixed response. However, as Carty identifies in her article, Dilution and Passing Off: Cause for Concern, "examples of judicial acceptance of dilution as a head of damage are a particular concern for those interested in a coherent development of the tort of passing off".[128] The reason for this is that dilution (or erosion/loss of exclusivity) can lead to a "backdoor" development of the tort because it does not comply with the classical trinity or rationale of passing off.[129]

This chapter will take Carty's argument and show that dilution, as an accepted head of damage, is of concern for the tort of passing off. To do so, I will explain what dilution is, and highlight why it does not comply with the classical trinity and rationale of the tort thus resulting in an unprincipled extension of passing off. This is important for New Zealand, because as I will describe in more detail during chapter III, it allows the tort to function like s 9 of the Fair Trading Act 1986 (FTA) and more alike to a tort of unfair competition.

A. What is dilution?

The theory behind dilution is "the more widely a symbol is used, the less effective it will be for any one user".[130] Schechter, an American academic, came up with the idea of dilution as the basis for trade mark protection. His belief was that that "the value of the modern trade

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[125] Carty, above n 8, at 641.
[126] Ibid.
[127] At 642.
[128] Ibid.
[129] Ibid
[130] Carty, above n 2, at 264.

mark lies in its selling power".[131] Therefore, use of the mark which resulted in its distinctiveness being impaired was to be prevented regardless of whether the mark was used on related or non-related goods.[132]

Dilution is a term used loosely.[133] Sometimes it can be referred to when there is a misrepresentation present and other times there may be no misrepresentation.[134] The theory of dilution that Schechter was referring to does not depend on any misrepresentation, Carty speaks of this as pure dilution.[135] Mere use or appropriation of the claimant's name, mark or get-up will result in damage in the form of pure dilution. Pure dilution does not comply with the classical trinity given it ignores misrepresentation as an essential element of the tort,[136] and because of the lack of deception there can be no damage to the plaintiff's goodwill, their customer connection.[137] Consequently, the rationale of the tort as a protection of a trader's goodwill is undermined. Although pure dilution has never been accepted at common law the door has not been fully closed on in and there is some judicial discussion which entertains the idea of it. I will explain why the issues with pure dilution mean it should not be accepted as a form of damage in passing off.

Dilution is also being increasingly alleged when there is a misrepresentation, Carty speaks of this as confusion dilution.[138] Confusion dilution arises when there is a misrepresentation (generally the plaintiff and defendant are in different fields but connected) and the damage claimed is dilution or erosion of exclusivity of the name, mark or get-up. The issue with recognising this as a head of damage in its own right is that dilution (or erosion of exclusivity) does not harm the plaintiff's customer connection, therefore damage to goodwill as an essential ingredient of the tort is undermined and the rationale of the tort as a protection of a trader's goodwill is not adhered to.[139] The result is an unprincipled extension of passing off to afford claimants protection where there is no injury to their customer connection. I will

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[131] Frank Schechter "The Rational Basis of Trademark Protection" (1927) 40 Harv L Rev 813 at 831.
[132] Ibid.
[133] Wadlow, above n 3, at 250.
[134] Carty, above n 8, at 644.
[135] Ibid.
[136] Wadlow, above n 3, at 251.
[137] Carty, above n 8, at 648.
[138] At 646.
[139] At 644.

highlight the issues with confusion dilution and why it has resulted in an unprincipled extension of the tort.[140]

B. Pure dilution

Pure dilution protects the exclusivity of a name, mark or get-up without any misrepresentation being present.[141] There has been no judicial acceptance of pure dilution in a passing off claim, however, there has been discussion which leaves the door ajar. I will explain the issues with pure dilution, some judicial discussion of it and in doing so highlight why the door should be firmly shut on it.

1 Issues with pure dilution

Pure dilution undermines the classical trinity and the rationale of the tort, both as a protection of a trader's goodwill and the public interest of ensuring "the means of preserving the source of products".[142]

Firstly, pure dilution is about protecting the exclusivity of the name, mark or get-up itself not any goodwill it generates.[143] Because pure dilution arises absent to any misrepresentation, "what lies behind a claim is an attempt to complain about misappropriation".[144] To accept a claim on such basis compromises the rationale of the tort as a protection of a trader's goodwill and instead recognises a property right in the name, mark or get-up. As Millet LJ stated in *Harrods*: [145]

> "It is well settled that no one has a monopoly in his brand name or get up however familiar these may be. Passing off if a wrongful invasion of a property right vested in the plaintiff; but the property which is protected by an action for passing off is not the plaintiff's proprietary right in the name or get-up which the defendant has

[140] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81; *Wineworths Group Ltd v Comite Interprofessionel Du Vin De Champagne*, above n 52.
[141] Wadlow, above n 344, at 251.
[142] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 341.
[143] Carty, above n 2, at 266.
[144] At 265.
[145] *Harrods v Harrodian School Ltd*, above n 77; *Taittinger and other v Allbev and others* [1994] 4 All ER at 711.

misappropriated but the goodwill and reputation of his business which is likely to be harmed by the defendants misrepresentation".

Recognition of a property right in the name, mark or get-up results in a sea-change in the rationale of the tort,[146] and would allow passing off to function much like s 89(1)(d) of the New Zealand Trade Marks Act 2002.[147] In reality, passing off does not recognise any exclusive right to a name, mark or get-up and so long as there is no misrepresentation which damages the plaintiff's goodwill all of this can be copied.[148]

Secondly, there is no public interest in the recognition of pure dilution. The elements of misrepresentation and harm to goodwill (customer connection) highlight the torts role in ensuring that correct information is presented to consumers allowing them to make efficient choices.[149] However, as pure dilution occurs in the absence of both a misrepresentation and damage to goodwill there is no public interest in preventing such 'damage' occurring. Rather, pure dilution focuses solely on the claimants interest of ensuring that their name, mark or get-up as a valuable asset is not eroded, any public interest in the torts application is abandoned.[150]

Ultimately, pure dilution occurs in the absence of any misrepresentation or damage to goodwill meaning the focus of the tort is altered to recognise a property right in the name, mark or get-up itself. This undermines the rationale of the tort as a protection of a trader's goodwill where it is in the public to do so. Consequently, if accepted as a head of damage to support a passing off claim, pure dilution would result in an unprincipled extension of passing off.

