

*Privy Council Appeal No. 6 of 1933.*

J. H. Coles Proprietary, Limited (in liquidation) - - - *Appellant*

v.

John Francis Need - - - - - *Respondent*

FROM

THE HIGH COURT OF AUSTRALIA.

---

JUDGMENT OF THE LORDS OF THE JUDICIAL COMMITTEE OF THE  
PRIVY COUNCIL, DELIVERED THE 12TH OCTOBER, 1933.

---

*Present at the Hearing :*

LORD ATKIN.

LORD TOMLIN.

LORD MACMILLAN.

LORD WRIGHT.

SIR GEORGE LOWNDES.

[*Delivered by* LORD WRIGHT.]

---

The appellant is a company incorporated and registered in 1927 in Victoria and carrying on business as owner of a warehouse and multiple shops dealing in fancy goods and varieties in and near Melbourne. From the date of the company's formation the appellant carried on its business under its own name and under the trade names of "J. H. Coles' Stores" and "J. H. Coles' 3d., 6d. and 1s. Stores." This business the appellant acquired on its formation from one J. H. Coles, who had carried on the same business for ten years previously under his own name. In 1928 the appellant was registered under the Partnership Act, 1915, as the person carrying on business under these business names, and was accordingly entitled to the benefit of the provisions of Section 25 (1) of the Business Names Act (Statutes of Victoria) of 1928, which provides that no firm or firms should use business names identical with business names so registered or so nearly resembling them as to be calculated to deceive. The appellant advertised its business under

these names and established an association between the names and its business. Early in 1928 the appellant orally agreed with the respondent that the respondent should take a shop and fit it up in the style used by the appellant, buy from the appellant a complete stock of the goods usually sold in what were known as the Coles Stores, and obtain all future supplies from the appellant at cash prices plus 5 per cent. On the front of the shop which the respondent accordingly took at Northcote, Melbourne, while there was no indication that the respondent was owner, there were painted at the respondent's expense in large lettering the words "J. H. Coles" and "3d., 6d. and 1s. J. H. Coles' Store." This was done with the appellant's knowledge and assent. The respondent paid the cost of fitting up and running the shop. At first the respondent duly obtained all his stores from the appellant, but after about nine months there were difficulties about supplying him fully and he made some of his purchases elsewhere, to which course the appellant consented as a temporary measure. In August, 1929, the appellant wrote complaining of this course and demanding the removal of its names from the respondent's shop. Again, as a temporary measure it was agreed that the respondent should purchase from others than the appellant what the appellant could not supply. In June, 1930, the appellant went into voluntary liquidation: by that date the respondent was buying only about 10 per cent of his supplies from the appellant. In this state of things, the liquidator in December, 1930, required the respondent to remove the appellant's trade names from his shop and discontinue their use in his business, but the respondent refused, and thereupon on the 21st January, 1931, the liquidator issued a writ claiming (*inter alia*) an injunction to restrain the respondent from using in the course of his business the appellant's name or the appellant's trade names or any name so nearly resembling that name as to be calculated to deceive or to give the impression that the respondent's business was in any way connected with the appellant's business. A motion which was by consent treated as the hearing of the action, came before the Chief Justice of Victoria, who on the 10th March, 1931, granted an injunction as asked. He held that the appellant had granted a license to the respondent to use the appellant's name, but that no period had been fixed for the grant, and the license had been duly determined by notice, the implied term of the license being that it should last as long as the buying and selling on the terms and prices arranged should go on, and that these matters having ceased, the appellant was entitled to revoke the license. The decision was upheld on appeal by the Justices of the Supreme Court of Victoria. The main contention of the respondent before that Court was that he had acquired by assignment (limited as to locality) of the appellant's goodwill a right to use the appellant's trade names "permanently or indefinitely." The

