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UNFAIR TRADING*

From time to time in the past, I have been engaged in cases in the Privy Council with members of the Canadian Bar. From those who have been opposed to me, I have never met with anything but the most unfailing courtesy. From those with whom I have had the great pleasure and privilege to be associated, I have invariably received the most efficient help, and, indeed, if I may put it this way, they have on every occasion been not only a present, but a very pleasant, help in time of trouble.

Since I arrived in this city, I have been told that this question of unfair trading, which has more than local significance, is, perhaps, of particular local interest. May I say that when I selected the subject I had no knowledge that such was the case, and if, peradventure, in the course of my observations I happen to say something which may appear to be intruding into a sphere of which I have no knowledge and within which there may be many different opinions, I am sure you will recognize that it is done in all innocence and not from any desire to enter into a local controversy.

Why did I select this subject? I selected it for two main reasons. One, because there can be no question as to its great importance. It is of importance not only from the standpoint of internal trade; it is also of great importance from the standpoint of external trade.

It is said that in an Eastern country, it was desired to encourage the steel industry. It was thought that a useful way of doing that would be to rename the place where a good deal of the industry was carried on, and to call it Sheffield. It

* Address by Mr. James Whitehead, K.C., London, England, at the Nineteenth Annual Meeting of the Canadian Bar Association held in Montreal.

was found that that had advantages. And, having found its advantages in that particular trade, when they desired in the same country to establish a match industry they took care first of all to fix upon some hamlet in which to build their factory and to rename that hamlet Sweden. It is quite clear, then, that this is a matter which affects all peoples and all lands.

The second reason for my selecting this subject was that quite recently there had been assembled in London the international convention which deals with matters of industrial property, and I need hardly say that questions of unfair trading are amongst the most important questions which are always discussed at meetings of that convention. The convention to which I refer, you will all readily recognize, is the one which was first established in Paris in 1883 and which meets at intervals of about nine or ten years in various capitals. This year it met for the first time in London. I thought the subject might be of particular interest to you because, I regret to say that at that convention this great Dominion was without a representative. Please do not misunderstand me. Do not think that I make that observation in any spirit of criticism. I have no doubt that there were good reasons why Canada was not represented. I do not know them. But it surely will be permitted to me, as one of the British delegation to say how extremely sorry we who represented the British Government were that, although there were delegates present from well over thirty of the nations of the earth, including all the great countries (except Canada and South Africa) and many of the smaller ones, this great Dominion had no spokesman at that convention.

That being so, and there having been many matters discussed with a view to improving the law in all countries and under the international convention relating to matters of unfair trading, or unfair competition, as it is frequently called, I thought I might be permitted this additional liberty, not only of bringing to your notice some of the things which were done relating to unfair trading, but also of mentioning one or two of the things which people of some countries tried but failed to do. It may well be that, if this subject of unfair trading is one of the most immediate and urgent interest in your own provinces and your own Dominion, occasions will arise when you will seek to amend your own laws, and possibly you may lead the van in further safeguarding honest traders.

May I then, before I say another word, read for you what the provisions of the international convention are—or what

they were prior to the last meeting. I can do so in a minute. They are to be found in article 10-bis of the convention. And, as you know, once this has been ratified it becomes in many countries the law of the land. In a country like England, it does not on ratification, automatically, become the law; it requires always statutory enactment. Here are the main provisions. It says :

> "The contracting countries are bound to assure to persons entitled to the benefits of the Union an effective protection against unfair competition. Every act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition. The following acts, among others, shall be prohibited: all manner of acts of such a nature as to create confusion by any means whatsoever with the goods of a competitor, and, secondly, false allegations in the course of trade, of such a nature as to discredit the goods of a competitor."

Now, I should like to ask, if it were permitted to me, the youngest lawyer in this hall whether he has ever considered how far on the road he could get towards restraining unfair competition if he were left simply with the Ten Commandments. I think he would find that he could get an amazingly long way. One of them says, "Thou shalt not steal." That contemplated goods. If you added to that, "Thou shalt not steal either goods or business reputation," you would indeed, have gone a long way along the road. And if your efforts to draft what I may call a "Dirty Tricks Act," you then went on to the next commandment and instead of leaving it "Thou shalt not bear false witness against thy neighbour," that also were to be extended so that you should say, "Thou shalt not bear false witness against thy neighbour, or his goods, or his services," you would then in all probability have included three-fourths of everything that can probably ever be done by way of general legislation in any effort to restrain unfair competition. That was what the international convention provided before the meeting.

Some of you, who are not so well acquainted as others with the international convention may not know exactly what the procedure is there. It is this. The convening country, which on the last occasion was Great Britain, makes proposals, in conjunction with the International Bureau at Berne, for the amendment of the terms of the convention. That was done in this case by the Government of Great Britain, and the changes which were made relating to unfair competition, were changes which were proposed by Great Britain; and I think all the changes they recommended were adopted, and no others.

The amendments made were very few in number. I can give them to you in a very few seconds. You remember that the article previously said that "the following acts, among others, shall be prohibited." Whereas before it prohibited "all manner of acts of such a nature as to create confusion by any means whatsoever with the goods of a competitor," it has now been amended so as to read, "with the establishment, the goods, or the services of a competitor;" and, in the same way, the reference to "goods" under paragraph 2, which deals with false allegations, has also been extended by adding, again, "the establishment and services" of a competitor. Those were the changes which were recommended by the British Government, and those were the changes which were carried by the convention.