2 Judicial recognition of pure dilution

The cases which have come the closest to recognising pure dilution as a head of damage are the English cases of *Taittinger v Allbev* and *Harrods v Harrodian School*.[151]

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[146] Carty, above n 2, at 266.
[147] See s 89(1)(d) – essentially recognises unauthorized dilution of a trade mark is an infringement.
[148] Wadlow, above n 3, at 261.
[149] Carty, above n 2, at 267-268.
[150] Christopher Wadlow "Passing off at the crossroads again: a review article for Hazel Carty, an analysis of the economic torts" (2010) 33(7) EIPR 447 at 453.
[151] *Harrods v Harrodian School Ltd*, above n 77; *Taittinger and other v Allbev and others*, above n 145.

In *Taittinger*, the producers of Champagne from the Champagne region of France brought a claim against Allbev Ltd for calling their non-alcoholic fizzy drink 'Elderflower Champagne'.[152] It was held there was a misrepresentation that "the defendant's product was Champagne or some way associated with it".[153] Regardless, Carty highlights that the dicta from Mann LJ supports the fact that had there been no misrepresentation a claim of passing off still could have succeed on the basis of pure dilution.[154] Mann LJ recognised, "the word Champagne has an exclusiveness which is impaired if it is used in relation to a product which is neither Champagne, nor associated with or connected to the business which produce Champagne".[155] This suggests that Mann LJ's principle concern was the erosion of the distinctiveness of the name 'Champagne' and therefore passing off may have been able to be made out on the basis of pure dilution had there been no misrepresentation.[156] The issue with this approach is that the tort would become a protection of the trade value of the name as opposed to the trader's goodwill.[157]

In *Harrods* the department store Harrods brought a claim of passing off against the defendant to prevent the name 'Harrodian School' being used. Carty highlights that in Sir Michael Kerr's dissenting judgement he recognised two things to suggest that his real concern was pure dilution.[158] Firstly, he noted, "the issue is whether there was a misappropriation", suggesting there is no need for a misrepresentation in a claim of passing off.[159] Secondly, he highlighted "debasement or dilution of a plaintiffs reputation" as a relevant head of damage and distinguished it from mistaken connection and loss of control (essentially confusion dilution).[160] From this it is clear that "to Sir Michael Kerr, the mere loss of exclusivity or control of the name Harrods was damage enough: it was irrelevant that the defendants might not be taken as having any connection at all with the plaintiff".[161]

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[152] *Taittinger and other v Allbev and others*, above n 145, at 75.
[153] At 84.
[154] Carty, above n 8, at 649.
[155] *Taittinger and other v Allbev and others*, above n 145, at 91.
[156] Wadlow, above n 3, at 251.
[157] Carty, above n 8, at 648.
[158] At 649.
[159] *Harrods v Harrodian School Ltd*, above n 77, at 722.
[160] At 724.
[161] Wadlow, above n 3, at 233.

The majority judgement in *Harrods* delivered by Millet LJ was opposed to the notion of pure dilution. Millet LJ states, "I have intellectual difficulty in accepting the concept that the law insists upon the presence of both confusion and damage, and yet recognises as sufficient a head of damage which does not depend on confusion".[162] This highlights how pure dilution does not fit within the framework of the tort: passing off requires misrepresentation, yet pure dilution does not depend on any misrepresentation and can occur where there has been a non-deceptive appropriation. Furthermore, because there is no misrepresentation, there is no damage to the plaintiff's goodwill, their customer connection. Accordingly, Millet LJ recognised that if pure dilution is accepted then the action is protecting the value of the brand name itself as opposed to the goodwill it generates.[163]

If pure dilution is recognised as a relevant head of damage in a passing off action misrepresentation and damage to goodwill are ignored as essential elements of the tort: upon proof of appropriation, a finding of passing off would be made. Given pure dilution has received no express judicial acceptance, and it so clearly does not comply with the trinity or rationale of the tort I will not analyse it in this dissertation any further. It should not be accepted.

C. Confusion dilution

Confusion dilution (or its equivalent loss of exclusivity/erosion of distinctiveness) occurs where there is a misrepresentation, generally that the businesses of the claimant and defendant are connected, and the plaintiff alleges damage to their goodwill in the form of dilution or erosion of exclusivity in their name, mark or get-up.[164] However, as Carty identifies, where there is a misrepresentation which causes dilution or erosion of exclusivity in a name, mark or get-up it is not a misrepresentation which damages goodwill.[165] Therefore, accepting it as a head of damage in its own right has allowed for an unprincipled extension of the tort as traders are afforded protection where there is no damage to their goodwill.

[162] *Harrods v Harrodian School Ltd*, above n 77, at 716.
[163] Ibid.
[164] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 22.
[165] Carty, above n 8, at 646.

1 Issues with confusion dilution

Where a genuine passing off claim is made out – for example, a misrepresentation of a name causing damage to the plaintiff's goodwill via a diversion of trade – by implication a dilution in exclusivity of that name will also occur. Accordingly, a distinction must be made between heads of damage which can support passing off in their own right, and damage which can have some relevance to a claim but is not sufficient to support a claim by itself.[166] Confusion dilution fits in the latter category, although it may arise where there is a passing off claim which is able to satisfy all of the elements of the trinity, claimed alone it should not support an action.[167] Where confusion dilution is the sole damage alleged the result is an unprincipled extension of passing off as the as the requirement of damage to goodwill is lost and therefore the rationale of the tort as a protection of goodwill is undermined.