Court rejected that contention and held that the trade names of the appellant were distinctive of the appellant's stores or businesses or of those in which the appellant was interested, and that the appellant had duly revoked the license which had been granted to the respondent. The case thereafter came on before the High Court of Australia on appeal. That Court by a majority consisting of Rich, Evatt and McTiernan, JJ., Starke and Dixon, JJ. dissenting, allowed the appeal and discharged the injunction. The decision of the majority was based on two main grounds (1) that the use of the trade names by the respondent under the license had the effect of rendering these names no longer distinctive of the appellant's business; (2) that the user by the respondent of these names was a false representation to the public by the appellant who induced the respondent to use these names with the intention that the Northcote public should believe that the Northcote business was owned and controlled by the appellant and on that ground the appellant "could not be accorded equitable relief for its own conduct induced the respondent to sail under false colours from the outset and allowed him to do so for three years." On the basis of these grounds, the majority Judges of the High Court held also that the registration did not give the appellant any further or better rights. Starke, J., in dissenting, was of opinion that all that the respondent had in respect of the trade names was not an assignment but a license which was duly determined, that in its inception the arrangement between the appellant and respondent was that the appellant's trade names should be used in connection with the appellant's goods: that furthermore even if the subsequent use of these names when the appellant found difficulty in supplying the respondent had been contemplated, although this might have involved a fraud on the public, yet as the appellant had withdrawn the license, there was no reason why the public should be further deceived. Dixon, J. elaborated the same conclusions: he held that the appellant possessed a trade reputation to which the trade names attached and in addition was entitled to restrain their unauthorised use by the respondent in virtue of the registration and the provisions of the Business Names Act, 1928, which enabled resort to the remedy of injunction to protect the appellant's proprietary interest in the trade names: he was of opinion that there was nothing in the appellant's conduct to disqualify the appellant from the relief sought.

From the order of the High Court the case comes by special leave before this Board.

Their Lordships are in accord with the reasoning of the Chief Justice and of the Full Court of Victoria and of the dissentient Judges of the High Court of Australia. It may be noted that both the Chief Justice and the Full Court of Victoria proceeded on the basis that the appellant's trade names had not lost their distinctive character and this also was the conclusion of the

dissentient Judges of the High Court. Their Lordships, after considering the evidence, agree with that opinion, and also with the further opinion of all these judges that all the right that the respondent ever had in regard to the user of the appellant's trade names was a revocable license to use these names so long as the business arrangement continued between the appellant and respondent. From these conclusions it follows that *prima facie* the appellant is entitled on well-recognised principles to an order restraining the respondent from the unauthorised use of the appellant's trade names after the license was revoked, since the continuance thereafter of such user necessarily involves a passing off by the respondent of his business as being a business for the sale of the appellant's goods and as being a business in which the appellant has at least an interest, and in this way there would be practised a deception of the public to the prejudice of the appellant's business reputation and goodwill. In addition, their Lordships are of opinion that the prohibition contained in Section 25 (1) of the Business Names Act, 1928, being for the protection of the registered owner of the names, entitles the appellant to equitable relief on the principles stated by Farwell, J. in *Stevens v. Chown* [1901], 1 Ch. 894, at page 905, in the following words :—

“ If I find that the statute enacts, either by way of new creation or by way of restatement of an ancient right, a right of property, that at once gives rise to the jurisdiction of the Court to protect that right. If the Act goes on to provide a particular remedy for the infringement of that right of property so created, that does not exclude the jurisdiction of this Court to protect the right of property unless the Act in terms says so.”

Their Lordships are of opinion that this principle applies to the circumstances of the present case, in the sense that the prohibition under Section 25 (1) of the Business Names Act, 1928, involves the jurisdiction of the Court to give effect to the prohibition by injunction ; nor is this jurisdiction here excluded by reason of the license granted by the appellant to the respondent, seeing that the license was duly revoked. There remains, however, still to be considered a matter on which the majority of the High Court primarily reached their decision that the appellant was disentitled to relief : that is, that the license granted by the appellant to the respondent involved a fraud and a deception on the public because it involved a false representation that the respondent's shop at Northcote was owned and carried on by the appellant, and by consequence that, the user of the trade name being tainted by this fraud and deception with the privity or by the procurement of the appellant, the Court ought to refuse him any relief in regard to the trade names, on the principle that he who comes into equity must come with clean hands.

