

Dist FCT v Just Jeans Pty Ltd 16 FCR 110	Dist/Expt FCT v Just Jeans Pty Ltd 72 ALR 213	Dist/Expt FCT v Just Jeans Pty Ltd 18 ATR 775	Appl Kettle Chip Co Pty Ltd v Apand Pty Ltd (1993) 46 FCR 152	Rev JH Ltd v Nveea (1933) 49 CLR 499
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[HIGH COURT OF AUSTRALIA.]

NEED APPELLANT;
DEFENDANT,

AND

J. H. COLES PROPRIETARY LIMITED . . . RESPONDENT.
PLAINTIFF,

ON APPEAL FROM THE SUPREME COURT OF
VICTORIA.

H. C. OF A. *Trade Name—Authority to use—Contract—Licence—Revocation—Registration of firm
1931. name—Use of registered name prohibited—Exclusive right to use of name—
Loss of right—Injunction—Business Names Act 1928 (Vict.) (No. 3648), sec. 25.*

MELBOURNE,
Oct. 15.
—
SYDNEY,
Dec. 23.
—
Rich, Starke,
Dixon, Evatt
and McTiernan
JJ.

The appellant and the respondent entered into an agreement whereby it was agreed that the appellant should obtain the lease of a shop and should conduct a business there under the respondent's trade name, such business being similar to one carried on by the respondent, and that the appellant should buy all his stock from the respondent at a concession price. No time was fixed for the duration of the agreement. The trade name of the respondent was painted on the appellant's shop by, or under the direction of, the respondent. At first the appellant purchased all his stock requirements from the respondent, but, owing to the respondent being unable to supply the appellant's requirements, his purchases from the respondent diminished until at the end of three years they were almost negligible. After the parties had acted in accordance with the agreement for nearly three years, the respondent, who was carrying on a similar business in various other shops, purported to terminate the agreement, and brought an action to restrain the appellant from continuing to use the respondent's name.

Held by Rich, Evatt and McTiernan JJ. (Starke and Dixon JJ. dissenting), that no injunction should be granted as the respondent's name had been so used under the licence that at the time of the commencement of the action it did not sufficiently identify the appellant's business as being that of the respondent and that the respondent's conduct had debarred it from equitable relief by way of injunction.

Boussod, Valadon & Co. v. Marchant, (1907) 25 R.P.C. 42, applied.
Decision of the Supreme Court of Victoria (Full Court) reversed.

APPEAL from the Supreme Court of Victoria.

The respondent, J. H. Coles Proprietary Limited, a company which had for some years carried on a fancy goods business in the suburbs of Melbourne, brought an action against the appellant, John Francis Need, the proprietor of a fancy goods shop at No. 339 High Street, Northcote, a suburb of Melbourne, seeking an injunction to restrain the appellant from having affixed to his shop the name of the respondent and other trade names of the respondent, "J. H. Coles, 3d. 6d. and 1/- J. H. Coles Stores" and to restrain him from representing his business as being the business of the respondent. The respondent had duly registered the trade names under the provisions of the *Partnership Act* 1915 (Vict.) in respect of the other premises where it carried on business itself.

The respondent moved for an interlocutory injunction in the terms of the writ of summons, which motion was, by consent, treated as the trial of the action. The motion was heard upon affidavit by *Irvine* C.J. on 10th March 1931, when the present appellant alleged that the use of the name was due to the following facts: That on 3rd January 1928 the respondent advertised in a Melbourne newspaper that it was prepared to fit up and stock a limited number of stores on similar lines to its own and inviting applications; that in consequence the appellant interviewed one Jennings, who was then the managing director of the respondent's business, and Jennings told him that if he would open a shop and use the name of "J. H. Coles, 3d., 6d. and 1/- Store" as the title of the business, the Company would supply him with the classes of goods usually sold in the Coles Stores, and would supply them at cost price with five per cent commission added, the defendant to buy all his stock from the Company so far as it was able to supply the goods at prices not more than those at which they were procurable elsewhere; that the defendant agreed and procured a lease of a shop at No. 339 High Street, Northcote, and was induced to spend £450 in fitting it up, and later £1,300 in alterations, and paid to the plaintiff £1,500 for the first equipment of stock; that before the business was opened Jennings sent to the premises the signwriter who was usually employed by the respondent for such purposes, and directed him to paint up the four signs, "J. H. Coles, 3d., 6d.

H. C. OF A.

1931.

NEED

v.

J. H. COLES

PTY. LTD.

H. C. OF A.

1931.

NEED

v.

J. H. COLES
PTY. LTD.

and 1/- Store ” and “ J. H. Coles,” and the signwriter painted such signs where the signs complained of appeared on the shop at the date of the motion ; that when the shop was opened for business all the directors of the respondent Company were present, they being the only shareholders in it other than corporations ; that for about nine months the defendant purchased all his stock requirements from the respondent Company, and then, discovering that the Company was not maintaining its stock sufficiently to supply his reasonable requirements, he explained this to Jennings and was told that the Company would not complain of his purchasing necessary stock elsewhere ; that the Company’s stock became more scanty and Jennings assented to the appellant buying outside, and the fulfilment of the appellant’s orders grew less and less complete until in some cases 75 per cent of them remained unfulfilled, and Jennings then told him to suit himself, and that presently when the plaintiff’s stock was better maintained he should resume buying it ; and that this state of affairs continued until the respondent Company went into liquidation on 13th June 1930, on some occasions only 10 per cent of the appellant’s order being fulfilled. The appellant alleged that he continued to make purchases of goods upon the same terms from the liquidator up to and since the commencement of the action, and he put in evidence four typical invoices for the goods purchased indicating that the terms as to price had been observed throughout. On behalf of the liquidator an affidavit was filed in which it was stated that the deponent had since the liquidation offered to the appellant the opportunity of buying goods from the liquidator as an ordinary purchaser, and that the appellant then agreed to purchase such goods as suited him.

