

## Goodwill without Borders

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This paper seeks a consistent view of the baseline for the protection of goodwill under the English law of passing off<sup>1</sup> across diverse applications within its jurisdiction. In cases involving presale advertising which introduces the advertised goods to the marketplace, the law has shown a potential for protecting goodwill before any sale occurs and thus before any customer base is established. In cases involving professional and trade governing and promoting bodies and charities, the law has long protected the goodwill of claimants which may not have a trade customer base. However, while it is not disputed that traders need to have goodwill within a jurisdiction before the law of passing off would protect their goodwill there, traders whose goods and/or services (collectively “goods”) may be known in England or Wales, but who operate no business there, must have a customer base there to establish goodwill (often called “extraterritorial goodwill”) within the jurisdiction. A 2015 UK Supreme Court decision affirms this stance.<sup>2</sup> It has not proven uncontroversial.<sup>3</sup> The problem is considered one of the most intractable in the law of passing off.<sup>4</sup> The Supreme Court notes it is “of particularly acute significance in the age of global electronic

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<sup>1</sup> For the purpose of the law of passing off, the UK comprises of three jurisdictions: England and Wales, Scotland, and Northern Ireland; see also *Metric Resources Corporation v Leasemetrix Ltd.* [1979] F.S.R. 571 (Ch) at 575. This paper focuses on the law of England and Wales. It refers to the ‘UK’ where the case under discussion uses that term.

<sup>2</sup> *Starbucks (HK) Ltd. v British Sky Broadcasting Group Plc* [2015] UKSC 31; [2015] 1 W.L.R. 2628.

<sup>3</sup> See for example: David Brophy, “The Supreme Court Decision in *Starbucks (HK) v British Sky Broadcasting*: is that crazy horse still running?” (2015) E.I.P.R. 661; Kelvin Hiu Fai Kwok, “Protection of a Reputable Foreign Trader’s Legitimate Interests under the Law of Passing-off” (2016) 132 L.Q.R. 186; Olivia Gray and John Colbourn, “Supreme Court Re-Affirms Requirement of Goodwill in the Jurisdiction” (2016) 11 J.I.P.L.P. 280.

<sup>4</sup> Christopher Wadlow, *The Law of Passing-Off: unfair competition by misrepresentation*, 5<sup>th</sup> edn (London: Sweet & Maxwell, 2016) at [3-082].

communication.”<sup>5</sup> Arguably, global electronic communication and easy low-cost global travel make the case all the more compelling for not requiring a customer base within a jurisdiction before goodwill is protected there.

This paper asserts that the law ought to be consistent in protecting a claimant’s goodwill where the relevant public in a jurisdiction would, upon seeing the claimant’s distinctive identifiers – typically trade marks, or upon seeing marks identical or similar to the claimant’s, recognise and attribute the underlying goods as being connected with or having been endorsed or licensed by the claimant. Unlike scholarly works which draw on other common law jurisdictions in analysing extraterritorial goodwill cases,<sup>6</sup> this paper considers the English law of passing off within the various contexts of its domestic applications. It will contribute to the current discussions concerning the protection of extraterritorial goodwill under the law of passing off in three ways: First, it delineates between what constitutes goodwill and what may evidence goodwill – having a customer base within a jurisdiction may, but does not always, evidence the presence of goodwill there. This work sees the presence of goodwill as a condition in the marketplace which may spread without regard to jurisdictional boundaries, and importantly without attributing this spread to the conduct of the disputing parties. Second, this work will show through an examination of oft-cited case law that until recently, courts have viewed the presence of customers within the relevant jurisdiction as part of the overall supporting evidence for the presence of goodwill. Recent decisions however have viewed the presence or absence of customers within the jurisdiction as determinative of the presence or absence of goodwill there. Finally, this work will challenge the perceived dichotomy between “goodwill” which is protected under the law of passing off, and “mere reputation” which is said

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<sup>5</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [1].

<sup>6</sup> For example: Frederick W. Mostert, “Is Goodwill Territorial or International? Protection of a famous trade mark which has not been used in the local jurisdiction” (1989) 11 (12) E.I.P.R. 440; Fiona Martin, “The Dividing Line between Goodwill and International Reputation: a comparison of the law relating to passing off in the United Kingdom, Australia and other jurisdictions” [1995] *Journal of Business Law* 70; Po Jen Yap, “Foreign Traders and Goodwill Hunting: passed over or passing off?” (2009) 31(9) E.I.P.R. 448; Cheng Lim Saw, “Goodwill Hunting in Passing Off: time to jettison the strict ‘hard line’ approach in England?” (2010) 8 *Journal of Business Law* 645; Arpan Banerjee, “Spill-Over Reputation in Passing Off Actions: Indian and English law compared” (2014) 14 O.U.C.L.J. 21.

not to be so protected. Reputation in the broad sense is beyond the remit of the law of passing off. However, the cases dealing with professional and trade governing and promoting bodies and charities which may have no trade customers and the recent judicial consideration of presale advertising (undertaken before goods are first marketed and custom garnered) suggest that the law may protect reputation that is publicly perceived as having been engendered through the claimants' advertising or public communication, merchandising, or sale of goods. Where such communication, merchandising, or sale takes place, and how such reputation is spread into a jurisdiction ought not be at issue in inquiring if goodwill exists there.

This work does not consider residual goodwill which remains after business operation ceases because the key obstacle in establishing a consistent baseline to protect goodwill lies in whether or not goodwill may be engendered without prior sales. While Trade Marks Act 1994 also protects registered trade marks from certain third party uses within the UK of identical or similar marks,<sup>7</sup> and protects well-known trade marks pursuant to the terms of the Paris Convention,<sup>8</sup> it does not affect the law relating to passing off.<sup>9</sup> The legislation protects trade marks as "property";<sup>10</sup> the law of passing off remains significant in protecting the goodwill of registered, unregistered and unregistrable marks and indicia.<sup>11</sup>

## I. Delineating What Constitutes Goodwill from What May Evidence Goodwill

This part seeks to delineate between what constitutes goodwill and what may evidence goodwill. Goodwill as a legal concept has its roots in the marketplace.<sup>12</sup> In assessing goodwill, courts should view it within the

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<sup>7</sup> Trade Marks Act 1994 s. 10(1) – (3).

<sup>8</sup> Trade Marks Act 1994 s. 56; Paris Convention for the Protection of Industrial Property of March 20<sup>th</sup> 1883 art. 6 *bis*.

<sup>9</sup> Trade Marks Act 1994 s. 2(2); Olivia Gray and John Colbourn, "Supreme Court Re-Affirms Requirement of Goodwill in the Jurisdiction" (2016) 11 J.I.P.L.P 280.

<sup>10</sup> Trade Marks Act 1994, s. 2(1).

<sup>11</sup> Mairie Ni Shuilleabhain, "Common-Law Protection of Trade Marks – the continuing relevance of passing off" (2003) 34(7) I.I.C. 722.

<sup>12</sup> *I.R.C. v Muller & Co.'s Margarine, Limited* [1901] A.C. 217 (HL) at 223 (Macnaghten L.J.), at 231 – 232 (Brampton L.J.).

context of the marketplace.<sup>13</sup> The objective of the law is to protect goodwill from harm that results from a particular type of misrepresentation. The law has come to define “goodwill” in terms familiar to its marketplace roots, and accord certain protection to it. In copyright terms, this process is analogous to first defining “artistic works” (rather than “copyright”<sup>14</sup>) as a subject matter for protection under UK copyright legislation<sup>15</sup>. Such artistic works then attract certain protection<sup>16</sup> as specified later in the legislation. In passing off terms, how goodwill is defined and what protection it attracts are two separate matters which require separate analysis. This work focuses on how goodwill is defined and how it may be evidenced.

### A. Goodwill in the Marketplace

First, it is important to appreciate the role of goodwill in the marketplace. Goodwill is brand recognition which may affect trading relationships. It is distinct from reputation in the broad sense because goodwill is engendered through public encounters with the brand’s approved goods, merchandising, and public communication. Such brand recognition is not limited by jurisdictional boundaries. It can also be engendered and spread through advertising directed or spilt-over from abroad, or by customers travelling from abroad after having been exposed there to the branded goods. Travel and communication networks are conduits for the spread of brand recognition, whether or not intended by the brand owner. Recent developments toward broadening worldwide web and social media use and toward easy low-cost travel further facilitate the recognition of domestic brands abroad, and of foreign brands domestically. Traders wish to guard against others posing under their guise, others who would use their distinguishing marks to divert consumer demand and diffuse the traders’ command of the market among consumers and prospective consumers.

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<sup>13</sup> For example: *Arsenal Football Club Plc v Reed* [2001] EWHC 440 at [23], [24]; *Fenty v Arcadia Group Brands Limited* [2015] EWCA 3 at [49]; [2015] 1 W.L.R. 3291.

<sup>14</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [59], citing Christopher Wadlow, *The Law of Passing-Off: unfair competition by misrepresentation*, 4<sup>th</sup> edn (London, Sweet & Maxwell, 2011) at [3-131]; Christopher Wadlow, *The Law of Passing-Off: unfair competition by misrepresentation*, 5<sup>th</sup> edn (London, Sweet & Maxwell, 2016) at [3-84].

<sup>15</sup> Copyright, Designs and Patents Act 1988, s. 4.

<sup>16</sup> Copyright, Designs and Patents Act 1988, s. 1.