Their Lordships are, with deference, unable to agree with this opinion of the majority of the High Court, and that for more than one reason. In the first place, though it is well

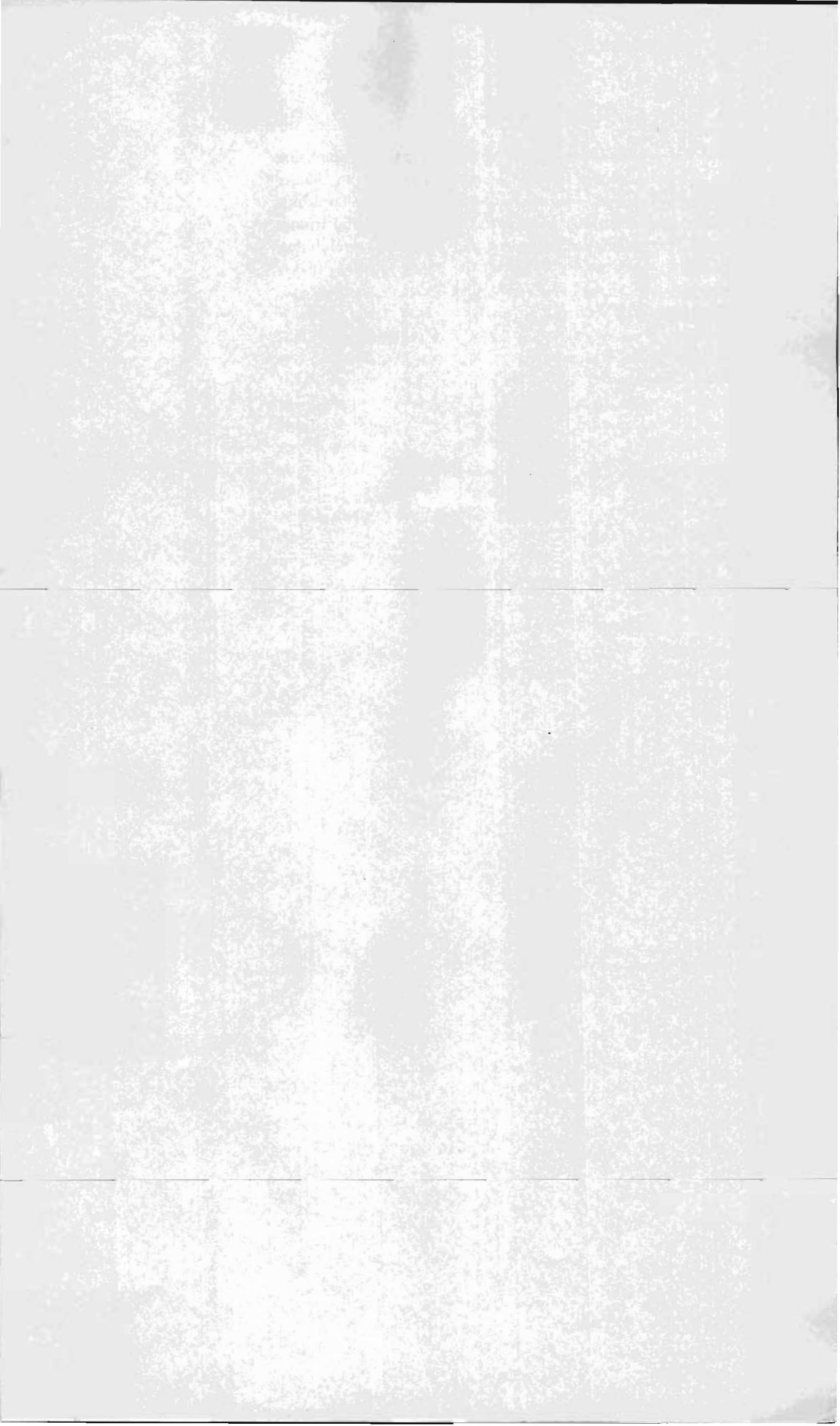
established that an action will be barred where the plaintiff is using the trade mark or trade name in aid of a fraudulent trade, their Lordships do not think the rule applies to the facts of this case. It must be carefully considered what is meant by a fraudulent trade for purposes of the rule. If there is put aside the case of trades which are inherently dishonest in their very nature, two illustrations may be given by way of contrast. In *Bile Bean Manufacturing Company v. Davidson*, 22 R.P.C. 553, 23 R.P.C. 725, the plaintiff's article was falsely advertised as being made of certain materials and as the discovery of an eminent named scientist: there was there a false representation as to the very article offered for sale, and protection was refused. On the other hand, in *Ford v. Foster*, L.R. 7, Ch. 611, the plaintiff, who made and vended shirts under the name of Ford's Eureka shirts, was not debarred from protection of his trade name because he described himself in advertisements as patentee whereas no patent applied: there even if the misdescription could be said to constitute a fraud, it was a collateral matter. The case now in question before this Board is different from either of the two just cited. There was clearly no fraudulent intent on the part of the appellant: the license in its inception was properly issued because it was intended that the respondent should only vend goods emanating from the appellant; the trade names of the appellant could therefore be properly applied both to the goods and to the business in which the goods were sold, since for this purpose it is immaterial whether the goods were sold in the appellant's shops or in shops owned by licensees such as the respondent. What happened was that as time went on, the appellant being unable to give full supplies to the respondent, the respondent had to get some supplies elsewhere, and eventually the supplies from sources outside the appellant far exceeded what the appellant was able to supply. But the license was continued in good faith and in the hope that the difficulties would pass and the goods sold by the respondent be once more, as originally contemplated, goods