An injunction was granted by *Irvine C.J.* on the ground that in his Honor’s opinion the agreement as to the use of the name and purchase of goods was terminated by mutual consent when appellant soon after the liquidation agreed to buy as an ordinary purchaser. The defendant thereupon appealed to the Full Court consisting of *Mann, Macfarlan and Lowe JJ.*, who dismissed the appeal.

From that decision the defendant now appealed to the High Court.

Hotchin, for the appellant. The judgment of *Irvine C.J.* turned upon the question of fact as to termination of the agreement by consent. The paramount consideration to the appellant was the right to use the name, and there is no evidence that he agreed to terminate that right. He continued to buy throughout on the five per cent terms of the original agreement. This is shown by the invoice dated 13th February 1931. The Full Court was in error in holding the agreement terminable at will, as the promise on the one side was to grant the right to use the name and to supply goods at a concession price; and on the other side it was a promise to open the shop and to buy all the stock from the respondent, and thus provide an outlet for its goods. By the agreement the appellant was induced to expend a large sum of money, and so long as he fulfilled in the premises the terms of the agreement to be performed by him the agreement could not be terminated. By going into liquidation and disabling itself from performing its part of the agreement, the respondent could not destroy the rights of the appellant. Goodwill resides in a trade name and reputation attached to a business wherever the trader carried on (*Rickerby v. Reay* (1)). Here the respondent itself actually affixed the name to the shop, and thus attached the goodwill to it, and sold for value the benefit of that goodwill to the appellant, and such a bargain was irrevocable while the appellant observed its terms. The appellant's right was a licence coupled with an interest. It was an authority to do an act for the benefit of the grantor, and involved obligations on both sides (*Guyot v. Thomson* (2); *Hurst v. Picture Theatres Ltd.* (3); *Winter v. Brockwell* (4)). On the facts in this case the respondent permitted the appellant to use its name for nearly three years, and to build up a substantial new business in this locality as his own, and the respondent cannot now assert any exclusive right to the name entitling it to an injunction. The material facts are practically the same as in *Boussod, Valadon & Co. v. Marchant* (5). The *Business Names Act* is directed to the protection of the public, and creates no greater right than existed at common law. The respondent

H. C. OF A.
1931.
NEED
F.
J. H. COLES
PTY. LTD.

(1) (1903) 20 R.P.C. 380, at p. 388.

(3) (1915) 1 K.B. 1, at p. 7.

(2) (1894) 3 Ch. 388, at p. 397.

(4) (1807) 8 East 308; 103 E.R. 359.

(5) (1907) 25 R.P.C. 42.

H. C. OF A.
1931.

NEED

v.

J. H. COLES
PTY. LTD.

is precluded from complaining under that Act because of having authorized the appellant to do what he did.

Robert Menzies K.C. (with him *Fullagar* and *Thomson*), for the respondent. In relation to the business of selling goods there is property in the name of the respondent and that name is associated with that business, and if there were no other circumstances the respondent could get an injunction. The authority to use the trade name of the plaintiff was a revocable licence, and was properly revoked. The respondent is not disentitled to an injunction by reason of being involved in any misrepresentation to the public. The mere use of the name by the appellant conveyed no false representation to the public. In reality the shop owned by the appellant was under the general control of the respondent, and the appellant had the advantage of the respondent's methods, and this intimate connection with the respondent made the representation substantially true, and the appellant's business was, in effect, a branch of the respondent's business. The continuance of the business for a short period after the original agreement was altered involved no misrepresentation to the public (*Orange Crush (Australia) Ltd. v. Gartrell* (1)). This case is distinguishable from *Boussod, Valadon & Co. v. Marchant* (2), as in that case the name was actually part of the building sold. Moreover, the respondent is entitled to an injunction against the further use of its name by virtue of the *Business Names Act 1928*.

Hotchin, in reply. There is no evidence which shows that the shop was to be conducted according to the respondent's methods, or that it was to be under its control.

Cur. adv. vult.

Dec. 23.

The following written judgments were delivered :—

RICH J. This is an appeal from the judgment of the Full Court of the Supreme Court of Victoria, which confirmed the grant by *Irvine C.J.* of an injunction restraining the appellant from carrying on business under the name "J. H. Coles Stores," "J. H. Coles

(1) (1928) 41 C.L.R. 282.

(2) (1907) 25 R.P.C. 42.

3d., 6d., and 1/- Stores," or from otherwise representing that the business carried on at High Street, Northcote, is the business of the Company or in any manner connected with the Company or with its business. Some time in 1928 the respondent Company was carrying on the business of selling goods by retail, the feature of the business being that the goods dealt in were goods which could be sold at fixed prices, apparently ranging from 6d. to 2/6. This business was conducted in different parts of Melbourne and the suburbs in various shops. In this year the Company entered into an agreement with the appellant by which it in effect licensed the appellant to use in connection with a business to be carried on by the appellant at Northcote certain trade names which the Company had been using in connection with its own business. The appellant's business was of the same type as that of the respondent Company. It was, however, in no sense an agency of the respondent Company but belonged to the appellant and was carried on by him for his own benefit. The only connection between the two businesses was that under the contract the appellant was obliged to purchase his stock from the respondent Company. Pursuant to the agreement and the licence which it conferred, the appellant carried on his business and used the trade names of the respondent Company to describe it. There is no doubt that, prior to the institution of the suit and to the continuation of the user of the trade names by the appellant which was complained of in the suit, the licence had come to an end. The question is whether the circumstances above set out are such as to disentitle the respondent Company to the injunction to which it is prima facie entitled. Apart from any statutory rights which may be conferred by trade mark or kindred legislation, the law recognizes no right in any person to prevent another from using a trade name unless such prevention is necessary in order to protect some trade of the former which is identified by that name. If a trader in a particular business licenses another to use a trade name of the trader to denote a business of the same kind carried on by the other, it is difficult to escape from the conclusion that either the original trader is countenancing and encouraging a deceptive use of the name or else the name thenceforth denotes a particular class of business, and not the business of a particular trader. If A licenses

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Rich J.