Traders may extend their brand reach by licensing their distinguishing mark for others' use in diverse regional zones, or trade sectors, or in endorsements or merchandising where spin-off items (such as T-shirts bearing the image of pop star Rihanna) are sold to promote primary goods (such as Rihanna's live concerts and music videos). Where consumers are aware of these branding practices, they may expect the practices to be generated or approved by the brand.

Furthermore, conspicuous public consumption of branded goods can also create demand for the brand, especially when the perceived consumers are celebrities and role models within a target market. Thus brand promotion and dissemination are not necessarily undertaken by the brand owner alone, but are often aided by other consumers in the marketplace. If seeing others in the community use branded goods can create demand, then seeing others (such as 007/JAMES BOND) favourably use branded goods (such as OMEGA watches<sup>17</sup>) through product placement in a (JAMES BOND) movie may also create consumer demand. Product placement can promote goods. When movies are exported or accessed abroad, audiences there are exposed to the branded goods strategically placed for their perceived use by celebrity users. Thus the sale of a trader's goods (in this example, JAMES BOND movies) may extend another's brand recognition and create consumer demand (of OMEGA watches) within the scripted contexts embedded in the primary goods. Goods and advertising are thus consumed through the same medium – where consumer demand for the primary goods may be met and refreshed through direct consumption, that for the promoted goods may be created through perceived consumption. Both may affect trade in the primary and the promoted goods.

## B. Goodwill as a Legal Concept

Under the current law, goodwill is the first of three elements which constitute the English tort against a trader passing off his/her goods as

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<sup>17</sup> See Omega SA, "The Perfect Watch for World's Most Beloved Spy" <https://www.omegawatches.com/planet-omega/cinema/james-bond/> accessed 29 May 2017; also Chris Hackley and Rungpaka Tiwsakul, "Entertainment Marketing and Experiential Consumption" (2006) 12:1 Journal of Marketing Communications 63; Vildan Jusufovic Karisik, "20 Years of Research on Product Placement in Movie, Television and Video Game Media" (2014) 4 Journal of Economic and Social Studies 253.

those of another's. These elements as set out by Lord Oliver of Aylmerton in *Reckitt and Colman Products Limited v Borden Inc.*<sup>18</sup> are commonly applied to the law of passing off as a whole, including extraterritorial goodwill cases<sup>19</sup> and false advertising and merchandising cases.<sup>20</sup> The three-part test captures the essence of the law of passing off with greater precision<sup>21</sup> than the tests proposed earlier in *Erven Warnink B.V. v J. Townend & Sons (Hull) Ltd.*<sup>22</sup> which are applied in some of the extraterritorial goodwill cases<sup>23</sup> and the presale advertising cases analysed here<sup>24</sup> (they predate *Reckitt and Colman Products Limited*).

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<sup>18</sup> *Reckitt and Colman Products Limited v Borden Inc.* [1990] UKHL 12; [1990] W.L.R. 491.

<sup>19</sup> *Pete Waterman Ltd. v C.B.S. United Kingdom Ltd.* [1993] E.M.L.R. 27 (Ch) – although the case only cites *Reckitt and Colman Products Limited* [1990] W.L.R. 491(HL) for the issue of distinctiveness, it follows the three-part test model set out in *Reckitt and Colman Products Limited* [1990] W.L.R. 491(HL) at 499; *Starbucks (HK) Ltd* [2015] UKSC 31 at [15] – [17], [60].

<sup>20</sup> *Hearst Holdings Inc. v A.V.E.L.A. Inc.* [2014] EWHC 439 at [65]; [2014] All E.R. (D) 220 (Feb) – referring to both *Reckitt and Colman Products Limited* [1990] W.L.R. 491(HL) and *Erven Warnink B.V. v J. Townend & Sons (Hull) Ltd.* [1979] A.C. 731; [1979] 2 All E.R. 927 (HL); *Fenty* [2015] EWCA 3 at [33].

<sup>21</sup> See Lord Diplock noting the logical fallacy in his own test at *Erven Warnink B.V.* [1979] A.C. 731 (HL) at 742; David Vaver, “Brand Culture: trade marks, marketing and consumption’ – responding legally to Professor Schroeder’s paper” in Jennifer Davis, Lionel Bently, Jane C. Ginsburg (eds.), *Trade Marks and Brands – an interdisciplinary critique*, (Cambridge: Cambridge University Press, 2008) at 181, 192; Hazel Carty, “Passing Off: frameworks of liability debated” [2012] I.P.Q. 106.

<sup>22</sup> *Erven Warnink B.V.* [1979] A.C. 731 (HL) in particular at 742 (Diplock L.J.), at 755 – 756 (Fraser of Tullybelton L.J.).

<sup>23</sup> *The Athletes Foot Marketing Associates Inc. v Cobra Sports Ltd.* [1980] R.P.C. 343 (Ch) at 356 – which emphasises the “territorial position” in Lord Fraser’s test even though extraterritorial goodwill was not at issue in *Erven Warnink B.V.* [1979] A.C. 731 (HL) – see *My Kinda Bones Limited v Dr. Pepper’s Stove Co. Ltd.* [1984] F.S.R. 289 (Ch) at 298 on this point; *Home Box Office Inc. v Channel 5 Home Box Office Ltd.* [1982] F.S.R. 449 (Ch) at 455 – which applies Lord Diplock’s test while acknowledging the “territorial position” in Lord Fraser’s test; *Anheuser-Busch Inc. v Budejovicky Budvar N.P.* [1984] F.S.R. 413 (CA) at 462 – 463 (Oliver L.J.) – who found Lord Diplock’s and Lord Fraser’s tests complement each other, at 471 (O’Connor L.J.) – who also relied on their tests; (1984) 81 L.S.G. 1369; *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 55 – which cites Lord Fraser’s fourth requirement that plaintiffs have goodwill in England, but not his first requirement that the plaintiffs’ business consists of or includes selling in England; *Jian Tools for Sales Inc. v Roderick Manhattan Group Limited* [1995] F.S.R. 924 (Ch) at 935.

<sup>24</sup> *B.B.C. v Talbot Motor Company Ltd.* [1981] F.S.R. 228 (Ch) at 232 – 234; *My Kinda Bones Limited* [1984] F.S.R. 289 (Ch) at 297, 299; *Marcus Publishing Plc v Hutton-Wild Communications Limited* [1990] R.P.C. 576 (CA) at 579; Times 31 October, 1989.

Significantly, the recent Supreme Court decision dealing with extraterritorial goodwill applies the test from *Reckitt and Colman Products Limited*.<sup>25</sup> The three elements of the tort set there are:<sup>26</sup> First, goodwill which arises from an association of the claimant's goods with the claimant's distinctive identifier (such as a trade mark or logo) in the public's mind such that the public would recognise the claimant's goods by the identifier; second, a misrepresentation (whether or not intentional) by the defendant to the public which would lead or likely lead the public to believe that the defendant's goods are those of the claimant's; and finally, damage or likelihood of damage to the claimant's goodwill from the erroneous belief that would or likely result from the defendant's misrepresentation. While a trader must have goodwill within a jurisdiction before the law of passing off can protect it there, the protection conferred is further limited under the second and third elements of the tort: the law protects only against the specified type of misrepresentation and the likelihood of harm to goodwill caused thereby. All three elements together constitute the tort. All three play a role in setting boundaries for the tort.<sup>27</sup>

This work focuses on analysing the first element of goodwill, namely how it is defined as the subject matter of protection, and how this subject matter may be evidenced by facts which fit within the definition.

The law of passing off is said to protect goodwill,<sup>28</sup> the first element of the tort set out by Lord Oliver in *Reckitt and Colman Products Limited*. Goodwill is broadly accepted within the law of passing off as "the benefit and

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<sup>25</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [15] – [17], [60]; note that [23] – [24], [56] also briefly cites *Erven Warnink B.V.* [1979] A.C. 731 (HL).

<sup>26</sup> *Reckitt and Colman Products Limited* [1990] W.L.R. 491(HL) at 499.

<sup>27</sup> Working in concert, the three elements of the tort avoid the issue within trade mark legislation which grants absolute protection to marks when an identical sign is used in relation to identical goods – see for example Annette Kur, "Trade Marks Function, Don't They? CJEU jurisprudence and unfair competition principles" (2014) 45(4) I.I.C. 434; Martin R.F. Senftleben et al, "The Recommendation on Measures to Safeguard Freedom of Expression and Undistorted Competition: guiding principles for the further development of EU trade mark law" (2015) 37(6) E.I.P.R. 337.

<sup>28</sup> *A.G. Spalding Bros. v A.W. Gamage Ltd.* [1914–15] All E.R. Rep. 147; 32 R.P.C. 273 (HL) at 284 as cited in *Starbucks (HK) Ltd.* [2015] UKSC 31 at [21]; *Fenty v Arcadia Group Brands Limited* [2013] EWHC 2310 at [31]; [2014] F.S.R. 5.

advantage of the good name, reputation, and connection of a business ... the attractive force which brings in custom”<sup>29</sup> as set out in the tax case of *Inland Revenue Commissioners v Muller & Co.’s Margarine Ltd.* (“*I.R.C.*”). If this force exists within a jurisdiction in a way prescribed under the law of passing off, the law there should protect it without requiring more. The public need not know the claimant’s goods by name.<sup>30</sup> Where a sufficient portion of the relevant public within a jurisdiction sees a claimant’s mark or a mark identical or similar to the claimant’s, and recognises the underlying goods as the claimant’s or as connected with, or endorsed or licensed by the claimant, such brand recognition should be indicative of the claimant’s goodwill there. Confusion which may arise with another’s mark may also be indicative of a presence of goodwill because no confusion in the minds of the relevant public would be possible without brand recognition as a point of reference. Such confusion alone however does not constitute misrepresentation for the second element of the tort as will be discussed later.