solely supplied by the appellant. Their Lordships are unable to find any fraud in the original grant of the license, which in their opinion was made in good faith and in the ordinary course of business and was only continued until it was seen that the original arrangement had finally fallen through, when it was duly revoked. Thereupon the respondent was wrongfully refusing to admit the appellant's rights and was wrongfully claiming to use their trade names without authority and in respect of goods with which the appellant was not connected in any way, and to do so permanently and indefinitely, contrary to the appellant's prohibition. Their Lordships know of no authority which justifies the holding that in such circumstances as these the respondent should not be prevented not only from infringing the appellant's rights, but also from deceiving the public. Furthermore, even if, contrary to their Lordships'

opinion, the appellant authorised, or was privy to, the practising of any deception on the public, the appellant now no longer authorises, but seeks to stop that deception, and their Lordships do not see any reason why, even if the appellant ever did wrong, he should not be allowed to repent and obtain the prohibition of the Court to stop any such further deception, not only in his own interest, but in that of the public.

Their Lordships may finally observe that the objection under consideration was not taken until the hearing before the High Court. The point does not emerge in any of the affidavits or in any of the judgments of the Courts in Victoria. It is not clear that further evidence might not have been adduced by the appellant if the point had been put forward earlier. But as their Lordships do not uphold the objection which is made to the appellant's claim to relief, the matter need not be pursued further.

In the result, their Lordships are of opinion that the appeal should be allowed, the order of the High Court of Australia set aside, and the order of the Chief Justice restored : the respondent will pay to the appellant the costs of this appeal and the costs in the Courts below.

Their Lordships will humbly so advise His Majesty.



In the Privy Council.

---

---

J. H. COLES PROPRIETARY, LIMITED  
(in liquidation)

v.

JOHN FRANCIS NEED.

---

---

DELIVERED BY LORD WRIGHT.

Printed by  
Harrison & Sons, Ltd., St. Martin's Lane, W.C.2  
1933.