H. C. OF A.
1931.

NEED

v.

J. H. COLES
PTY. LTD.

Rich J.

B to use A's trade name in connection with B's business and B acts on this licence to a substantial extent, A thereby prevents the particular name from in fact identifying a business as being the business of A, and can thenceforth get no protection in respect of it from a Court exercising equitable jurisdiction (*Boussod v. Marchant* (1); *Thorneloe v. Hill* (2)). When the names in question in the present appeal were used on the appellant's shop from 1928 to 1931, members of the public who had had dealings with, or otherwise knew of, the existence and identity of the respondent Company, may have supposed that the names indicated that the shop was a branch of the respondent's business; and members of the public who were ignorant of the respondent Company's existence or identity may have supposed that the names indicated that the shop was the shop of the same particular trader whose trade the names identified. If such suppositions had been well founded, the right of the respondent Company to an injunction would have been clear. But, if any such suppositions were entertained, the persons who had been led to form them had been misled by the respondent's conduct. In fact, the names since 1928 have not identified the business of any particular trader; and, in my opinion, apart from the question of registration, the respondent Company is not entitled to an injunction on the basis that they do. There is no other basis on which any right to an injunction could be maintained in the present case.

It remains to consider the question of registration. The fact that a name has been registered as a trade mark does not substantially affect the consequences which flow from the granting of a licence by the owner of the mark. It is clearly established by *Bowden Wire Ltd. v. Bowden Brake Co. Ltd.* [No. 1] (3) that if the owner of a registered trade mark authorizes a licensee to use the mark upon goods for which it is registered but which are not the goods of the owner of the mark but the goods of the licensee and that licence is acted upon to a substantial extent, the mark is thereby, in effect, destroyed. It ceases to be distinctive: it is liable to be deregistered, and it will receive no protection from a Court of equity

(1) (1907) 25 R.P.C., at p. 53.
(2) (1894) 1 Ch. 569, at p. 576.

(3) (1913) 30 R.P.C. 580; (1914) 31 R.P.C. 385.

qua the goods for which the licence has been given and exercised. I see no reason why, in this respect the rights arising out of registration under the Acts in question in the present case (the *Partnership Act* 1915, Part II. and the *Business Names Act* 1928) should confer on the respondent Company any higher rights than would have been conferred by registration under the *Trade Marks Act*.

For these reasons I think the appeal should be allowed.

H. C. OF A.

1931.

NEED

v.
J. H. COLES
PTY. LTD.

Rich J.

STARKE J. This is a curious case, and to me somewhat puzzling. The respondent carried on a fancy goods and variety stores business in Melbourne and its suburbs. It used in that business its own name and such trade names as "J. H. Coles Stores" and "J. H. Coles 3d., 6d., 1/- Stores." In 1928 the respondent published an advertisement offering to fit up and stock a number of country and suburban stores on similar lines to its own. The appellant was attracted by the advertisement and after some negotiations he set up a business in High Street, Northcote. He owned the business and carried it on for his own profit, and was in no sense a servant or agent of the respondent. But the respondent arranged to supply him with goods which were usually sold in what was known as Coles' Stores, at actual cost price. The terms of the arrangement were that the appellant should pay to the respondent five per cent on all his purchases from it and should buy all his goods from the respondent so far as it was able to supply them at prices not greater than those at which such goods were procurable elsewhere. Before the business was opened there was painted on the shop and its verandah in large figures and letters, "3d., 6d. & 1/- J. H. Coles Store" and twice on the windows in large letters, "J. H. Coles." These inscriptions were made by or under the direction of the respondent. The directors of the respondent, who were present on 10th February 1928 at the opening of the shop, necessarily saw the inscriptions, and raised no objection to them. There was no other name or inscription on the shop to indicate who owned the business or carried it on. The appellant obtained his supplies from the respondent until October 1928, when difficulties arose in obtaining supplies from it. These difficulties gradually increased and the appellant had to obtain considerable supplies for his business

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Starke J.

from other sources. But the inscriptions on the shop never changed and no objection was taken on the part of the respondent. Finally the respondent went into liquidation, and its liquidator on 10th December 1930 required the appellant "immediately" to "remove from his premises the respondent's registered trade name, and sign an undertaking that there will be no infringement thereof in future." The respondent's "registered trade names" refer to names that had been registered under the *Partnership Act* 1915, Part II., or the *Business Names Act* of 1927, now consolidated in the Act of 1928. The appellant refused to remove the names or give the undertaking required, and the respondent then brought an action in the Supreme Court of Victoria and obtained judgment restraining the appellant, his servants and agents, from carrying on business under the name "J. H. Coles Stores" or the name "J. H. Coles 3d., 6d. & 1/- Stores" and from affixing the said names or either of them to his premises at Northcote and from otherwise representing to the public that the business carried on at Northcote aforesaid is the business of the respondent or in any way connected with the respondent or its business. It is from this judgment that this appeal has been brought to this Court.