By the description in *I.R.C.*, goodwill must pre-exist custom in order to attract custom. It may exist whether or not custom results. Arguably presale advertising aims to engender goodwill to attract custom. If goodwill is founded only upon customer presence, then the law of passing off would only protect repeat purchases. However, even in passing off cases which declare “advertising without trade is nothing”, the law protects goodwill within a locality rather than merely among pre-existing customers.<sup>31</sup> It does

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<sup>29</sup> *I.R.C.* [1901] A.C. 217 (HL) at 223 – 224 (Macnaghten L.J.).

<sup>30</sup> *The Birmingham Vinegar Brewery Company, Limited v Powell* [1897] A.C. 710 (HL) at 712 – 716.

<sup>31</sup> *Cruttwell v Lye* (1810) 17 Ves. 335; 34 E.R. 129 defines goodwill as “nothing more than the probability that old customers will resort to the old place”; cf *Trego v Hunt* [1896] A.C. 7 (HL) at 23 – 25; 65 L.J. Ch. 1; *S. Chivers & Sons v Chivers & Co., Ltd.* (1900) 17 R.P.C. 420 (HCJ ChD) 431 – which deals with the acquisition of secondary meaning; see also for example: *Faulder & Co. Ltd. v O. and G. Rushton, Ltd.* (1903) 20 R.P.C. 477 (CA) at 492 – 496; 19 T.L.R. 452; *Brestian v Try* [1958] R.P.C. 161 (CA) at 173; *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 350; *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 464 – 465, 467 – 470 (Oliver L.J.), at 476 (Dillon L.J.) – who considered “ordinary members of the public” in England as “customers”, at 471 – 472 (O’Connor L.J.) – who considered “American servicemen [to whom the plaintiffs’ beer were made available] are members of the public in this country like any other visitor”; see also Ian Tregoning, “Lord Eldon’s Goodwill” (2004) 15 K.C.L.J. 93.

not require claimants to trade within the locality comprehensively.<sup>32</sup> Brand recognition may influence purchase decisions among prospective customers there.

On the other hand, trade may not necessarily engender goodwill.<sup>33</sup> Purchases are often made out of convenience or necessity without any attention as to whom the sale may be attributed. Last minute gift and souvenir vendors at airports may have international customers, but not international goodwill. Presented with the airport vendors' trade marks, customers abroad may not recognise the vendors at all.

Thus, having goodwill and having customers are separate matters. Having goodwill does not necessarily indicate a presence of customers. While having customers may support a presence of goodwill, having customers alone does not necessarily indicate a presence of goodwill. The mere coexistence of a trader's mark and a trader's customers within a jurisdiction would not suffice. To evidence goodwill, such customers or prospective customers must make decisions – whether or not immediately realisable, based on their brand recognition. This requirement of a reliance on brand recognition in purchase decision making limits the protection of the goodwill to that sufficiently pertinent and potent to draw in customers, to affect trade. The causal link between the defendant's misrepresentation (second element of the tort) and the potential resulting harm (third element) to the claimant's goodwill (first element) further limits the tort. All three elements under *Reckitt and Colman Products Limited* act in concert to complete the tort and limit its reach. This full analysis ought not be cut short by an additional requirement of a customer base to the initial element of goodwill.

### C. Delineating What Constitutes Goodwill from What May Evidence Goodwill in Extraterritorial Goodwill Cases

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<sup>32</sup> *Faulder & Co. Ltd.* (1903) 20 R.P.C. 477 (CA) at 492 – 494; *Ewing v Buttercup Margarine Company, Limited* [1917] 2 Ch. 1 (CA) at 13; [1916–1917] All E.R. 1012; *Brestian* [1958] R.P.C. 161 (CA) at 170; *Maxim's Limited v Dye* [1977] 1 W.L.R. 1155; [1977] F.S.R. 364 (Ch) at 370; *Chelsea Man Menswear Limited v Chelsea Girl Limited* [1987] R.P.C. 189 (CA) at 202 – 208; David Rose, "Season of Goodwill: passing off and overseas traders" (1996) 18(6) E.I.P.R. 356 at 369.

<sup>33</sup> Po Jen Yap, "Foreign Traders and Goodwill Hunting: passed over or passing off?" (2009) 31(9) E.I.P.R. 448 at 450.

Having customers may appear a more tangible way to evidence the presence of an “attractive force which brings in custom” than to show goodwill as a form of reputation that exists in the mind of the relevant public as formulated in *Reckitt and Colman Products Limited*. Among extraterritorial goodwill cases, two further reasons may account for the customer base requirement. First, the relevant goods are readily available albeit outside the relevant jurisdiction. It is therefore tempting to demand that goodwill be established by the presence of customers within the jurisdiction.<sup>34</sup> This would prevent brand owners from claiming goodwill to be protected in a jurisdiction merely by sending advertisements there or enjoying a reputation spilt-over from elsewhere without doing more, as some courts appear keen to avoid.<sup>35</sup> In an age where advertising often appears on worldwide web, what is “spilt-over” as opposed to “targeted” advertising may be difficult to discern, and may not concern consumers. Moreover, goods are now often available for order and many are deliverable through the worldwide web.<sup>36</sup> The consuming public is also aware of licensing practices which may extend a foreign brand’s reach into a domestic market. Domestic consumers with prior exposure to a brand abroad may therefore confuse a similar domestic brand to be the imported version or licensed extension of the foreign brand. That foreign brand would have domestic goodwill given its brand recognition even though domestic consumers do not travel abroad or order online to seek out the brand.

Second, a key concern is that if foreign traders can successfully establish goodwill within a jurisdiction through advertising alone, they may gain a wide berth of opportunity protected under the law of passing off within the

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<sup>34</sup> Cheng Lim Saw, “Goodwill Hunting in Passing Off: time to jettison the strict ‘hard line’ approach in England?” (2010) 8 *Journal of Business Law* 645 at 665.

<sup>35</sup> For example in cases dealing with extraterritorial goodwill: *Alain Bernardin et Cie v Pavilion Properties Ltd.* [1967] F.S.R. 341; [1967] R.P.C. 581 (Ch) at 584 – 585; *Metric Resources Corporation* [1979] F.S.R. 571 (Ch) at 577; *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 355 – 357; *Starbucks (HK) Ltd.* [2015] UKSC 31 at [52], [62] – [63]; see also Jennifer Davis, “The Continuing Importance of Local Goodwill in Passing Off” (2015) 74(3) *Cambridge Law Journal* 419 at 421 – 422; in domestic cases: *S. Chivers & Sons* (1900) 17 R.P.C. 420 (HCJ ChD) at 431; *Brestian* [1958] R.P.C. 161 (CA) at 168; *My Kinda Bones Limited* [1984] F.S.R. 289 (Ch) at 299 – 300; *cf Faulder & Co. Ltd.* (1903) 20 R.P.C. 477 (Ch) at 490 – 491 – the issue was not raised on appeal.

<sup>36</sup> For example: *Starbucks (HK) Ltd.* [2015] UKSC 31 at [5], [6].

jurisdiction to expand their businesses directly or through licensing, and to deprive domestic businesses, coincidentally using an identical or a similar identifier, of that opportunity to expand within their home jurisdiction. Requiring customer presence within a jurisdiction under the law is an additional element that can be used to balance the interests between foreign and domestic traders.<sup>37</sup> However, as a jurisdictional boundary falls between England and Scotland, inequity would occur when English traders with customers for branded goods (for example, a car wash service) available only on the Scottish side of the border would not have their goodwill protected on the English side regardless of the level of consumer brand recognition there,<sup>38</sup> even though within England goodwill is protected by the locality affected by potential trade rather than confined and pinpointed to pre-existing customers, as discussed earlier.

Furthermore, this balance of interests between traders, whether domestic or foreign, may hinge upon the principles addressed in the other constituent elements of the tort beyond goodwill: namely misrepresentation and damage. While the presence of goodwill within a jurisdiction may be established without regard to the conduct of the disputing parties, misrepresentation requires the defendant's representations to be misleading to the relevant public in a way that would likely harm the claimant's goodwill.<sup>39</sup> So even where there is goodwill as evidenced by public confusion between the claimant's and the defendant's goods, there is not necessarily misrepresentation on the part of the defendant. Even where there is such misrepresentation, it may not be sufficient to likely harm the

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<sup>37</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [62] – [63]; Christopher Wadlow, *The Law of Passing-Off: unfair competition by misrepresentation*, 4<sup>th</sup> edn (London, Sweet & Maxwell, 2011) at [3–82]; see also Po Jen Yap, “Foreign Traders and Goodwill Hunting: passed over or passing off?” (2009) 31(9) E.I.P.R. 448 with respect to using claimants' intention as an additional element to balance the interests of the parties.

<sup>38</sup> For the Irish position, see *C&A Modes v C&A (Waterford) Ltd.* [1978] F.S.R.126; [1976] I.R. 148 (SC Ireland); also A. Kelly Gill, “Protecting Extraterritorial Goodwill” in Catherine W. Ng, Lionel Bently, Giuseppina D'Agostino (eds), *The Common Law of Intellectual Property – essays in honour of Prof. David Vaver* (Oxford: Hart Publishing, 2010) at 351, 359 – 360.