Although there is a misrepresentation in confusion dilution, it is not one which harms the plaintiff's goodwill as they are not deprived of any customer connection, nor does it cause their attractive force which brings in custom to be damaged.[168] If the misrepresentation was one which harmed the plaintiff's goodwill then another head of damage would be apparent given confusion dilution overlaps with better established heads of damage such as diversion of trade, injurious association or loss of licensing opportunity.[169] For example, if there was a false connection and the defendant's business was of poor quality then there would be an injurious association. Or if there was a false connection and both businesses where in the same trade there would be loss of sales/diversion of trade. However, where there is a false connection and the only impact is a dilution or erosion of distinctiveness of the name, mark or get-up there is not any injury to the plaintiff's goodwill. I will explain the reason for this below.

The Singapore Court of Appeal in *Novelty Pte Ltd v Amanresorts Ltd and Another* highlights confusion dilution (or erosion of distinctiveness) in its own right does not cause damage to goodwill.[170] In *Novelty Pte Ltd*, it was noted that the Court of Appeal in *Taylor Bros* thought damage to goodwill in the form of dilution or loss of exclusivity had occurred due to a

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[166] Wadlow, above n 3, at 235.
[167] At 248.
[168] Carty, above n 7, at 646.
[169] Wadlow, above n 3, at 248.
[170] *Novely Pte Ltd v Amanresorts Ltd and Another* [2009] SGCA 13 at 61.

"tendency to treat the parties as associated".[171] However, the Judge in *Novelty Pte Ltd* questioned how this caused any damage to the plaintiff's goodwill as opposed to mere proof that there had been a misrepresentation which leads to some sort of confusion as to a connection between the plaintiff and defendant.[172] Essentially, the court in *Novelty Pte Ltd* recognised that it is not logical to infer that a misrepresentation, resulting only in a dilution or loss of exclusivity of a name, mark or get-up will cause damage to the plaintiff's goodwill. In reality where confusion dilution is claimed as the sole damage all it can prove is that a misrepresentation as to connection has occurred, it is not sufficient to establish that the misrepresentation is one which has caused injury to goodwill.

Related to this, *Novelty Pte Ltd* also recognised another danger with confusion dilution as a head of damage "lies in truism".[173] Wherever the defendant misrepresents the plaintiff's name, mark or get-up there will be a loss of exclusivity by definition.[174] Accordingly, where confusion dilution (or loss of exclusivity) is accepted, the necessity to prove damage to goodwill as an independent ingredient of the tort is lost and consequently its rationale as a protection of a trader's goodwill is undermined.

Alike to pure dilution, the thrust of a confusion dilution claim is really about protecting the exclusivity of the name or mark itself.[175] Wadlow identifies this where he states: [176]

> "Considered as a head of damage in its own right, loss of exclusivity needs to be treated with caution. It lends itself to a circular arguments thereby undermining the importance of damage as an essential element of passing off, and it leads easily to the fallacy that the property being protected is the name or mark or get-up itself, rather than the goodwill in the claimants business".

As I highlighted in the sections under goodwill and pure dilution there is no property in the plaintiff's name, mark or get-up.[177] To recognise such a property right undermines the

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[171] Ibid.
[172] Ibid.
[173] At 62.
[174] Ibid.
[175] Hazel Carty "Heads of Damage in Passing Off" (1996) 18(9) EIPR 487 at 492.
[176] Wadlow, above n 3, at 248.
[177] *Diageo North America Inc v InterContinental Brands (ICB) Ltd* [2010] EWCA Civ 920, [2011] All ER 242 at [24].

rationale of the tort as a protection of a trader's goodwill as originally established in *Spalding*.[178]

Furthermore, the requirement of damage to goodwill means the tort is focused on the success of the claimant rather than the free ride achieved by the defendant.[179] This is recognised in *Hodgkinson & Corby Ltd and Another* where Jacob J states, "There is no tort of making use of another's goodwill as such".[180] By accepting a head of damage which results in no injury to the plaintiff's goodwill the focus of the tort shifts from protecting the success of the claimant to punishment of any free ride or use made of the plaintiff's goodwill. Whilst it may be considered unfair that a freeride occurs, provided it does not actually injure the claimant's goodwill in any way it should not be prevented by an action of passing off. To do so is to prevent unfair competition more generally and recognise a monopoly right in a name, mark or get-up: both of which are things the tort has never sought to do.[181]

Accepting confusion dilution (or erosion of exclusivity) as a head of damage in some ways upholds the public interest rationale of the tort and in some ways undermines it. The reason for this is that where confusion dilution is alleged the public will have a mistaken belief as to a connection between the plaintiff's and defendant's businesses. Consequently, because of the public's mistaken belief, the information role of the tort may suggest that confusion dilution should be accepted as a valid head of damage. However, where dilution or erosion of exclusivity is the damage alleged the misrepresentation is not one which harms the plaintiff's customer connection.[182] As the misrepresentation does not harm customer connection there is no real public interest in preventing damage in this form. In reality, confusion dilution is more about serving the interest of the plaintiff in protecting their name, mark or get-up as an advertising tool, as opposed to protecting their customer connection which there is an inherent public interest in.[183]

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[178] *Spalding (AG) v A W Gamage Ltd and Benetfink & Co Ltd*, above n 12, at 150.
[179] Carty, above n 2, at 296.
[180] *Hodgkinson & Corby Ltd and Another v Wards Mobility Services Ltd*, above n 58, at 1569.
[181] Carty, above n 2, at 297; Wadlow, above n 3, at 261.
[182] Carty, above n 8, at 654.
[183] Ibid.

2 The unprincipled extension

Passing off is a protean action.[184] However, regardless of how elastic it becomes it is grounded in the classical trinity and rationale of the tort.[185] Acceptance of confusion dilution as a head of damage in its own right results in an unprincipled extension of passing off because the requirement that there is damage to the plaintiff's goodwill is not adhered to and consequently the rationale of the tort as a protection goodwill is undermined.