On the part of the appellant the argument is that the respondent has permitted him to build up a business in Northcote and acquire a local reputation under the names which he is now restrained from using. No doubt it is quite unimportant that the public should know that the appellant was the owner of the business. It is enough that he has obtained a reputation under the name he uses and has conducted his business accordingly. It is possible that many people who knew of the appellant's business would conclude, but wrongly, that the appellant's business was a branch of that carried on by the respondent whilst others might conclude, and rightly, that the respondent's goods were handled in the appellant's shop. But there may have been and probably were a good many people who knew nothing of the respondent's business and to whom the appellant's shop was the only "J. H. Coles Stores" or "Coles 3d., 6d. & 1/- Stores" they knew, or were in the habit of dealing with under those names. It is, I think, beyond question that the respondent did allow the appellant

to use its trade names and to acquire some local reputation under those names. The question, however, still remains, what is, on proper inferences from the evidence, the arrangement between the parties for the use by the appellant of the respondent's trade names. The learned Judges of the Supreme Court have held, in substance, that it was a licence revocable at the will of the respondent. Upon consideration, that view appears to me to be correct. The trade names were not assigned to the appellant nor does the respondent ever appear to have abandoned them. Further, the right claimed by the appellant would operate in contravention of the provisions of the *Business Names Act* 1928, sec. 25.

Finally it is said that the respondent should not be assisted because it was guilty of conduct leading to deception. But the arrangement in its inception was that the respondent's trade names should be used in connection with goods supplied by the respondent, and so far the argument fails. As difficulty in supply arose, the names were certainly used in connection with goods supplied by other people. If this be deception, and the arrangement between the parties contemplated it, then the arrangement was illegal. See *Kerly on Trade Marks*, 6th ed., p. 411. But this does not assist the appellant, for on this hypothesis he proposes to use the respondent's trade names in a manner that would be a fraud upon the public and without any licence on the part of the respondent. In such circumstances, whatever be the supposed demerits of the respondent, the obvious course is to prevent that deception on the public in the manner adjudged by the Supreme Court.

In my opinion, the appeal should be dismissed and the judgment below affirmed.

DIXON J. For ten years or so, one J. H. Coles conducted a fancy goods and variety store. On 1st March 1927 a company was registered called "J. H. Coles Proprietary Limited," which is the respondent upon this appeal. It took over his business and at the beginning of 1928 it is said to have had a warehouse in the city of Melbourne, and two shops, one of them being in Smith Street, Collingwood, and the other in some other suburb. On 3rd January

H. C. OF A.

1931.

NEED

v.

J. H. COLES
PTY. LTD.

Starke J.

H. C. OF A.
1931.

NEED

v.
J. H. COLES
PTY. LTD.

DIXON J.

1928 the Company published in the press the following advertisement:—"J. H. Coles Proprietary Limited, 3d., 6d., 1/- and 2/6 Stores. We are prepared to fit up and stock a limited number of country and suburban stores on similar lines to our own. Particulars from our head office, J. H. Coles Proprietary Limited, 230 Smith Street, Collingwood." The appellant saw the advertisement and interviewed the Company's managing director. An arrangement was made that the appellant should open a shop to be carried on as a store of the kind described in the advertisement, but none of the terms of the arrangement were reduced to writing and some matters which ought to have been foreseen were left undiscussed. So far as the agreement was expressed, we must take the terms to have been these:—The appellant was to secure a shop, taking the lease in his own name; he was to bear the cost of fitting it up in the style favoured by the Company; he was to buy from the Company a complete stock of goods and afterwards to obtain from it all his supplies. The Company was to paint the shop and fit it up in the style of its own stores with signs "J. H. Coles 3d., 6d. and 1/- Stores" and "J. H. Coles"; it was to provide a stock of goods of the kind usually sold in its stores and afterwards to keep the appellant regularly supplied with such goods according to his requirements; the price it was to charge the appellant for the stock of goods was to be calculated by adding five per cent to the amount which the goods cost the Company. The business was to be carried on by the appellant as a "J. H. Coles 3d., 6d. and 1/- Store." No agreement was made as to the duration of the arrangement, unless by implication, and no discussion appears to have taken place as to the time it should last or the conditions in which it should end. A shop was selected in High Street, Northcote; the appellant obtained a lease of it; alterations were made in it at a cost of £1,300; it was painted and fitted up at a cost of £450, and it was stocked with goods at a cost of £1,500. On 10th February 1928 it was opened for business in the presence of the three persons who constituted the Company's "only personal shareholders," whatever that may mean, and were its directors. A few days before, the Company, under Part II. of the *Partnership Act* 1915 (Victoria), which deals with the registration of firm names, had registered the

words "J. H. Coles Stores" and "J. H. Coles 3d., 6d. and 1/- Stores" as names under which its business was carried on. The appellant conducted the shop under the arrangement without hitch for about eight months, when he found the Company could not supply him with goods which he required. The Company's managing director then consented to his making purchases occasionally from other sources. The quantity of goods bought by the appellant from other suppliers increased as time went on; he says because the ability of the Company to maintain supplies grew progressively less. In August 1929 the Company wrote to him complaining that he was buying from other sources in violation of the agreement between them, and further that he was doing so in the Company's name and upon its credit. The letter threatened an application for an injunction, but, nevertheless, the Company went on supplying goods to him, and the parties provisionally agreed that it should charge him five per cent on his purchases elsewhere as well as on the goods supplied to him. After a month or so the appellant found this charge objectionable and, early in 1930 it seems, he proposed that it should be reduced to two per cent. In the meantime the Company found greater difficulty in carrying on and supplying goods. Indeed, according to the appellant, about ninety per cent of his orders were unfulfilled. At length, on 13th June 1930, the Company went into voluntary liquidation. At the time the liquidation began, the Company had six shops, four of which it had set up after the arrangement with the appellant was made.