<sup>39</sup> *Premier Luggage and Bags Ltd. v Premier Company (UK) Ltd.* [2002] EWCA Civ 387 at [37] – [41]; [2002] E.T.M.R. 69; *Hodgkinson & Corby Ltd. v Wards Mobility Services Ltd.* [1994] 1 W.L.R. 1564; [1995] F.S.R. 169 (Ch) at 175 (Jacob J.), as cited in *L'Oreal S.A. v Bellure N.V.* [2007] EWCA Civ 968 at [137], also [147] – [155]; [2008] E.C.C. 5; *Comic Enterprises Ltd. v Twentieth Century Fox Film Corp.* [2016] EWCA Civ 41; [2016] E.C.C. 24.

claimant's goodwill. One example of this can be seen in a recent case concerning the US television series GLEE which proved popular among teenage consumers of the programme in the UK.<sup>40</sup> The popularity of the television show in the UK about a singing club might limit a local business which used a similar mark (GLEE for live entertainment venues which wished to be differentiated from the defendant's television show) in the same way that any advertising embedded in the show would, if such advertising would result in goodwill protected under the law of passing off. In the *GLEE* case, while the Court of Appeal found a significant degree of confusion at some of the claimant's live entertainment venues, it found on the part of the television company no actionable misrepresentation<sup>41</sup> – the second element required for the tort of passing off. The concern that protecting goodwill attached to international advertising by foreign enterprises may constrict business opportunities for their domestic counterparts should be similarly addressed within the other constituent elements of passing off. To complete the tort of passing off, those elements further demand that the defendant's representation in the marketplace be misleading in a way that would harm the claimant's goodwill.

Finally, the definition of "goodwill" and the right to protect goodwill against passing off<sup>42</sup> are both matters of law which is jurisdictionally-bound. The presence of goodwill may be evidenced by a presentation of facts. Whether this state of facts within a jurisdiction is achieved through sales or advertising, directed or rendered within or from outside the jurisdiction is not a factor for consideration in establishing goodwill. The formulation of goodwill under *Reckitt and Colman Products Limited* focuses on brand recognition by the relevant public, rather than the activities undertaken by the disputing parties. Therefore, at its most basic level, goodwill is a passive yet attractive force which brings in custom. It need not be strong enough to require customers to seek out the claimants' goods. Yet it needs to be strong enough for customers, prospective customers and similar

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<sup>40</sup> *Comic Enterprises Ltd.* [2016] EWCA Civ 41 at [15]; Leigh Smith, "Court of Appeal Rejects Appeal in GLEE Trade Mark Dispute" (2016) 38(7) E.I.P.R. 445; Kirsten Toft, "No Glee for Fox – Court of Appeal confirms relevance and admissibility of 'wrong way round confusion' evidence" (2016) 27(4) Ent. L.R. 151.

<sup>41</sup> *Comic Enterprises Ltd.* [2016] EWCA Civ 41 at [157] – [159].

<sup>42</sup> *A.G. Spalding Bros.* [1914–15] All E.R. Rep. 147 (HL); *Starbucks (HK) Ltd.* [2015] UKSC 31 at [21].

stakeholders<sup>43</sup> when making business decisions in the relevant jurisdiction to be able to attribute goods to be the claimants' when presented with the distinguishing marks associated with the claimants in the marketplace. Having customers within a jurisdiction may, but does not necessarily support a finding of goodwill; it ought not be determinative of such a finding and pre-empt the full analysis of the tort.

## II. Jurisprudential Shifts

Until recently, the preponderance of oft-cited case law dealing with extraterritorial goodwill treats the presence or absence of customers as part of the overall evidence viewed in the round to determine the presence or absence of goodwill within the jurisdiction, rather than as determinative of the finding of goodwill there. The recent cases of *The Athletes Foot Marketing Associates Inc. v Cobra Sports Ltd.* and then *Anheuser-Busch Inc. v Budejovicky Budvar N.P.* with its extraordinary facts mark the points where having customers within a jurisdiction became a requirement for establishing goodwill within the jurisdiction. In *Starbucks (HK) Ltd. v British Sky Broadcasting Group Plc*, the Supreme Court has maintained this requirement; showing customer presence is no longer merely part of the evidence to determine the presence of goodwill within a jurisdiction.

The presentation of arguments for the presence of goodwill within a jurisdiction supported by evidence of customer presence there is apparent from the first oft-cited cases dealing with extraterritorial goodwill. *Société anonyme des anciens établissements Panhard et Levassor v Panhard-Levassor Motor Co. Ltd.* was decided in 1901. The French claimants were a car manufacturer with no agency representation in England. Nevertheless, their cars were frequently imported into England either by the British Motor Company, Limited or by private purchasers through specific patent licensing arrangements. The court found that the claimants had a market in England and their name was known there and vulnerable to "having the benefit of his name annexed by a trader in England who assumes that name without any sort of justification."<sup>44</sup> As English customers sought out the claimants'

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<sup>43</sup> *Home Box Office Inc.* [1982] F.S.R. 449 (Ch) at 456.

<sup>44</sup> *Société anonyme des anciens établissements Panhard et Levassor v Panhard Levassor Motor Co. Ltd.* [1901] 2 Ch. 513 (Ch) 516; (1901) 18 R.P.C. 405.

goods abroad, the claimants' goodwill in England might be inferred. The court intervened against the defendants' use of the claimants' mark to avoid confusion or deception caused by such use in the English market.

The next two cases again present arguments supported by evidence of customer presence within the jurisdiction. The 1920 case of *Poiret v Jules Poiret Ltd.* involves a French fashion designer who enjoyed great reputation in England and served his customers in England through regular visits by himself or his assistant. Even though he never paid for any advertisement in England, the demand for his goods in England was evidenced by a high-profile invitation from England to showcase his goods there. Moreover, trade data showed the extent of his business in England. The Court found that the plaintiff, Paul Poiret, was "entitled to protect his goods and the reputation he has acquired in this country notwithstanding the fact that he has not a place of business here".<sup>45</sup> The court recognised that the public might confuse the defendant's use of POIRET to be the plaintiff's in opening a branch operation in England. It also found the defendant deliberately exploited the name there.

While *Sheraton Corp. of America v Sheraton Motels Ltd.*<sup>46</sup> mentions the plaintiff's booking offices within the jurisdiction – often cited in subsequent cases as sufficient to establish goodwill there,<sup>47</sup> the interlocutory decision appears to be based on the further fact that actual confusion had already occurred given the plaintiff's international reputation. Those anxious to carry out the defendant's construction work for the hotel project in England had contacted the US plaintiff, thinking the project was the plaintiff's because of the similarity between the parties' names.<sup>48</sup> Such confusion would indicate plaintiff's goodwill within the jurisdiction was sufficient to warrant protection under the law of passing off. As further grounds for

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<sup>45</sup> *Poiret v Jules Poiret Ltd.* (1920) 37 R.P.C. 177 (Ch) at 188.

<sup>46</sup> *Sheraton Corp. of America v Sheraton Motels Ltd.* [1964] R.P.C. 202 (Ch).

<sup>47</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 586 – 587; *Globelegance B.V. v Sarkissian* [1973] F.S.R. 461 (Ch) at 473; [1974] R.P.C. 603; *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 353, 356; *Home Box Office Inc.* [1982] F.S.R. 449 (Ch) at 455 – 456; *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 52; *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 466; *Starbucks (HK) Ltd.* [2015] UKSC 31 at [34]; *cf Hotel Cipriani Srl. v Hotel Cipriani (Grosvenor Street) Ltd.* [2010] EWCA Civ 110 at [108(1)]; [2010] Bus. L.R. 1465.

<sup>48</sup> *Sheraton Corp. of America* [1964] R.P.C. 202 (Ch) at 203.

goodwill might be established at trial, an interlocutory injunction was granted to restrain the defendant from advertising under SHERATON to avoid any association with the plaintiff's business.

The next oft-cited case of *Alain Bernardin et Cie v Pavilion Properties Ltd.* is remarkable for its focus on the plaintiff's activities in its analysis to establish goodwill in the jurisdiction. The facts are typical: the French plaintiff had advertised his high quality Parisian cabaret CRAZY HORSE SALOON continuously and extensively in the UK for some 16 years. Evidence showed UK residents were familiar with the plaintiff's business from their travels to Paris.<sup>49</sup> The defendant started a similar but members-only enterprise in London under the same name with advertisements set in a similar style as those of the claimant's. One contained the headline "Crazy Horse Saloon comes to London."<sup>50</sup>

The court's findings are notable because first, they set a high watermark for suggesting that the claimant must carry on business, such as a booking service, within the jurisdiction to establish goodwill there<sup>51</sup> – a suggestion largely criticised in subsequent cases.<sup>52</sup> Second, the court distinguished *Poiret* and *Sheraton Corp. of America*<sup>53</sup> on the basis that the plaintiffs in *Poiret* visited London to carry on business there, and those in *Sheraton Corp. of America* had taken bookings in England for hotel services rendered abroad. While those cases were not decided solely on these bases but rather took a broader account of the overall principle of the law of passing off, this characterisation of the cases lingered in subsequent cases.<sup>54</sup> Third, the court summarised the issue in the case as: "whether the owner of an establishment carried on abroad can maintain a passing off action in this country in circumstances in which he has carried on no activities whatever in

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<sup>49</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 585.

<sup>50</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 582.

<sup>51</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 587.

<sup>52</sup> See for example *Globelegance B.V.* [1973] F.S.R. 461 (Ch) at 476; *Maxim's Limited* [1977] F.S.R. 364 (Ch) at 367 – 368; *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 58.

<sup>53</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 587.