The acceptance of confusion dilution has occurred because the court has sought to prevent "an unmeritorious defendant" escape liability.[186] The claimant's investment in their name, mark, or get-up is protected regardless of whether the conduct of the defendant damages their goodwill and therefore a right of property in such a name, mark or get-up is identified. Recognising this property right prevents any free-ride of the defendant, while this might appear to achieve an equitable outcome "the clear fence posts of the orthodox application of the tort" are lacking, meaning instead that passing off is refocused on a "vague moral rationale".[187] Essentially, the court has tried to prevent conduct which they consider unfair, however, accepting confusion dilution results in a departure from the firmly established elements and rationale of the tort. Thus, the consequence is "ad hoc decisions",[188] and an unprincipled extension of passing off as its theoretical basis as a protection goodwill is lost.

As I have briefly alluded to, one of the implications of the unprincipled extension of passing off in New Zealand is that the tort is able to function more like s 9 of the FTA. Section 9 of the FTA recognises, "No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive". If the conduct of the defendant is found to breach s 9 a remedy may be granted under s 41, 42 or 43 of the Act. The key difference between s 9 and passing off is that under s 9 there is no requirement to establish damage to goodwill.[189] Consequently, if the requirement of damage to goodwill is lost then the two actions (passing off and s 9) are able to function in the same way. The issue with this is that

[184] *Advocaat*, above n 16, at 740.
[185] Carty, above n 7, at 632.
[186] Carty, above n 6, at 246.
[187] Carty, above n 2, at 297.
[188] Carty, above n 6, at 246.
[189] Brendan Brown "Current developments in passing off and fair trading in New Zealand with particular reference to the Australian Connection" (1988) 10(10) EIPR 302 at 308; *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 367.

passing off protects private interests, while s 9 of the FTA protects public interests. If the threshold of passing off is lowered to the standard of an action which primarily protects public interests traders can become 'too well protected' as they no longer have to show harm to goodwill,[190] and will receive a remedy once a claim is made out (unlike the discretionary remedies under s 9 of the FTA).[191]

Furthermore, the unprincipled extension also allows passing off to function more like a prevention of unfair competition. Although the tort does prevent unfair competition, it does so in a specific circumstance – where there is a misrepresentation which damages the plaintiff's goodwill.[192] Where confusion dilution is accepted as the damage in a passing off case there is an unprincipled extension as the need to establish goodwill is lost and the basis of the action becomes about preventing unfair competition/conduct more generally. The issue with this is that the strict fence posts of the tort application are abandoned,[193] and therefore it allows for the court to intrude on the competitive process.[194]

The result of accepting confusion dilution in its own right is that the tort has been refashioned by the "backdoor".[195] In reality, confusion dilution allows damage to goodwill as an essential ingredient to be ignored and therefore the rationale of the tort is undermined as traders are allowed protection where there is no damage to their goodwill.

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[190] Carty, above n 8, at 648.
[191] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 368.
[192] Wadlow, above n 3, at 8.
[193] Carty, above n 8, at 652.
[194] A F Grant "Unfair Competition in New Zealand" (1985) New Zealand Law Journal 242 at 243 at 245.
[195] Carty, above n 8, at 642.

Chapter III: The unprincipled extension in New Zealand and the way forward

Accepting confusion dilution as a head of damage in a passing off claim is of "particular concern for those interested in a coherent development of the tort" because it does not comply with the classical trinity or rationale of passing off.[196]

Although there are various issues with confusion dilution it has been accepted as a valid head of damage in New Zealand. This chapter will highlight some judicial recognition of confusion dilution in New Zealand, and explain why it results in an unprincipled extension of passing off. It will also look at the implications of the unprincipled extension. One of these being that passing off functions like s 9 of the FTA but in doing so serves purely private interests, and another being that the rationale becomes preventing unfair competition/conduct. I touched on this in the previous chapter, however, I will re-iterate it greater detail in this chapter.

Finally this chapter will look at the way forward for confusion dilution and suggest that it should be kept out of passing off claims. The result of this is that passing off would be kept conceptually different to a tort of unfair competition and s 9 of the FTA. By doing so it will ensure that the application of passing off is coherent, whilst traders still receive adequate protection.

A. Judicial recognition of confusion dilution in New Zealand

Judicially, confusion dilution as a head of damage has received a mixed reaction in most common law jurisdictions.[197] However, the New Zealand courts have readily accepted it as a legitimate form of damage.[198]

In *Taylor Bros Ltd v Taylors Group* the plaintiff, who had been in the dry cleaning business for over fifty years and traded under the name 'Taylors Dry Cleaning', brought a claim of passing off (and misleading and deceptive conduct under s 9 of the FTA) against the

[196] Ibid.
[197] *Stringfellow v McCain*, above n 121; *Novely Pte Ltd v Amanresorts Ltd and Another*, above n 170.
[198] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81; *Wineworths Group Ltd v Comite Interprofessionel Du Vin De Champagne*, above n 52.

defendant who entered the linen hire business and traded under the name 'Taylors Linen Hire'.[199] In recognising the heads of damage in a passing off claim, McGechan J in *Taylor Bros* referred approvingly to *Chelsea Mans Wear Ltd v Chelsea Girl* where Slade LJ held damage as a result of "substantial confusion" can be caused in three ways: diversion of trade, injury to the trade reputation or "injury which is inherently likely to be suffered when on frequent occasion the plaintiff is confused by customers… with another business, or is wrongly regarded as being connected with that business".[200] From this, McGechan J highlighted that the heads of damage relevant to a passing off action in New Zealand are diversion, damage to reputation or damage by suggestion of association which amounts to a *dilution of goodwill*.[201] Ultimately, it was found that the damage in this case was dilution of goodwill.[202] Therefore, confusion dilution in a passing off action was accepted as a head of damage in New Zealand.