After the commencement of the liquidation the appellant bought more goods from the Company, which carried on for the purpose of winding up. He received a letter from the former managing director, who was employed by the liquidator for a short time, which, in effect, asked him to continue buying under the old arrangement, but, in writing this letter, the former director seems to have gone beyond his authority. The liquidator informed the appellant that the Company could not supply him with all his requirements, but that he could buy goods from it as an ordinary purchaser. On 22nd December 1930 the Company's solicitors wrote requiring him at once to discontinue the use of the Company's trade names.

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Dixon J.

H. C. OF A.
 1931.
 NEED
 v.
 J. H. COLES
 PTY. LTD.
 Dixon J.

The liquidator has now made a tentative sale of the Company's business, but the buyer refuses to proceed with the transaction unless the appellant and others are prevented from using the names "J. H. Coles" and "J. H. Coles Stores." The liquidator accordingly instituted this suit seeking an injunction. *Irvine C.J.*, who heard a motion, which was treated as the trial of the action, does not appear to have thought it doubtful that, if the arrangement were at an end, the Company was entitled to relief. He considered that no implication could be made in the agreement between the parties of a condition that the authority to use the trade names of the Company should not be withdrawn except upon reasonable notice. Moreover, he was of opinion that the agreement was terminated by mutual consent when the appellant assented to the liquidator's proposal that he should buy as an ordinary purchaser. He therefore restrained the appellant from carrying on business under the names "J. H. Coles Stores," "J. H. Coles 3d., 6d. and 1/- Stores," or from otherwise representing that the business carried on at High Street, Northcote, is the business of the Company, or in any manner connected with the Company, or with its business. This order was affirmed on appeal in the Full Court of Victoria by *Mann, Macfarlan and Lowe JJ.* *Macfarlan J.*, with whom *Mann J.* appears to have concurred, thought that the arrangement involved no assignment by the Company of goodwill, but gave a mere licence revocable at will, that no question of reasonable notice arose because the appellant's claim was for a right to use the trade names, that the Company's own positive right to the exclusive use of the names arose not only from their registration, but also from the facts proved as to its previous use of the names, from its shops and from its reputation, and that this right had not been lost by reason of any change taking place in the meaning of the names, or by reason of any acquisition by the appellant under the trade names of a local goodwill of which it would be inequitable to deprive him. *Lowe J.* also considered that there was no more than a licence to use the trade names, that upon any view of the duration of the agreement, it had upon the facts been terminated and that thereupon the appellant ceased to be entitled to use the Company's trade names.

I agree with the view that the agreement was brought to an end and that it had ceased before the suit was commenced to confer upon the appellant a contractual right or licence to the use of the trade names. I think that, if the agreement had not already ended, it terminated when the winding-up commenced. The arrangement made between the appellant and the Company created a business relation in which the advantages reciprocally enjoyed and conferred depended on each continuing to carry on his or its trade. The shopkeeper for his profit sold with the help of the Company's trade names and methods the goods with which the Company supplied him. The remuneration of the Company for the use of its names and for whatever other service it gave was obtained from the profitable supply of the goods which the shopkeeper sold. Such an arrangement could not survive the termination of the business existence of either party. I do not think that a contractual intention should be imputed to the Company and the appellant to confer upon the appellant a right to the use of the trade names on the termination of the agreement. The parties did not, I think, consider what was to happen if the agreement was brought to an end, and the Company at least meant to do no more than allow its name to be used so long as the shop was a means of selling its goods.

But the question remains whether the Company, in the events that have happened, is entitled to relief prohibiting the appellant from using the trade names or carrying on under the style or in the manner which he adopted not only with the consent but also at the instigation of the Company. At the time when the appellant was to set up in Northcote, the Company had a goodwill connected with its two suburban shops and a warehouse, and it possessed, or so we must assume upon the evidence, some reputation as the proprietor or controller of the class of cheap store the branches of which are likely to appear in suburb after suburb. The registration of its trade names under Part II. of the *Partnership Act* 1915 did not then strengthen or increase its right in them, but the *Business Names Act* 1927 came into operation on 11th April 1928, and this enactment, which is re-enacted as the *Business Names Act* 1928, is said to give a statutory title to their exclusive use. But, apart from this statute, the Company's right at that time to protection from

H. C. OF A.
1931.

NEED

E.
J. H. COLES
PTY. LTD.

DIXON J.

H. C. OF A.
1931.

NEED

v.
J. H. COLES
PTY. LTD.