<sup>54</sup> For example: *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 351 – 354, 356; *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 53; cf *Metric Resources Corporation* [1979] F.S.R. 571 (Ch) at 577 – 578.

this country except sending advertising material to this country.”<sup>55</sup> The analysis for establishing goodwill shifted focus from an assessment of public brand recognition to that of the claimant’s activities.

Above all, by attempting to assess the presence of goodwill in such terms, the court in *Alain Bernardin et Cie* found “with considerable reluctance”, the principle of the law compromised, when it appeared

“perfectly clear that the defendant company has chosen the identical name ‘Crazy Horse Saloon’ with the sole purpose of ‘cashing in’ on the reputation in the wider sense, of the plaintiff company, and again has deliberately copied in its decoration and advertisement those of the plaintiff company’s establishment. If I were able to hold that the plaintiff company had established a reputation in the relevant sense in this country, then I would have no hesitation in holding that the acts of the defendant company were calculated to cause deception or confusion and I would grant an injunction, but I do not think I am entitled to do so.”<sup>56</sup>

The “reputation” here was found insufficient for the law to protect in order to prevent public deception. While *Alain Bernardin et Cie* was cited in *Amway Corp. v Eurway International Ltd.* for the proposition that “[s]ome knowledge of the name of the plaintiffs in this country without any business activities here would quite clearly not be sufficient”,<sup>57</sup> in *Amway Corp.*, there appeared to be little evidence in the interlocutory motion of actual public knowledge of the plaintiff’s business to establish any level of domestic goodwill.<sup>58</sup> The plaintiff’s advertising in American magazines with large UK circulation did not create sufficient public recognition of the plaintiff’s goods in the UK to meet the requirement of the tort.

From the analytical shift in *Alain Bernardin et Cie*, the cases after *Amway Corp.* again show that having customers within the relevant jurisdiction was part of the overall evidence to substantiate a finding of goodwill which warranted protection there. Mindful of *Alain Bernardin et Cie*, *Globelegance B.V. v Sarkissian* found sufficient sale of the plaintiff’s fashion and

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<sup>55</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 583.

<sup>56</sup> *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch) at 588.

<sup>57</sup> *Amway Corp. v Eurway International Ltd.* [1973] F.S.R. 213 (Ch) at 220; [1974] R.P.C. 82.

<sup>58</sup> *Amway Corp.* [1973] F.S.R. 213 (Ch) at 222.

accessories bearing his VALENTINO mark within the jurisdiction, supplemented by his reputation and activities beyond, to succeed in an interlocutory motion. It found travellers familiar with the mark abroad and readers of fashion reviews would also be susceptible to confusion with the defendant's fashion boutique of the same name:<sup>59</sup>

Likewise, *J.C. Penney Company Inc. v Penney's Ltd.*<sup>60</sup> granted interlocutory injunctive relief to protect the goodwill of the well-known American department store which had sold and advertised their branded textile goods widely in UK shops. The Court of Appeal acknowledged the High Court's view that goodwill need not be established on actual use of the mark alone. Although such use might be an important factor, it might be supplemented by other evidence such as advertising.<sup>61</sup> *Baskin Robbins Ice Cream Co. v Gutman* also saw "from the general line of past authority, that that existence and extent of the plaintiffs' reputation and goodwill in every case is one of fact however it may be proved and whatever it is based on."<sup>62</sup> In *Maxim's Limited v Dye*, the plaintiff had not carried on any business in England but had since 1907 owned the world famous Parisian MAXIM'S restaurant which was extensively patronised by English residents who would book their tables from England. The judge in *Maxim's Limited* reiterated part of his decision from *Baskin Robbins Ice Cream Co.* to find

"In circumstances such as the present it also seems to me that a plaintiff's existing goodwill in this country, which derives from and is based on a foreign business ... may be regarded as prospective but none the less real in relation to any future business which may later be set up by the plaintiff in this country."<sup>63</sup>

He saw no reason why the reality of the plaintiff's reputation in the UK should not be protected.<sup>64</sup>

The primary consideration in these cases, with the exception of *Alain Bernardin et Cie*, was whether or not the plaintiffs established sufficient recognition of their marks for the underlying goods such that confusion

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<sup>59</sup> *Globelegance B.V.* [1973] F.S.R. 461 (Ch) at 466, 468, 473 – 474.

<sup>60</sup> *J.C. Penney Company Inc. v Penney's Ltd.* [1975] F.S.R. 367 (CA).

<sup>61</sup> *J.C. Penney Company Inc.* [1975] F.S.R. 367 (CA) at 374, 382 – 383.

<sup>62</sup> *Baskin Robbins Ice Cream Co. v Gutman* [1976] F.S.R. 545 (Ch) at 548.

<sup>63</sup> *Maxim's Limited* [1977] F.S.R. 364 (Ch) at 368.

<sup>64</sup> *Maxim's Limited* [1977] F.S.R. 364 (Ch) at 371.

among the relevant public would likely occur when the defendants used identical or similar marks for their goods within the same jurisdiction. Whether or not plaintiffs had customers in the jurisdiction played an evidentiary role in the consideration, but not a determinative one.

The court in the 1980 case of *The Athletes Foot Marketing Associates Inc.* however found the absence of customers within the jurisdiction to be determinative of the absence of goodwill there. It also set out “as a pure point of principle”, that

“Passing off is a tort; and the gist of the action is damage. If there can be no damage, therefore there can be no action. This would, therefore be a complete answer to any claim by the well known London store if a Bedouin trader were to set himself up in the middle of the desert as ‘Harrods’. He would neither be diverting custom which should go to the real Harrods into his own shop, nor would there be any possibility of any confusion which could harm the real Harrods.

Generalising this obvious example, it would appear to me that, as a matter of principle, no trader can complain of passing off as against him in any territory ... in which he has no customers, nobody who is in a trade relation with him. This will normally shortly be expressed by saying that he does not carry on any trade in that particular country ...”<sup>65</sup>

This “principle” worked on the particular facts of the case. The plaintiffs there offered franchising operations which sold third party merchandise. The goodwill in question was for sales services; no post-sale confusion appeared to be at issue. While the American plaintiffs had shown knowledge of their operation among members of the public in England, the court found however “by far the vast majority of the defendants’ potential customers”<sup>66</sup> had not heard of the plaintiffs or their chain of franchised shops.

Significantly, the court observed a consistency in showing the presence of customers in extraterritoriality cases, albeit at times such finding was thin.<sup>67</sup>

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<sup>65</sup> *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 350, see also 351.

<sup>66</sup> *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 348.

<sup>67</sup> *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 351 in reference to *Poiret* (1920) 37 R.P.C. 177 (Ch); at 356 in reference to *Sheraton Corp. of America* [1964]

The court concluded that the law appeared clear that while the plaintiffs need not carry on business within the relevant jurisdiction, it must have customers there. Reputation brought by advertising alone would not suffice.<sup>68</sup> By requiring customer presence within the jurisdiction, the court's evidentiary concerns pre-empted the full analysis of the law.

This approach where the absence of customers would be determinative of the absence of goodwill echo resoundingly in the 2:1 majority decision at the Court of Appeal in *Anheuser-Busch Inc.*<sup>69</sup> with its extraordinary facts. There the American plaintiffs' BUDWEISER beer was well-known to a substantial number of people in England from their visits to the US and from the advertisements in American magazines circulated in England. In England the beer was available only at American military bases, embassy, and clubs and through overspill from these restricted supply areas, and was sold only to American personnel and invitees, at the rate of 5,000,000 cans annually. The Czech defendants supplied beer in England under the same name. Lord Oliver<sup>70</sup> and Lord Dillon<sup>71</sup> both found that however widespread the claimants' reputation, the claimants had not established goodwill in the jurisdiction because the claimants were neither carrying on business nor capturing ordinary customers in England in any real sense.

Lord O'Connor found the claimants had goodwill in England because sales did take place on English soil. However, he found the element of likelihood of harm to the claimants' goodwill as a constituent element of the tort<sup>72</sup> unfulfilled because the claimants' beer was supplied duty-free and only at the restricted locations.<sup>73</sup>

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R.P.C. 202 (Ch); at 355 in reference to *Globelegance B.V.* [1973] F.S.R. 461 (Ch); at 356 in reference to *Metric Resources Corporation* [1979] F.S.R. 571 (Ch).

<sup>68</sup> *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch) at 357.

<sup>69</sup> *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA).

<sup>70</sup> *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 467.

<sup>71</sup> *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 476.

<sup>72</sup> required under *Erven Warnink B.V.* [1979] A.C. 731 (HL) (also required under *Reckitt and Colman Products Limited* [1990] W.L.R. 491(HL) at 499 though this case predates *Reckitt Colman Products Limited*).

<sup>73</sup> *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 471 - 2.

Unlike the HARRODS trader in a desert scenario from *The Athletes Foot Marketing Associates Inc.*, the trial judge in *Anheuser-Busch Inc.* had established that the plaintiffs' beer was well known in the UK through spill-over advertising from the US or through UK residents travelling to the US. He also found in the UK "a much more pronounced association of the name BUDWEISER with the plaintiffs' beer than with the first defendants' beer."<sup>74</sup> "In fact there was ample and unchallenged evidence of confusion."<sup>75</sup> Such confusion should support a finding of goodwill because the public would recognise the plaintiffs' marks or similar indicia on the goods and attribute them as the plaintiffs'. The goodwill outside the plaintiffs' exclusive distribution zones remained, albeit unrealised or unrealisable, asset for the plaintiffs. Nevertheless, as in *The Athletes Foot Marketing Associates Inc.* which required claimants to have customers within a jurisdiction to establish the first element of goodwill there, the Court of Appeal now affirmed the paramountcy of the evidentiary requirement and cut short considerations under the full analysis of the law.