It is interesting to note how McGeehan J tried to connect this head of damage to the trinity by linking dilution directly with goodwill. Respectfully, he is twisting the need for damage with dilution and in doing so the requirement of *damage to goodwill* was not adhered to.

An additional issue with McGeehan J's reasoning is that as identified in *Novelty Pte Ltd*, confusion dilution does not necessarily cause damage to the plaintiff's goodwill, all it shows is that there has been a misrepresentation as to a connection.[203] In *Taylor Bros Ltd* if the confusion dilution did cause damage to goodwill another head of damage would have been available to argue such as injurious association or diversion of trade because confusion dilution overlaps with these better established heads of damage.[204] Although there may have been a dilution in the exclusivity of their name this did not damage their attractive force which brings in custom or their customer connection. Accordingly, confusion dilution is only able to demonstrate that there has been a misrepresentation as to potential connection,[205] it does not follow that this connection is one which will damage the claimant's goodwill.[206]

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[199] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 1.
[200] *Chelsea Mans Wear Ltd v Chelsea Girl Ltd* [1987] RPC 189 (CA Civ) at 202.
[201] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 22 [emphasis added].
[202] At 25.
[203] *Novely Pte Ltd v Amanresorts Ltd and Another*, above n 170, at 61.
[204] Wadlow, above n 3, at 248.
[205] *Novely Pte Ltd v Amanresorts Ltd and Another*, above n 170, at 61.
[206] Ibid.

Consequently, as the plaintiff was able to make out a claim of passing off when there was no damage to goodwill *Taylor Bros* is an example of an unprincipled extension of passing off.

When *Wineworths Group Ltd v Comite Interprofessionel Du Vin Champagne* came around four years after *Taylor Bros* the New Zealand Court of Appeal were quick to accept that there had been a dilution or erosion of distinctiveness in the name which damaged the goodwill of the plaintiff's business.[207] In *Wineworths* the plaintiffs, the Champagne Houses of France, brought a claim of passing off (and misleading and deceptive conduct under s 9 of the Fair Trading Act) against Wineworths who had agreed to stock Australian sparkling wine under the name 'Australian Champagne' or 'Brut Champagne'. Interestingly, although heads of damage which cause obvious injury to goodwill – diversion of trade, or injurious association – were available to be argued, the main thrust of the claim was that there was a dilution or erosion of exclusivity of the name Champagne.[208] Relying on the Court of Appeal judgement in *Taylor Bros*, Gault J stated "I have no doubt that erosion of distinctiveness of a name or mark is a form of damage to the goodwill of the business with which the name is connected".[209]

This case provides an example of confusion dilution being alleged when it is overlapping with better established heads of damage.[210] In this instance, it is arguable the dilution in the exclusivity of the name would have caused damage to the plaintiff's customer connection given the traders were in the same field. However, instead of relying on a head of damage which can occur when there is a misrepresentation which does not injure goodwill,[211] the claimant should have brought the action under a better established head of damage, in which injury to goodwill always follows from the damage.[212] For example, given the traders were in the same field, if the name 'Champagne' was used by the defendant it is likely there would have been a diversion of trade and this would clearly damage the plaintiff's customer connection. By relying on diversion of trade instead of confusion dilution it means damage is able to distinguish actionable misrepresentations from those which are not actionable for the purpose of passing off. This will be addressed more in chapter III.

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[207] *Wineworths Group Ltd v Comite Interprofessionel Du Vin De Champagne*, above n 52, at 343.
[208] At 332.
[209] At 343.
[210] Wadlow, above n 3, at 248.
[211] *Novely Pte Ltd v Amanresorts Ltd and Another*, above n 170, at 491-492.
[212] Wadlow, above n 3, at 248.

B. Section 9 of the Fair Trading Act

In New Zealand the main implication of confusion dilution allowing an unprincipled extension of passing off is that the tort functions like s 9 of the FTA. As recognised, s 9 of the FTA recognises, "No person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive". If the defendant's conduct is found to breach s 9, a remedy may be granted under s 41, 42 or 43 of the Act.

Section 9 is a consumer protection provision designed to protect the public from unfair trade practice.[213] Although a rival trader is able to enforce s 9 and is often the applicant in a claim,[214] it is primarily intended as consumer protection legislation.[215] Alternatively, passing off is a trader protection designed to protect the trader's private interests. Although there is an indirect public interest in the application of passing off it is primarily protects private interests.[216] This notion was highlighted by Thomas J in his dissenting judgement in *Neugmegen* where he states:[217]

> "… the cause of action in passing off and the cause of action based on s 9 are quite different beasts. Passing off is a tort of private nature directed at the protection of the traders intangible property right in his or her goodwill. An action under s 9 may be brought by a rival trader but it remains an action of a public character directed at the protection of consumers".[218]

Consequently, Judges appear happy to recognise that the actions of s 9 of the FTA and passing off are quite different. Whilst this may be the case, as a result of the unprincipled extension of passing off the two actions are being applied in the same way with the result being a potential for over protection of traders.