Dixon J.

unauthorized use of the trade names or styles which it employed was clear. It would not matter that the unauthorized use caused no diversion of trade from the Company. If the adoption or imitation of its trade names amounted to an attempt to appropriate any benefit arising from the reputation attaching to them, or was likely to impair or diminish that reputation or any part of the Company's goodwill, the Company would have a prima facie right to an injunction. But when a new shop was established as one of the Company's stores an effect was necessarily produced upon the reputation attaching to the Company's trade names and upon its goodwill. Such a shop would attract public attention and, no doubt, would also form some trade connexion of its own. To its customers and to many others whose interests lay in the locality, the trade names would be primarily a means of identifying that shop and its business, and, if to them the names ever did denote a system of stores, that meaning would become of secondary importance, and, at best, the local branch would be prominent as a component of the system. The opening of the shop at Northcote was calculated to do two things—to create a local business having a goodwill of its own with which the trade names were connected and to enlarge the meaning of the trade names and widen the reputation attaching to them. But there can be no doubt that the appellant was and remains the proprietor of the actual business carried on at the shop at Northcote, and therefore of the goodwill which belongs to it. If the trade names had come to be a description of that business or of its proprietor and nothing more, it is manifest that, whether the parties intended such a consequence or not, the names would no longer form part of the business reputation of the Company and it would have nothing to protect by an injunction restraining their use. But while in the neighbourhood of the appellant's shop the names may in many minds, perhaps, almost exclusively be associated with the business there carried on, yet, in the vicinity of each of the Company's own six shops, there will be many to whom the names serve to identify that shop, and among the wider public whose information does not depend upon observation confined to one locality, a class which probably includes the greater number of the appellant's customers, the trade descriptions adopted

by the Company signify a system of stores organized or conducted under one ownership or control. Independently, therefore, of the *Business Names Act* 1928, the Company possesses a trade reputation to which its trade names attach, and prima facie it is entitled to the protection of an injunction restraining any unauthorized use of the names.

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Dixon J.

The liquidator contends further that sec. 25 (1) (a) of the *Business Names Act* 1928, which forbids the use of a business name identical with a firm name registered under Part II. of the *Partnership Act* 1915, or so nearly resembling that name as to be calculated to deceive, operates to give a legally protected interest in the names of the person registered of a kind which Courts of equity recognize and vindicate by means of equitable remedies. I think this contention is correct. The general principles which apply are stated by Farwell J. in *Stevens v. Chown and Clark* (1), and have been applied in *Cooper v. Whittingham* (2), *Attorney-General v. Ashborne Recreation Ground Co.* (3) and *Carlton Illustrators v. Coleman & Co.* (4), and considered in *Fraser v. Fear* (5) and in *Musical Performers' Protection Association Ltd. v. British International Pictures Ltd.* (6). Sec. 25 of the Victorian statute is expressed in the form of a prohibition, but no penalty is provided and no remedy is specified. Sec. 70 (1) of the *Justices Act* 1928 does not appear to apply, and I do not think any statutory provision operates to prescribe a penalty for failure to observe the prohibition or to provide how such a failure is to be punished. The prohibition is directed against the use of a business name registered by a person who has assumed or is about to assume it as the description of his business, and therefore relates to a matter of private right. Moreover, the right is of a kind which has been fostered and protected by equitable remedies. It is true that sec. 25 (1) contains indications that its purpose includes the prevention in the general interest of confusion over business names. For example, the exceptions expressed at the end of the paragraphs (a), (b) and (c) are restricted to cases in which the registered firm or person relinquishes business. It is also true that equitable

(1) (1901) 1 Ch. 894, at pp. 904-905. (4) (1911) 1 K.B. 771, at p. 782.
(2) (1880) 15 Ch. D. 501. (5) (1912) 107 L.T. 423.
(3) (1903) 1 Ch. 101 (particularly at p. 107). (6) (1930) 46 T.L.R. 485, at p. 488.

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Dixon J.

remedies would not be granted to restrain every violation of the statutory prohibition. Many cases can be imagined where relief would be refused. But these considerations do not displace the application of the doctrine which enables resort to the remedy of injunction to protect an interest arising from a statutory prohibition, at any rate if it is of a class recognized in equity as proprietary in character. It may turn out to be unfortunate that the statute should have this result, because it contains no provisions for ascertaining who, either in justice or law, should become registered and so obtain protection in respect of a trade name, or for dealing with conflicting claims which after registration may arise out of assignments and other dispositions or, in consequence of abandonment, attempted severance from goodwill and the like. These difficulties, however, arise out of the intrusion of an arbitrary statutory rule into an elaborate scheme of legal rights and duties, and afford no reason against enforcing the enactment by the remedies the law provides for the purpose. The Company is therefore entitled to an injunction unless there be an affirmative answer to its *prima facie* right. Do the facts disclose such an answer ?

The question is whether the course of conduct pursued by the Company in authorizing the use of its trade names by the appellant disentitles it to relief. It may be said that if the use of its trade names by the appellant is now deceptive, the use of them which it instigated during the currency of the agreement was equally deceptive, and accordingly that the Company now seeks the intervention of equity to stop a course of deception for the commencement of which the Company itself was responsible. In considering this view of the matter, it may be important to notice that what the Company complains of is the use of its registered trade names after the authority given has determined. During the currency of the authority, the disconformity which is said to have existed between the representation made by the use of the names and the true facts consisted in the difference between proprietorship and that relation which really subsisted between the Company and the business in virtue of the arrangement with the appellant as modified from time to time. Now, however, the representation that the business is connected with that of the Company is entirely unfounded.