*Pete Waterman Ltd. v C.B.S. United Kingdom Ltd.*<sup>76</sup> next observed: "Once it is found that there are customers, it is *open to find* that there is a business here to which the local goodwill is attached."<sup>77</sup> [emphasis added] In this case the services of THE HIT FACTORY New York were rendered exclusively outside the UK.<sup>78</sup> Nevertheless because of its reputation in the UK and worldwide, it drew substantial custom from the UK as evidenced by the bookings made for UK artists, albeit through US companies. The court warned the law would fail if it did not try to acknowledge changes in trading patterns brought on by advances in transportation and telecommunication technology.<sup>79</sup>

"As a matter of legal principle, I can see no reason why the courts of this country should not protect the trading relationship between a foreign trader and his United Kingdom customers by restraining anyone in this country from passing himself off as the foreign trader. The essence of a claim in passing off is that the defendant is

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<sup>74</sup> *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 459 – 460, 462, 464.

<sup>75</sup> *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 461.

<sup>76</sup> *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch).

<sup>77</sup> *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 58.

<sup>78</sup> *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 40 – 41.

<sup>79</sup> *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 50 – 51.

interfering with the goodwill of the plaintiff. The essence of the goodwill is the ability to attract customers and potential customers to do business with the owner of the goodwill.”<sup>80</sup>

The court found THE HIT FACTORY New York had substantial number of customers in England and would be entitled to protect its name there against third parties.

The Court of Appeal in *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd.*<sup>81</sup> however felt bound by the proposition in *Anheuser-Busch Inc.*

“that an undertaking which seeks to establish goodwill in relation to a mark for goods cannot do so, however great may be the reputation of his mark in the United Kingdom, unless it has customers among the general public in the United Kingdom for those products.”<sup>82</sup>

In *Hotel Cipriani Srl*, the court found the first claimant had both a substantial reputation in England and substantial number of customers from England attracted by the international reputation of Hotel Cipriani and its CIPRIANI mark.<sup>83</sup> Without adopting any general principle, the court cautioned that:

“with many establishments worldwide featuring on their own or shared websites, through which their services and facilities can be booked directly (or their goods can be ordered directly) from anywhere in the world, the test of direct bookings may be increasingly outmoded. It would be salutary for the test to be reviewed in an appropriate case. However, it does not seem to me that this case offers a suitable opportunity.”<sup>84</sup>

In view of such case law and that from other common law jurisdictions,<sup>85</sup> the Supreme Court in 2015 in *Starbucks (HK) Ltd.* stated its preference for legal

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<sup>80</sup> *Pete Waterman Ltd.* [1993] E.M.L.R. 27 (Ch) at 51.

<sup>81</sup> *Hotel Cipriani Srl* [2010] EWCA Civ 110.

<sup>82</sup> *Hotel Cipriani Srl* [2010] EWCA Civ 110 at [107]; see also Christopher Wadlow, “*Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2010] EWCA 110; [2010] R.P.C. 16: the Court of Appeal draws the line on whether a foreign business has an English goodwill or not” (2011) 33(1) E.I.P.R. 54 at 58.

<sup>83</sup> *Hotel Cipriani Srl* [2010] EWCA Civ 110 at [118].

<sup>84</sup> *Hotel Cipriani Srl* [2010] EWCA Civ 110 at [124].

<sup>85</sup> Cf Christopher Wadlow, *The Law of Passing-Off: unfair competition by misrepresentation*, 5<sup>th</sup> edn (London: Sweet & Maxwell, 2016) at [3-121].

certainty<sup>86</sup> and required claimants to have customers within a jurisdiction to establish goodwill there. The case involves a pay television operator which had 1.2 million subscribers in Hong Kong and had been delivering contents via closed-circuit internet protocol (IPTV) there since 2003. The services initially launched as NOW BROADBAND TV, became NOW TV in 2006. Some of the Chinese programmes were branded under NOW; the claimants' channel also carried English programmes. These services were not accessible to the UK. With a view to expand into the UK market, in 2012 the claimants launched a NOW player app in the UK on their website and via the Apple App store "to warm up the market for the launch of NOW TV on the platform of its proposed UK partner"<sup>87</sup> for Chinese speakers in the UK. The defendants were British broadcasters who launched new IPTV services under the name NOW TV in beta form in 2012.

The Supreme Court noted four ways in which those in the UK might have been exposed to the Hong Kong claimants' services. First, "Chinese speakers permanently or temporarily resident in the UK in 2012 were aware of the NOW TV service through exposure to it when residing in or visiting Hong Kong."<sup>88</sup> At trial, Arnold J. found a substantial number of Chinese acquainted with claimants' NOW TV in this way.<sup>89</sup> He also found the claimants enjoyed a modest but more than *de minimis* reputation among Chinese speakers in the UK based on their exposure in the remaining three ways, namely:<sup>90</sup> The claimants' materials had been accessible free of charge at the claimants' website. The claimants' programmes and trailers from NOW TV had been available on the claimants' channel on the YouTube website. Finally, a few of the claimants' programmes were available on demand on international flights into the UK.<sup>91</sup>

The Supreme Court concluded:

"In order to establish goodwill, the claimant must have customers within the jurisdiction, as opposed to people in the jurisdiction who

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<sup>86</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [49].

<sup>87</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [5].

<sup>88</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [4].

<sup>89</sup> *Starbucks (HK) Ltd. v British Sky Broadcasting Group Plc* [2012] EWHC 3074 at [58]; [2013] F.S.R. 29.

<sup>90</sup> *Starbucks (HK) Ltd.* [2012] EWHC 3074 at [146].

<sup>91</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [10] - [11].

happen to be customers elsewhere. Thus, where the claimant's business is carried on abroad, it is not enough for a claimant to show that there are people in this jurisdiction who happen to be its customers when they are abroad."<sup>92</sup>

The question nevertheless remains: if a sufficient number of English residents, "who happen to be [the claimants'] customers when they are abroad" and may also be customers in England, upon seeing the defendant's similar mark in England would likely confuse it as the claimants' or as that of an entity licensed, endorsed by or connected with the claimants, could the claimants' goodwill in England not be inferred? For such likelihood of confusion to occur, the claimants must have had goodwill in England as a point of reference, whether or not the claimants had targeted their marketing there or had customers there, however their goodwill there had been achieved.

This series of oft-cited case law involving extraterritorial goodwill shows that the claimants' customer presence, albeit small at times,<sup>93</sup> has been consistently presented to support a finding of goodwill within the relevant jurisdiction. *The Athletes Foot Marketing Associates Inc.* rationalises this presentation of having domestic customers as a requirement to determine the presence of goodwill there. That requirement was applied under the exceptional facts in *Anheuser-Busch Inc.* While *Pete Waterman Ltd.* which followed appears to view the presence of domestic customers as opening the way to finding local goodwill, the Court of Appeal in *Hotel Cipriani Srl* felt bound by the finding in *Anheuser-Busch Inc.* The Supreme Court in *Starbucks (HK) Ltd.* found it important to maintain legal certainty and required claimants to have customers within a jurisdiction to establish goodwill there. The presence of customers became determinative for the finding of goodwill.

Cases such as *Globelegance B.V.*, *Pete Waterman Ltd.*, and *Hotel Cipriani Srl* have underlined how advances in telecommunication, transportation, and branding practices may impact on consumer brand recognition in the

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<sup>92</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [52].

<sup>93</sup> Belinda Mills, "Trade Marks: injunction granted for US company without UK presence" (1996) 18(5) E.I.P.R. D147; David Rose, "Season of Goodwill: passing off and overseas traders" (1996) 18(6) E.I.P.R. 356 at 359.

marketplace. The Supreme Court concluded its analysis based on whether those who recognised the brand in England were in fact customers elsewhere, rather than the level of brand recognition achieved within the jurisdiction regardless of how it was achieved. In an age of worldwide web, social media communication and easy low-cost travel, brand promotion and dissemination are not unidirectional – from the brand owner to prospective consumers, but rather multidirectional – from brand owner to prospective consumers as well as from celebrity or peer consumers to other consumers.<sup>94</sup> The use of product placement is one example that attests to brand promotion through perceived celebrity “consumers”. Having the JAMES BOND character wear OMEGA watches promotes the latter to JAMES BOND fans. The *Reckitt and Colman Products Limited* test does not assess goodwill based on how the disputing parties conduct their businesses or promote their brands, but rather how well consumers recognise their brands.

### III. Challenging the “Goodwill” vs “Mere Reputation” Distinction

Extraterritorial goodwill cases<sup>95</sup> often set “goodwill” as that established through the sale of goods in contradistinction from “mere reputation” as that engendered through advertising alone; the former is said to be protected under the law of passing off, the latter not. However, within the context of presale advertising, the law is increasingly showing a tendency to see advertising also as a way of generating goodwill susceptible to protection under the law of passing off. Moreover, the law has long protected the goodwill of professional and trade governing and promoting bodies and charities which may not trade, have no trade customers, but have public brand recognition. This foundation has given rise to recent protection

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<sup>94</sup> Dev S. Gangjee, “Property in Brands: the commodification of conversation” in Helena Howe and Jonathan Griffiths (eds), *Concepts of Property in Intellectual Property Law* (Cambridge: Cambridge University Press 2013) <<http://ssrn.com/abstract=2235721>> (accessed 29 May 2017). See also Catherine W. Ng, “A Common Law of Identity Signs” (2007) 20 I.P.J. 177 at 253 – 255.