What amounts to misleading or deceptive conduct is not statutorily defined. In *Neumegen v Neumegen*, Blanchard J in the Court of Appeal recognised that "a defendant's conduct will

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[213] *Coco-Cola Company v Frucor Soft Drinks Ltd* [2013] NZHC 3282, (2013) 104 IPR 432 at [223].
[214] Brown, above n 189, at 308.
[215] Ibid.
[216] Carty, above n 2, at 266.
[217] *Neumegen v Neumegen & Co* [1998] 3 NZLR 310 (CA) at 325.
[218] Ibid.

not be misleading unless it amounts to a misrepresentation".[219] However, the majority of decisions recognise that the words 'misleading or deceptive conduct' should be "interpreted on the basis of their plain and ordinary meaning and in the context of the facts of the individual case",[220] with the current Supreme Court test formulated in *Red Eagle v Ellis* also using the plain words of the statute 'misleading or deceptive conduct'.[221] Regardless of whether the existence of a misrepresentation is used in the test of whether s 9 has been breached, the requirement of a misrepresentation in passing off and 'misleading or deceptive conduct' in s 9 are very similar. It is unlikely that something which would be considered a misrepresentation for the purpose of passing off would not be considered misleading or deceptive conduct under s 9.[222]

Given the requirement of a misrepresentation for passing off and misleading or deceptive conduct for s 9 very are similar, the key difference between passing off and a claim under s 9 is that s 9 is easier to establish as it requires no need to show the defendant's conduct causes damage to goodwill.[223] Where it is shown that there is misleading or deceptive conduct (breach of s 9), a claimant may be able to obtain injunctive relief under s 41 and if loss or damage is also shown the claimant may be able to obtain (amongst other things) a refund, return of money or direction that they be paid the amount of any loss or damage under s 43.[224]

Because confusion dilution (or loss of exclusivity) causes no injury to goodwill, where it is accepted as a head of damage in a passing off claim it allows an unprincipled extension of the tort to afford a trader protection when there is no damage to goodwill and therefore passing off is able to function in the same way as the FTA. Any misrepresentation which causes damage will be actionable and goodwill as a key ingredient of the tort is abandoned. Therefore the threshold to establish passing off is lowered to that of s 9 of the FTA.

As established, s 9 of the FTA is essentially passing off, minus the requirement to show damage to goodwill. Therefore, it may be argued that although conceptually the tort should demand damage to goodwill, in practice it does not matter if the tort is applied where it is not

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[219] At 317.
[220] Finch, above n 108, at 1209; *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 40.
[221] *Red Eagle Corp Ltd v Ellis* [2010] NZSC 20, [2010] 2 NZLR 492 at 503.
[222] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 367.
[223] Brown, above n 189, at 308; *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 367.
[224] Fair Trading Act, s 41(1) and 43(3).

made out as it produces the same result as a claim under s 9 of the FTA. In reality, accepting dilution as a head of damage allowing passing off to function like s 9 of the FTA does have a practical effect due to matters of enforcement and remedies.[225] This was highlighted by Fisher J in *Tot Toys*: [226]

> It is therefore undoubtedly easier to satisfy the initial ingredients of the statutory cause of action. But the position may be different when it comes to remedies. Once it is established that passing off has occurred the common law plaintiff cannot be denied damages... In contrast remedies under the Act are discretionary. Whereas the object of a passing off action is to protect the plaintiff's goodwill, at least the principle object of the statutory cause of action to protect the consumer. In deciding whether a statutory remedy should be granted the most important question is therefore whether the misleading and deceptive conduct is likely to have a sufficiently serious impact upon customers rather than trade competitors.

Accordingly, it is important passing off is kept at a higher threshold to establish – a misrepresentation which damages the plaintiff's goodwill – because the action protects private interests and once it is made out the plaintiff cannot be denied a remedy. Alternatively, s 9 of the FTA is at a lower threshold to establish – only requires misleading or deceptive conduct – because it is primarily consumer protection legislation and damages are discretionary, the court will look to see the impact on consumers before deciding whether to grant a remedy.[227] Consequently, if the same claim was brought under s 9 of the FTA and passing off, a remedy may not be granted via s 9 as the court will use their discretion with their main consideration being the impact on consumers, not the private interests of the trader.[228] As a result, there remains an advantage of succeeding in an action of passing off compared to s 9 of the FTA and thus the threshold for passing off should be kept higher than s 9 of the FTA.

Overall, where confusion dilution is accepted as a head of damage in a passing off claim there is an unprincipled extension of the tort as the trader is afforded protection when there is

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[225] Elizabeth Paton "A comparison between s 9 of the Fair Trading Act 1986 and the Common Law" (1988) 6(1) Auckland U L Rev 857 at 14.
[226] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 368.
[227] Brown, above n 189, at 308.
[228] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 368.

no damage to their goodwill. The implication of this is that passing off is able to function in the same way as s 9 of the FTA with the issue being that where passing off is made out a plaintiff will receive a remedy, whereas remedies for a breach of s 9 of the FTA are discretionary. Thus, given passing off protects private interests the threshold to establish a claim should be higher than s 9 of the FTA which is primarily consumer protection legislation.

C. Unfair competition

Another implication of confusion dilution allowing an unprincipled extension of passing off is that (where confusion dilution is alleged) the rationale of the tort is altered to be based on preventing unfair competition as opposed to protecting a trader's goodwill.[229]

Accepting dilution or erosion of exclusivity in a passing off claim means the rationale of the tort as a protection of a trader's goodwill is undermined and instead the tort becomes about protecting the name, mark or get-up from any unfair use by another.[230] Preventing unfair conduct may appear attractive, however, in reality it is based on vague principles.[231] The American case of *International News Service v Associated Press* highlights this problem.[232] In *International New Service*, the issue before the court was whether a newspaper could appropriate another newspapers items and publish them as their own. In the United States Supreme Court, a majority judgement delivered by Pitney J, held: "a defendant in appropriating it [the news items] and selling it as its own is endeavouring to *reap where it has not sown*… The transaction speaks for itself, and a court of equity ought not to hesitate long in characterising it as unfair competition".[233] As Grant highlights, "reaping without sowing is such a broad principle that if it applied at all literally, it would stifle all economic growth since few ideas are ever novel".[234] By accepting confusion dilution and allowing an unprincipled extension of passing off the tort loses its fence posts of application,[235] and the 'acid test' that damage to goodwill provides in distinguishing actionable misrepresentations

[229] Davis, above n 97, at 574.
[230] Carty, above n 8, at 633.
[231] Carty, above n 2, at 297.
[232] *International News Service v Associated Press* 248 US 215 (1918).
[233] At 239 [emphasis added].
[234] Grant, above n 194, at 245.
[235] Carty, above n 6, at 252.

from those beneath the law is lost.[236] Instead the tort becomes based on the notion of preventing unfair competition,[237] a realm passing off has never sought to enter, nor should it.