The real question appears to be whether the Company in the past did allow a departure from truth which either in itself was enough to disqualify the Company afterwards from relief, at any rate against a wrongdoer who was enabled by the transaction to do the thing complained of, or so contributed to establishing or strengthening the goodwill or reputation to which the trade names attach that the protection of an injunction should be denied. The evidence suggests that the actual name of the Company was displayed, but in any case it may be assumed that the use of its trade names upon the appellant's shop was a representation that the business belonged to the Company although, perhaps, many who were better informed as to commercial methods might regard the names as signifying no more than that the Company had some connection with the business by way of superintendence or control. No doubt one result would be to fasten on the Company the liabilities of the business incurred by the appellant within the apparent authority of a manager. But the Company did not mean to repudiate debts of the business, and it is the prejudice to customers that matters, not assumptions upon which debts might be both incurred and paid. The shop was to be supplied with the Company's goods, it was to be fitted and arranged according to the style of the Company's stores and it was to be conducted according to the Company's methods. At the hearing before *Irvine C.J.*, the question does not seem to have been raised or investigated whether relief should be refused on the ground of deceptive trading, and, for anything we know, the Company may have exercised the closest supervision over the conduct of the business, and the appellant may have been content to follow the directions and advice of its officers. At any rate there is nothing to show, and no reason to suppose, that in the actual conduct of the business customers were misled to their prejudice by the supposition that the Company was the proprietor of the business. When the Company became unable to maintain a supply of goods, its connection with the appellant's business inevitably must have weakened. The divergence between the representation of proprietorship and the facts no doubt became correspondingly greater. Yet the course taken in allowing the appellant to obtain goods elsewhere probably differed little, if at

H. C. OF A.
1931.

NEED

v.
J. H. COLES
PTY. LTD.

Dixon J.

H. C. OF A.
 1931.
 }
 NEED
 v.
 J. H. COLES
 PTY. LTD.
 Dixon J.

all, from that which would have been followed in the emergency, if the appellant had been managing the business and sharing in the profits. Further, it must be remembered that the identity of the persons interested in a business and the nature of their interests are usually regarded as of small importance in matters of trade reputation and goodwill. The important matter is the identity of the business and the identification of the trade reputation and the goodwill with the business. I do not think the reputation at present attaching to the Company's trade names or its goodwill can be said to arise directly from a trade conducted by means of misrepresentation. A distinction between cases in which the plaintiff complains of a legal wrong and those in which he seeks protection for equitable property perhaps exists. (See per *Isaacs* A.C.J., dissenting, in *Angelides v. James Stedman Hendersons Sweets Ltd.* (1).) It may be that, if the alleged equitable property is composed of any impure ingredients, it will receive no recognition or protection in equity. In this case, however, the appellant proposes to continue the use of the Company's registered trade name in violation of a statutory prohibition intended for the protection of the registered trader. The continued or repeated commission of a legal wrong of such a nature is restrained although collateral representations are made in the course of the trade (*Ford v. Foster* (2)).

For these reasons I think the Company was entitled to an injunction restraining the appellant from using its trade names as the style of his business. The business is, however, his, and it does not follow that by the use of its trade names in Northcote the Company or its successor in title is at liberty to represent that it is carrying on the same business.

The order of the Supreme Court is right, and the appeal should be dismissed with costs.

EVATT J. In the Supreme Court of Victoria the respondent Company, J. H. Coles Proprietary Limited (in liquidation), succeeded in obtaining a finding that, in January 1931 the appellant, J. F. Need, was representing to the public that the business he then conducted in a store in High Street, Northcote, was the business of the

(1) (1927) 40 C.L.R. 43, at pp. 65-66.

(2) (1872) 7 Ch. App. 611, at pp. 625-626 and pp. 632-633.

respondent. An injunction was granted restraining the appellant (a) from carrying on business under the name of "J. H. Coles Stores" or "J. H. Coles 3d., 6d. and 1/- Stores" and from affixing such names upon his business premises, and (b) from otherwise representing to the public that the business carried on at Northcote was the business of J. H. Coles Proprietary Limited.

The facts are not in dispute. Need did use the names of "J. H. Coles Stores" and "J. H. Coles 3d., 6d. and 1/- Stores." The respondent Company was also using such names where its own business or branches were being conducted, and, but for the special facts to which I shall shortly refer, the respondent Company would obviously be entitled to retain its injunction.

In 1928 J. H. Coles Proprietary Limited dealt in "fancy goods," carrying on business in a warehouse in the city of Melbourne, and having two retail shops elsewhere. In order to find an outlet for its goods a number of other shops were opened in the suburbs of Melbourne. Goods were supplied by the Company to the proprietors. And the business, although not owned by the Company, used its trade name and signs.

One of these shops was Need's. On January 3rd, 1928, the Company advertised that it was prepared to fit up and stock a limited number of country and suburban stores "on similar lines to our own." Need saw the manager and it was agreed (1) that Need would open a shop at Glenferrie and use the name of "J. H. Coles 3d., 6d. and 1/- Store" as the title of the business; (2) that the Company would supply him with the class of goods usually sold in its shops, at actual cost price, the Company taking five per cent commission on all purchases; and (3) that Need would buy all his goods from the Company so far as it could supply them and at prices not more than those at which they were procurable elsewhere. No time was fixed for the duration of the agreement.

A suitable shop could not be found at Glenferrie, so Need arranged with the Company's manager to start his business, on the terms mentioned, at 339 High Street, Northcote. Need took a lease of the premises, spent £1,750 on fittings and made a £1,500 purchase of goods from the Company. February 10th, 1928, was the opening day of the business; the Company's directors attended and gave

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Evatt J.

H. C. OF A.
1931.
NEED
v.
J. H. COLES
PTY. LTD.
Evatt J.

the new enterprise their blessing. The Company's manager had himself directed a signwriter usually employed by the Company to affix on the front of the store the very signs and names which Need has been restrained from using.

From February 1928 until January 1931, when this suit commenced, the Northcote business of Need's retained all the outward appearances of a business which was no more than one of the Company's branches.

During this period of three years the actual relationship between the Company and Need's business may shortly be described:—

(1) From February 1928 until October 1928, Need purchased all his stock from the Company on the five per cent commission basis, and sold no goods obtained from any other source.

(2) After October 1928 Need was unable to obtain regular supplies from the Company, and, with the Company's consent, purchased goods from other places.