<sup>95</sup> See *Alain Bernardin et Cie* [1967] R.P.C. 581 (Ch); *Metric Resources Corporation* [1979] F.S.R. 571 (Ch); *The Athletes Foot Marketing Associates Inc.* [1980] R.P.C. 343 (Ch); *Starbucks (HK) Ltd.* [2015] UKSC 31; also *Anheuser-Busch Inc.* [1984] F.S.R. 413 (CA) at 465 (Oliver L.J.), at 471 (O’Connor L.J.), at 476 (Dillon L.J.); *Hotel Cipriani Srl.* [2010] EWCA Civ 110 at [106], [116] – [124].

against false endorsement and merchandising claims within the commercial sectors.

#### A. Presale Advertising

The Supreme Court in *Starbucks (HK) Ltd.*<sup>96</sup> cited *Maxwell v Hogg*<sup>97</sup> as “the first case in which an English court specifically decided that mere reputation, without sale of goods, was not enough to found a passing off claim.”<sup>98</sup> The law however was at the cross-roads of development in the 1867 decision. There, the Court of Appeal offered two views of goodwill: one by Lord Turner, the other by Lord Cairns. As the concept became clearer in passing off jurisprudence, it affirmed the view of Lord Cairns: he relied upon Lord Westbury’s finding in *M’Andrew v Bassett* that the property to be protected in the passing off cases lied with the currency gained by the plaintiff’s trade mark to identify goods of desired quality “or of some other circumstances that render the article acceptable to the public.”<sup>99</sup> Unlike Lord Turner, he did not premise this “property right” upon “the expenditure made by Mr Maxwell upon his intended work of BELGRAVIA and the advertisements issued by him”<sup>100</sup> – the conduct of the party. Instead, it was premised upon the public recognition of a party’s mark to identify the underlying goods as those of the party. Both Lord Turner and Lord Cairns expressed the evidentiary difficulty in ascertaining the level of reputation that would be required to establish goodwill without sales.<sup>101</sup> Recent *obiter* in a Court of Appeal decision dealing with presale advertising suggests that this recognition can be achieved without sale.<sup>102</sup>

Throughout the jurisprudence often cited in relation to presale advertising goodwill, there appears to be recognition that the reputation or goodwill engendered through advertising alone is not different in kind from that

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<sup>96</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [35].

<sup>97</sup> *Maxwell v Hogg* (1866–67) L.R. 2 Ch. App. 307.

<sup>98</sup> *Starbucks (HK) Ltd.* [2015] UKSC 31 at [35].

<sup>99</sup> *M’Andrew v Bassett* (1864) 4 De Gex, Jones & Smith 380 at 386, 385; (1864) 46 E.R. 965 (Ch) at 968, 967; as cited in *Maxwell v Hogg* (1866–67) L.R. 2 Ch. App. 307 at 314.

<sup>100</sup> *Maxwell* (1866–67) L.R. 2 Ch. App. 307 at 311.

<sup>101</sup> *Maxwell* (1866–67) L.R. 2 Ch. App. 307 at 313.

<sup>102</sup> *Marcus Publishing Plc* [1990] R.P.C. 576 (CA) at 585 (Staughton L.J.), see also at 584 (Dillon L.J.), at 585–585 (Mann L.J.).

engendered through the sale of goods. Lord Westbury's approach in *M'Andrew* and Lord Cairn's approach in *Maxwell* were followed at the Court of Appeal in *Licensed Victuallers' Newspaper Company v Bingham*,<sup>103</sup> where Lord Bowen found "there must have been such a sale as will establish in the mind of the public a connection between the name and the plaintiffs' newspaper" in order to show "the defendant is doing something calculated to deceive, that people are likely to buy the defendants' newspaper in the belief that it is that of the plaintiffs."<sup>104</sup> As a reasonable period of time would be needed to establish this connection, first publication would be a way of marking the start of this period.<sup>105</sup> Here the branded advertisement and the first sale of the newspaper differed by mere days; the former first occurred on the same day that the defendant introduced its paper. The claimant's brief head start did not result in sufficient public knowledge of the claimant's goods given the small circulation. From this finding in *Licensed Victuallers' Newspaper Company*, the court in the 1965 case of *W.H. Allen & Co. v Brown Watson Ltd.*<sup>106</sup> concluded that given the claimants had established a distinctive reputation in the book title MY LIFE AND LOVES BY FRANK HARRIS from the wide publicity generated prior to the publication of the book, the defendant's publication of FRANK HARRIS: MY LIFE AND LOVES would confuse the public. Interlocutory injunction was granted; the plaintiffs' book was nevertheless published by the time the interlocutory motion was heard. While *B.B.C. v Talbot Motor Company Ltd.*<sup>107</sup> in 1981 relied on *W.H. Allen & Co.* for the proposition that presale advertising could establish goodwill to support an action in passing off, the court in *My Kinda Bones Limited v Dr. Pepper's Stove Co. Ltd.* distinguished *B.B.C.* as anomalous, and *W.H. Allen & Co.* because that plaintiffs' book was published by the time of the motion. It found the claimant's goodwill must be established by having its goods on the market so that customers or potential customers would have sufficient opportunity to judge the merit of the goods themselves. However if this were so, the law would only protect repeat purchases as discussed earlier. Crucially the case admitted: "It may well be that, if the goods or services are placed on the market after extensive

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<sup>103</sup> *Licensed Victuallers' Newspaper Company v Bingham* (1888) 38 Ch. D. 139 (CA).

<sup>104</sup> *Licensed Victuallers' Newspaper Company* (1888) 38 Ch. D. 139 (CA) at 143.

<sup>105</sup> *Licensed Victuallers' Newspaper Company* (1888) 38 Ch. D. 139 (CA) at 143.

<sup>106</sup> *W.H. Allen & Co. v Brown Watson Ltd.* [1965] R.P.C. 191 (Ch); Times November 21, 1964.

<sup>107</sup> *B.B.C.* [1981] F.S.R. 228 (Ch).

preparatory publicity, a very short time thereafter will suffice for the public to assess their merits and for the relevant reputation to be acquired.”<sup>108</sup>

Presale publicity can contribute to the creation and cultivation of goodwill which would be protected under the law of passing off. Such publicity may encourage prospective customers to try and judge the claimant’s goods for themselves; it also recommends the claimant’s goods in the same way that wrappers of those goods do once the goods appear in the marketplace.<sup>109</sup> By 1989, in *Marcus Publishing Plc v Hutton–Wild Communications Limited*, all three Lord Justices at the Court of Appeal mentioned in *obiter* the possibility that goodwill might be created through “lavish hospitality or advertising of some kind.”<sup>110</sup> While the evidence presented by both parties was too weak to support injunctive relief in that case, there appears to be recognition that advertising may contribute to a claimant’s goodwill.

## B. Endorsement and Merchandising

Furthermore, the law of passing off has long been protecting professional and trade governing and promoting bodies and from having their names used by third parties.<sup>111</sup> These claimants may have neither trade nor customers in any jurisdiction. Nevertheless, they have public brand

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<sup>108</sup> *My Kinda Bones Limited* [1984] F.S.R. 289 (Ch) at 299, 301 – 303.

<sup>109</sup> *Faulder & Co. Ltd.* (1903) 20 R.P.C. 477 (CA) at 490 – 491, initially citing *Price’s Patent Candle Company, Ltd. v Jeyes’ Sanitary Compounds Company, Ltd.* (1901) 19(3) R.P.C. 17 (CA) 23: “The poster is intended to invite persons just as much as a wrapper.” That is this case. It is based entirely upon the circular and poster which is intended to be read just as a label upon the box, although it may not be quite so close to the goods as a label. Still it is intended to invite persons to come and buy the Plaintiffs’ jam when in fact it is not their jam.’

<sup>110</sup> *Marcus Publishing Plc* [1990] R.P.C. 576 (CA) at 585 (Staughton L.J.), see also at 584 (Dillon L.J.), at 585–585 (Mann L.J.); *Labyrinth Media Limited v Brave World Limited* [1995] E.M.L.R. 38 (Ch) at 47.

<sup>111</sup> For example *Society of Accountants and Auditors v Goodway and London Association of Accountants and Auditors, Limited* [1907] 1 Ch. 489 (Ch); *British Medical Association v Marsh* (1931) 48 R.P.C. 565 (Ch); *The Law Society of England and Wales v Griffiths* [1995] R.P.C. 16 (Ch) in respect of an Accident Helpline service; *The Law Society of England and Wales v Society of Lawyers* [1996] F.S.R. 739; (1996) 19(6) I.P.D. 19049 (Ch); *The British Diabetic Association v The Diabetic Society* [1995] 4 All E.R. 812; [1996] F.S.R. 1 (Ch); *Artistic Upholstery Ltd. v Art Forma (Furniture Ltd)* [1999] 4 All E.R. 277; [2000] F.S.R. 311 (Ch).

recognition. While their goodwill is not aimed at generating revenue, courts have rationalised harm to goodwill in terms of potential loss of membership<sup>112</sup> and associated fees in some cases, and loss of donation or sponsorship in charity cases.<sup>113</sup> In *obiter*, a court has acknowledged such harm to be artificially construed to fit within the requirements of the law of passing off.<sup>114</sup> Moreover, courts have recognised that claimants' goodwill could suffer by false appearances of association, endorsement<sup>115</sup> or affiliation<sup>116</sup> with their defendants. The loss of control over one's name has also been recognised as a loss that would be difficult to quantify in extraterritorial goodwill cases.<sup>117</sup>

In 2002, the High Court in *Irvine v Talksport Ltd.* drew on *British Medical Association v Marsh* which upheld a passing off claim when the claimant's well-known initials "B.M.A." for the non-trade medical professional body were used by the defendant for the sale of medicine. The Court observed in *Irvine*: "Thus it was damage to the reputation of the BMA which perfected the cause of action, the loss of membership was the consequence in money terms of that damage."<sup>118</sup> The case explicitly rejected a perceived requirement of the law that the disputing parties needed to share a common field of trade – a requirement often attributed to *McCulloch v Lewis A. May (Produce Distributors) Ltd.*,<sup>119</sup> and later found to be merely a way to establish

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<sup>112</sup> For example *Society of Accountants and Auditors* [1907] 1 Ch. 489 (Ch) at 502; *British Medical Association* (1931) 48 R.P.C. 565 (Ch); *National Guild of Removers & Storers Ltd v Silveria* [2010] EWPC 015; [2011] F.S.R. 9; *cf The Law Society of England and Wales* [1996] F.S.R. 739 (Ch) at 752. See also Brian Whitehead and Richard Kempner, "Can You Recover Money when there are No Lost Sales and No Profits?" (2011) 6(4) *Journal of Intellectual Property Law & Practice* 216.