Another issue with unfair competition as the rationale for passing off (where confusion dilution is claimed) is that deciding what amounts to fair or unfair trading practices is a political process not a judicial one.[238] Unfair competition should not operate as the rationale for the tort as it is not for the court to broadly deem what amounts to fair or unfair conduct.[239] In New Zealand our more general preventions of unfair trading have all been set out by Parliament, as seen via Acts such as the Commerce Act 1986 and the FTA.[240] It is inappropriate for the court to enter this realm by allowing confusion dilution as a head of damage, thus meaning preventing unfair competition/conduct operates as the rationale of a passing off claim. Recognition of this can be seen in *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No.2)*, Deane J highlights, "neither legal principle or social utility requires or warrants" a cause of action of which the main characteristic is "judicial indulgence of idiosyncratic notions of what is fair in the market place".[241] In a society where competition is the cornerstone of our economy how do the courts decide what is fair competition and what is unfair competition?[242] Although *Moorgate* is an Australian case, the same principles would apply in New Zealand given the similarity between our unfair trading laws (both at common law and statute).[243]

Because confusion dilution does not cause damage to the claimant's goodwill, such a head of damage alters the rationale of the tort from the clear and unambiguous fenceposts of protecting goodwill, to a vaguer principle of preventing unfair competition/conduct.[244]

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[236] Wadlow, above n 3, at 9.
[237] Carty, at 2, at 297.
[238] Derek Harms "Hark! There goes a tort" (1995) 17(9) EIPR 453 at 454.
[239] Ibid.
[240] See the FTA and Part 2 of the Commerce Act 1986.
[241] *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* (1984) 156 CLR 414 (HCA) at 435.
[242] Grant, above n 194, at 245.
[243] See s 9 of the New Zealand Fair Trading Act and s 52 of the Australian Consumer Law.
[244] Carty, above n 2, at 266.

D. The way forward

Confusion dilution should not be accepted as a valid head of damage in a passing off claim. Instead equitable outcomes for a claimant could still be achieved if injury to goodwill was alleged under alternative heads of damage. Or alternatively, where there is no damage to goodwill a claim is brought via s 9 of the FTA and a serious impact to consumers is shown allowing a remedy to be granted.[245]

1 Allege injury to goodwill under other recognised heads of damage

As I identified in Chapter I, there are two fundamentally different types of damage to a plaintiff's goodwill: destruction or deprivation.[246] Under these two broad types of damage there are various different heads including: loss/diversion of sales, injurious association, damage to reputation within trade, loss of licensing opportunity and restriction on expansion potential.[247] Where the circumstances of the case fit, instead of giving a "wider interpretation of goodwill" to produce an equitable outcome as Grant suggests,[248] claimants should look to demonstrate damage to goodwill under one of the other recognised heads.[249] Doing so ensures that the boundaries of the tort do not need to be crossed by alleging confusion dilution.

A prime example of a case which the claimant could likely still have succeed in making out passing off without relying on damage in the form of dilution or erosion of exclusivity (confusion dilution) is *Wineworths Group Ltd*. As I have previously established the case was about Australian sparkling wine being imported and sold in New Zealand as 'Australian Champagne', or 'Brut Champagne'.[250] Respectfully, I believe this action would have been able to succeed if the head of damage was diversion of sales or injurious association and therefore the need to plead confusion dilution or erosion of exclusivity in the name was unnecessary.

[245] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 368.
[246] Wadlow, above n 3, at 222.
[247] At 235-244.
[248] Grant, above n 194, at 246.
[249] Wadlow, above n 3, at 248.
[250] *Wineworths Group Ltd v Comite Interprofessionel Du Vin De Champagne*, above n 52, at 332.

In regard to loss/diversion of sales, the Australian sparkling wine being called 'Champagne' would have resulted in reduced sales for the claimant (the French Champagne houses). This was recognised by Cooke P in his judgement when he referred to previous sales volumes of Champagne when a different Australian Champagne was imported by another trader. He noted that, "the success of Yalumba Angas Brut [a previous Australian Champagne] led to Australian Champagne sales surpassing those of true Champagne, a development which was the forerunner of this litigation".[251] It is clear to infer that this was a diversion of trade as a result of the misrepresentation that the Australian sparkling wine was Champagne. Consequently, because previous sparkling wine imported under the name 'Champagne' resulted in a diversion of trade, there is no reason to assume that this would not have occurred again. Therefore, in *Wineworths Group Ltd* it would likely have been possible for damage to goodwill to have been made out on the basis of loss/diversion of sales as a result of the misrepresentation.

Additionally, a claim of injurious association would also have been likely to succeed. This is because French Champagne is made via a method which results in an (arguably) higher quality product than Australian sparkling wine. This notion was highlighted by Cooke P where he recognised sparkling wine has no particular method it has to comply with. It could be produced using bulk tanks, "a method inferior to the secondary bottle fermentation insisted upon in France",[252] and "all sorts of grapes are used and are by no means confined to pinot noir, pinot meunier and chardonnay as true Champagne is supposed to be".[253] Accordingly, given the Australian sparkling wine need not comply with the official method of Champagne production there is a real likelihood that the quality of Australian Champagne is not as high as the genuine French product.[254] Thus, there would be damage, or a real likelihood of damage to the Champagne houses goodwill via injurious association because the Australian product would debase the word 'Champagne'.