(3) These outside purchases increased until July 1929, when Need's orders could only be fulfilled to a small extent by the Company, and he was then informed by the manager to "suit himself as to buying outside," to buy what he could from the Company and resume purchasing from the Company later, when it was able to maintain a better stock.

(4) In September 1929 the Company arranged that Need would pay five per cent commission to the Company on the goods he purchased outside the Company. This arrangement Need found it difficult to keep up, and a suggestion was made that the commission should be reduced to two per cent.

(5) From July 1929 until June 30th, 1930, when the Company went into liquidation, Need continued to obtain extensive supplies of goods from outside sources, and sold these goods in the course of his business.

(6) After the liquidation Need continued to purchase from the liquidator and manager such goods as suited him. He continued, however, to purchase goods elsewhere. The manager for the liquidator has stated that he was "not concerned in any way with Need's purchases of goods from other sources."

It may fairly be assumed that in February 1928, when Need commenced to trade in Northcote, those residents of the suburb

who became his customers probably thought that the business was being controlled by the same authority and to the same extent as were the Company's own retail shops. But this was not true in fact because, from the outset, the business was Need's and not the Company's.

Mr. *Menzies* has suggested that all that would necessarily be implied in the use of the name "J. H. Coles Store" was a close or intimate business relationship between Need's Northcote business and the Company, and that such relationship existed in point of fact. In my opinion the name implied much more. It was quite possible to indicate on the shop that the Company merely supplied its goods to Need. The reason why this was not done was that both the Company and Need intended the Northcote public to think that the business was merely a branch of the Company. The Company stood to gain something by this representation. At the least it was a good advertisement, but it probably tended to attract customers of the Northcote shop to those retail businesses which the Company itself conducted elsewhere under the same names.

What the Northcote public was intended to believe was that the Company owned and controlled the business.

Even if Mr. *Menzies*' contention be accepted, the position which was reached in October 1928, and continued until January 1931, was that the Company was by no means the sole source of Need's stock-in-trade. The business relationship between the two became more and more distant, until Need obtained only a small part of his goods from the Company. But he still used the same trade name and style, with the acquiescence of the Company.

How can the Company say that, in January 1931, after doing business and allowing Need to do business in this way for nearly three years, the trade name and style used at Need's Northcote business were distinctive of *its* business? A year earlier, in January 1930, the same name and signs were used with the Company's knowledge and consent. What was conveyed by these symbols?

The first possibility is that they denoted that the Company owned and controlled the business. If so, the representation was false, and false to the knowledge of the Company. The second possibility is that they implied that all or substantially all the goods sold by

H. C. OF A.

1931.

NEED

v.

J. H. COLES
PTY. LTD.

Evatt J.

H. C. OF A.
 1931.
 }
 NEED
 v.
 J. H. COLES
 PTY. LTD.
 Evatt J.

Need had been purchased from the Company. The Company cannot accept this position without convicting itself of an attempt to mislead the public. The third possibility is that the use of the name and signs merely indicated the particular shop and business carried on at Northcote. If this was what they denoted in January 1930, they also did so a year later, and no one could be deceived by this representation in 1931, because it was true. The fourth possibility is that the use of the name would, in January, 1930, be of no significance at all to many people, but the Company cannot complain in respect of those who in 1931 neither knew nor cared nor were affected by the trade names over the Northcote shop.

In my opinion the Company has failed to show that the use by Need in 1931 of the names "J. H. Coles 3d., 6d. and 1/- Stores" and "J. H. Coles Stores" upon his shop at Northcote denoted a business there carried on by it; but I would add that, even if the evidence were sufficient to establish such fact, I would still be of opinion that the Company should not be accorded equitable relief, for its own conduct induced Need to sail under false colours from the outset, and it allowed him to do so for three years. Whether the case is put in that way or by saying that the name and signs used had ceased to be "its" name and signs in relation to the Northcote business, the result is that the Company's suit should have been dismissed.

Two other matters should be mentioned. It is quite unnecessary to examine the extent of Need's contractual right to use the names by virtue of the contract made in 1928 between him and the Company. In the Supreme Court there was much discussion on the matter, and in this Court learned counsel for the appellant made the same approach to the matter until he was invited to discuss the broader question.

I am also of opinion that sec. 25 of the *Business Names Act* 1928 does not affect the present case. If Need committed a breach of the prohibition contained in sec. 25, the Company was a direct party to a continuance of such breach over a long period. Even if, under ordinary circumstances, the remedy of an injunction would be granted at the suit of the owner of a registered business name,

restraining the use of such name by another person, this is not a case in which a Court of equity should intervene.

The appeal should be allowed with costs here and in the Full Court, and the action should be dismissed with costs.

H. C. OF A.
1931.

NEED

v.

J. H. COLES
PTY. LTD.

Evatt J.

MCTIERNAN J. I am of opinion that the appeal should be allowed. I have nothing to add to the reasons of my brother *Rich* beyond a reference to *Cropper Minerva Machines Co. v. Cropper, Charlton & Co. (1)*, *Bile Bean Manufacturing Co. v. Davidson (2)* and to *Kerly on Trade Marks*, 6th ed., at pp. 486-487.

Appeal allowed with costs. Injunction order dissolved. Respondent to pay the costs of the appeal to the Supreme Court. Order of Irvine C.J. discharged, and in lieu thereof order that action be dismissed with costs.

Solicitors for the appellant, *Dillon, Nichols & Starke*.

Solicitors for the respondent, *Home & Wilkinson*.

H. D. W.

(1) (1906) 23 R.P.C. 388.

(2) (1906) 23 R.P.C. 725.