<sup>113</sup> *British Legion v British Legion Club (Street) Ltd.* (1931) 48 R.P.C. 555 (Ch).

<sup>114</sup> *Artistic Upholstery Ltd.* [2000] F.S.R. 311 (Ch) at [45].

<sup>115</sup> *British Medical Association* (1931) 48 R.P.C. 565 (Ch); Gary Scanlan, "Personality, Endorsement and Everything: the modern law of passing off and the myth of the personality right" (2003) 25(12) *E.I.P.R.* 563.

<sup>116</sup> *British Legion* (1931) 48 R.P.C. 555 (Ch); *The Law Society of England and Wales* [1996] F.S.R. 739.

<sup>117</sup> *Jian Tools for Sales Inc.* [1995] F.S.R. 924 (Ch) at 941; see also *Ewing* [1917] 2 Ch. 1 (CA) at 13.

<sup>118</sup> *Irvine v Talksport Ltd.* [2002] EWHC 367 (Ch) at [21]; [2002] 1 W.L.R. 2355.

<sup>119</sup> *McCulloch v Lewis A. May (Produce Distributors) Ltd.* [1947] 2 All E.R. 845; (1948) 65 R.P.C. 58 (Ch).

the conditions where confusion would likely occur.<sup>120</sup> As traders leverage their goodwill across trade sectors, interlopers may exploit this branding practice. They may use a claimant's mark in sectors beyond the claimant's to misrepresent the interlopers' goods as the claimant's in the public's mind. If claimants need to have existing customers within the defendants' trade sector to establish passing off, the law would not be able to prevent such misrepresentation from the start.

In *Irvine*, the well-known Formula One racer successfully claimed in passing off against a sports radio station for the use of Irvine's photograph in Talksport Ltd.'s advertisement. Irvine had endorsed products such as clothing<sup>121</sup> and razors.<sup>122</sup> These endorsements were likely valued not for his expertise on the merit of the goods as contended in cases such as *My Kinda Bone Limited*, but for "the lustre of [Irvine's] famous personality" to enhance the attractiveness of the endorsed goods to their target market.<sup>123</sup> At the Court of Appeal, Irvine's award of damages was substantially increased to reflect the value of the endorsement business generated from leveraging his celebrity goodwill across trade sectors.<sup>124</sup>

Likewise, the law now protects goodwill within a merchandising context. *Fenty v Arcadian Group Brands Limited*<sup>125</sup> involves the pop star Rihanna who enjoyed goodwill in both the music and fashion industries. She had her own branded fashion and had also licensed promotional merchandise such as clothing for her concert tours. Such merchandised clothing would typically be of a lower quality and bear the image of the star on the front. The defendant marketed a T-shirt using Rihanna's image taken when she was on a video shoot for her music video cover.<sup>126</sup> As a high street fashion retailer, the defendant had previously featured celebrity endorsements<sup>127</sup> and had

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<sup>120</sup> *Annabel's (Berkeley Square) Ltd. v G. Schock* [1972] F.S.R. 261; [1972] R.P.C. 838 (CA); *Lyngstad v Anabas Products Ltd.* [1977] F.S.R. 62 (Ch).

<sup>121</sup> *Irvine v Talksport Ltd.* [2003] EWCA 423 at [55]; [2003] 2 All E.R. 881.

<sup>122</sup> *Irvine* [2003] EWCA 423 at [76].

<sup>123</sup> *Irvine* [2002] EWHC 367 at [39]; see also *Fenty* [2015] EWCA 3 at [38].

<sup>124</sup> *Irvine* [2003] EWCA 423 at [111] – [116], followed in *Hearst Holdings Inc.* [2014] EWHC 439 (Ch).

<sup>125</sup> *Fenty* [2013] EWHC 2310 at [33].

<sup>126</sup> *Fenty* [2015] EWCA 3 at [2], [20] – [21].

<sup>127</sup> *Fenty* [2013] EWHC 2310 at [55]; *Fenty* [2015] EWCA 3 at [16], [52].

also promoted Rihanna as a fashion icon.<sup>128</sup> Cognisant of the branding practices in the marketplace, the court applied the same legal principle as articulated in *Irvine* to protect Rihanna's goodwill.<sup>129</sup> The court recognised harm to Rihanna not only in terms of lost sales to her merchandising business, but also of a loss of control over her reputation.<sup>130</sup>

The law of passing off appears poised to protect a claimant's goodwill in these circumstances, as well as those where the claimant's presale advertising may be exploited to misrepresent another's goods. In these cases, there appears to be emerging recognition that the perceived dichotomy between "goodwill" established through trade and "mere reputation" established through advertising alone so often featured in passing off cases dealing with extraterritorial goodwill, appears illusory. Indeed, goodwill results from the public engagement with a trader's goods, merchandising, and advertising alike. Brand recognition may be publicly promoted directly by the brand owner, as well as indirectly by celebrity or peer consumers and endorsers, among others.

#### IV. Conclusions

Within the broader fabric of the law of passing off in the contexts of presale advertising cases and false endorsement and merchandising cases, the courts are recognising branding practices which may lead relevant members of the public to attribute the advertising, merchandising, and the goods they encounter in the marketplace as the claimant's. They are increasingly focussing on how the public would attribute a brand it recognises, rather than how the brand recognition is achieved by a trader: whether through sale, endorsement, or merchandising, whether or not through trade within a common field, or through advertising alone before trade commences. The law is also recognising that brand promotion and dissemination are not necessarily unidirectional – from brand owner to consumers, but rather it may be multidirectional – from brand owner to consumers as well as from celebrity and peer consumers and endorsers to consumers.

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<sup>128</sup> *Fenty* [2013] EWHC 2310 at [56]; *Fenty* [2015] EWCA 3 at [17], [19], [51].

<sup>129</sup> *Fenty* [2013] EWHC 2310 at [33], [69].

<sup>130</sup> *Fenty* [2013] EWHC 2310 at [74].

This progression is particularly important for cases dealing with extraterritorial goodwill because in an age of global electronic communication and easy low-cost travel, consumers may gain exposure to brands without much regard for jurisdictional boundaries. Indeed, the hypothetical scenario posed in *The Athletes Foot Marketing Associates Inc.* that a HARRODS trader in a desert would not divert “custom which should go to the real Harrods” is increasingly rare.

Nevertheless, the principle derived from this scenario was adopted by the Court of Appeal in *Anheuser-Busch Inc.* It viewed the presence or absence of ordinary trade customers within a jurisdiction as determinative of the presence or absence of goodwill there. It did so notwithstanding the preponderance of cases, other than *Alain Bernardin et Cie*, which have used the presence of claimants’ customers within the relevant jurisdiction as part of the overall evidence to be considered in the round to support a showing of goodwill there. Mindful of how global electronic communication might affect the application of the law, the Court of Appeal in *Hotel Cipriani Srl* nevertheless felt bound by *Anheuser-Busch Inc.*; the Supreme Court in *Starbucks (HK) Ltd.* felt that legal certainly favoured a requirement of customer presence within the jurisdiction.

The Supreme Court applied Lord Oliver’s three-part test from *Reckitt and Colman Products Limited* for the law of passing off – a test applied also to cases dealing with false endorsement and merchandising claims (the presale advertising cases analysed here predate *Reckitt and Colman Products Limited*). The formulation of goodwill in *Reckitt and Colman Products Limited* focuses on the association of a claimant’s goods with the claimant’s distinctive identifier (such as a trade mark or logo) in the public’s mind such that the public would recognise the claimant’s goods by the identifier.<sup>131</sup> The extraterritorial goodwill cases have not justified a variance to the formulation. This conception of goodwill needs to be delineated from its evidentiary support, and the finding of goodwill from how goodwill is achieved. The presence of customers who make purchase decisions based on their recognition of a claimant’s mark may evidence the presence of goodwill within a jurisdiction. However, the presence or absence of customers alone ought not pre-empt the full analysis for the finding of

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<sup>131</sup> *Reckitt and Colman Products Limited* [1990] W.L.R. 491(HL) at 499.

goodwill, much less for the tort as a whole as set out in *Reckitt and Colman Products Limited*. The test there for establishing goodwill focuses on public brand recognition. It is a robust baseline that straddles the increasingly blurred divides among advertising, merchandising, and goods in how they attract trade that transcends trade sectors as well as jurisdictional boundaries in an age of global electronic communication and easy low-cost travel.