In a case such as *Wineworths Group Ltd* various heads of damage which cause injury to the claimant's goodwill could be alleged without resorting to claiming damage in the form of confusion dilution. The issue with such a head "lies in truism":[255] because confusion dilution

[251] Ibid.
[252] At 330.
[253] Ibid.
[254] Wadlow, above n 3, at 238.
[255] *Novely Pte Ltd v Amanresorts Ltd and Another,* above n 170, at 62.

will occur regardless of whether there is injury to goodwill it is unable to act as a "acid test to distinguish actionable misrepresentations from those which are beneath the notice of the law".[256] Relying on another head of damage would still mean passing off could be made out. However, in doing so it would not allow the classical trinity and established rationale of the tort to be undermined where confusion dilution was claimed when there was no damage to goodwill.

2 Bring a claim under s 9 of the FTA

As I have established passing off and s 9 of the FTA (which prevents misleading and deceptive conduct) are very similar, however, the key difference is that under s 9 of the FTA there is no requirement to show damage to goodwill.[257] Accordingly, it is easier to establish a cause of action under s 9 (although the same is not true when it comes to remedies).[258]

Where the circumstances of a case are not like *Wineworths Group Ltd* and an alternative head of damage which causes injury to goodwill cannot be alleged a claim should be brought solely under s 9 of the FTA. This ensures that the cause of actions of passing off and s 9 of the FTA are being used in the appropriate circumstances and kept analytically separate, meaning that "the approach adopted in one, does not infect the approach adopted in the other".[259] By doing so it ensures that Judges are able to properly respect the boundaries of the actions instead of conflating them.

An example of a case in which passing off and a breach of s 9 of the FTA was made out on the basis of a misrepresentation which resulted in a dilution or erosion of exclusivity (confusion dilution) is *Taylor Bros*. Respectfully, I believe this case would have been better to be brought solely under s 9 of the FTA.

As I previously established, Taylors Dry Cleaning brought a claim of passing off and breach of s 9 of the FTA against the defendant who entered the linen hire business and traded under the name 'Taylors Linen Hire'.[260] The two Taylors were engaging in different services,

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[256] Wadlow, above n 3, at 9.
[257] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 39.
[258] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 367-368.
[259] *Neumegen v Neumegen & Co*, above n 217, at 325.
[260] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 1.

consequently, there was no diversion of trade, and there was nothing to suggest that Taylors linen hire (the defendant) would cause damage to Taylors Dry Cleaning (the claimant) via injurious association. It is possible damage to the claimant's goodwill in the form of loss of expansion opportunity may have been able to be made out as linen hire would likely have been viewed a natural extension of the dry cleaning business.[261] However, this was not explored, therefore on the facts of the case there was a misrepresentation that the two businesses were connected but there was no damage to the plaintiff's goodwill as a result. Because there was a misrepresentation, but no damage to goodwill, a claim should have been brought solely under s 9 of the FTA and no passing off action should have been alleged, or made out.

In deciding whether to grant a remedy, given the Act is primarily consumer protection legislation, the key question the court had to answer was "whether the misleading or deceptive conduct is likely to have a sufficiently serious impact upon customers".[262] In *Taylor Bros* the court found that there was a sufficiently serious impact on consumers given use of the defendant's name "misled [consumers] about whom they are dealing with" and this "interferes with rights of the customers".[263] Thus, an injunction was granted.

Taylor Bros demonstrates that an equitable outcome was still achieved via the use of s 9 of the FTA. Therefore it is unnecessary to always argue, and for the court to accept passing off and s 9 of the FTA as a combined claim where there is no damage to the plaintiff's goodwill. If the misrepresentation (/misleading or deceptive conduct) is such that it causes no damage to goodwill then a breach of s 9 of the FTA should be the sole claim made out with a remedy granted at the court's discretion as to whether there has been a serious impact on consumers. In many cases (provided there is a sufficiently serious impact on consumers), this will still achieve an equitable outcome.

[261] Wadlow, above n 3, at 247.
[262] *Tot Toys Ltd v Mitchell t/as Stanton Manufacturing*, above n 52, at 368.
[263] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81, at 40.

Conclusion

Throughout the torts development what is considered a misrepresentation not has not changed dramatically. Rather, where the courts are straying from the trinity it is because the damage caused by the misrepresentation has no effect on the plaintiff's goodwill.[264] As a result there is an unprincipled extension of passing off as damage to goodwill as an essential ingredient of the tort is ignored and the rationale of the tort as a protection of goodwill is undermined.

The focus of this dissertation was establishing that dilution (either pure dilution or confusion dilution) does not cause any damage to the plaintiff's goodwill and therefore neither form should be accepted as a valid head of damage in a passing off claim. However, as seen confusion dilution is accepted as a head of damage.[265] The result of this is that both the classical trinity, and the underlying rationale of the tort are undermined, the consequence of which is an unprincipled extension of passing off as misrepresentations which do not cause damage to goodwill are actionable. In New Zealand the implication of this unprincipled extension is that passing off is able to function analogously to s 9 of the FTA, but in doing so protect private rights, and also the torts rationale is altered to preventing unfair competition/conduct as opposed to protecting a trader's goodwill.

In the first chapter I established how the elements of passing off provide valuable fence posts for the torts application and highlight the importance of goodwill as the theoretical basis of the tort. In the second chapter I explained how dilution, either pure dilution or confusion dilution, cannot comply with the classical trinity and result in the rationale of the tort being compromised. I specifically focused on confusion dilution and the issues with it meaning that we have seen an unprincipled extension of the tort. In the third chapter I looked at the judicial recognition of confusion dilution in New Zealand and explained the implications of the unprincipled extension. Finally, I highlighted how equitable results can still be achieved without reliance on dilution as a head of damage.

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[264] Davis, above n 97, at 567.
[265] *Taylor Bros Ltd v Taylors Group Ltd*, above n 81; *Wineworths Group Ltd v Comite Interprofessionel Du Vin De Champagne*, above n 52.

This dissertation has endeavoured to map out the protean tort of passing off, including its history and the clearly established classical trinity and rationale and then show that an extension of the tort to include dilution as a head of damage is unprincipled, unnecessary and unjustified.

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