But they were not the only proposals which were made. There was, for example, a proposal by the United States Government. I need read only a very few words, so that you may get the substance of it. It related to the second of the paragraphs, namely, the question of false allegations, and this is what they proposed: "all manner of acts in the course of trade of such a nature as to cause injury to the goodwill of another's establishment, in particular, false allegations of such a nature as to discredit a competitor, his goods or his services." That put exceedingly well, some of us thought, some of the main requirements; but the United States delegation withdrew that particular amendment, in the face of the discussion, having regard not merely to the desirability but to the absolute necessity of unanimity if anything was to be accomplished, and having regard to the carrying of the amendment proposed on behalf of the British Government.

You will have observed that these acts which are more particularly prohibited up to now are what I may call positive acts; that is to say, in the first place, acts tending to lead to confusion, and, secondly, any false allegation which would tend to discredit a competitor's goods. At the international congress in London in 1932, of which, if I may say so, I happened to be the President and can, therefore, speak with some knowledge as to what happened, it was felt that it might be desirable to add to those provisions, and so such a recommendation was made; but I may say that it was not accepted by international opinion at the convention recently held. It was suggested that there should be added to the two prohibitions I have already mentioned this third one, namely, "false allegations in the course of trade of such a nature as to attract custom"—you see, it is not

merely discredit now, or false allegations which would discredit another, but false allegations of such a nature as to attract custom—"and which relate to the origin, nature, manufacture and sale of the goods or to the quality of commercial establishment or to industrial awards," meaning thereby medals and such like things. It was proposed that those matters also should be deemed to constitute acts of unfair trading. That, again, was thought to be rather too strong. Although there were a great many countries in favour of adding to the stringency of the international convention in matters of unfair competition, but it was found impossible to persuade the convention as a whole to go thus far. That was supported by most of the Scandinavian countries, and, indeed, by a considerable number of countries; but there were a few who were quite opposed to it.

I will mention only two other proposals, so as to show, as far as I can in a short time, what international feeling was on this matter. There was the French proposal, which was twofold. In the first place, as an additional thing, specifically to be prohibited, the French delegation proposed that there should be adopted the resolution of the London congress of 1932, which I mentioned to you a moment ago, but, in addition to that, the French delegation made what appeared to most of those at the conference as a singular further proposal, and it was this. In the second of the requirements which I read to you, and which, as you will remember, related to "false allegations in the course of trade of such a nature as to discredit the establishment," etc., they actually proposed the omission of the word "false," so that it would then read that "allegations in the course of trade of such a nature as to discredit the establishment, the services," etc., should be deemed to be unfair competition. You see what the effect of that would have been: it would have meant that merely saying something which had the effect of discrediting, even though that something was perfectly true, was to be deemed a matter of unfair competition.

Personally speaking, I am glad to say the convention would not accept that, because it was naturally felt by a good many people that there were occasions when, if certain things done in the operations of trading were persisted in, such as adulteration, etc., courageous men would consider it a matter of public duty to mention those things, and, it might well be, to denounce them, and those men should not be faced with possible penalties. Be that as it may, that particular resolution found little international support.

The last of these proposals you will forgive me for just mentioning, so that you may have a general idea of what the international views were. It was the German proposal, and you will see how far the Germans proposed to go. They actually proposed this—I will read the words as far as they add anything to what I have already said: "The act of making in public announcement, either by description or figurative representation" —I am translating; by that I think they meant drawing—

> "The act of making in public announcement, either by description or figurative representation, inexact allegations of such a nature as to cause an offer to appear more advantageous than that of competitors, particularly when they relate to origin, nature and quality of goods, etc., shall be deemed to be a matter of unfair competition."

You will see how very far that proposal went—to prohibit the making of any inexact allegation which tended to cause one's own offer to look more advantageous than that of a competitor. It was a very serious proposal. I am not wishing to say anything about its merits; all I want to do at the moment is to try to give you a general atmosphere. And I think I am right in saying that the great bulk of the countries represented thought the Germans went rather too far.

Having regard to what I have said, I think that it will be clear to everybody present that these suggestions, in the main, both those which have been actually incorporated as part of international law and some of those which were made but not incorporated, may really be divided into two main classes. First of all there is that class of unfair competition which is brought about by theft, piracy, misappropriation and so on, quite independently of any false statement whatsoever. As you know, in the United Kingdom, that particular kind of unfair competition is dealt with in the Patent Acts, in the Registered Designs Acts, in the Merchandise Marks Act, and in the Copyright Acts and Trade Mark Acts. You may wonder why I have mentioned the Patent Acts. It is because for the moment, for the purpose of making a few observations to you, I wish to use this phrase "unfair trading" or "unfair competition"—for I am treating them as synonymous—in a somewhat broader sense than that in which the phrase is customarily used. Well now, that is the first class of unfair competition, that which consists, as it were, of actual theft or piracy. Secondly, there is unfair competition which is based on a false statement or a misrepresentation.

This unfair competition which is based on a false statement or misrepresentation I think we can subdivide. You will see I am

trying a sort of elementary codification of this simple thing. I say it can again be subdivided into several classes. First, there is misrepresentation of a kind which creates confusion, whatever the means may be adopted for that purpose. I have in mind such things as imitation of trade mark and get-up, trade name and so on. That is to say, it creates confusion with the establishment, the goods or the services of a competitor. That is the first subdivision, and that is already a matter of international enactment.

Secondly, there is misrepresentation by casting discredit on a competing firm. That is the false allegations point which I have already mentioned. There again we have what I am contemplating as a direct reflection upon the credit of a competitor. That in the United Kingdom is dealt with under such charges as slander of title, trade libel and so on.

In the third subdivision is the sort of misrepresentation (which, as I mentioned to you, was not accepted by the convention) which consists of false allegations which do not necessarily cast discredit on any particular trader, but are of such a nature as to attract custom.

Summarizing, we can say that the three subdivisions are acts which create confusion, acts which discredit a competitor, and acts which cause injury to a competitor without directly discrediting him.

The next question which arises, and which I propose to examine briefly from the standpoint of the English lawyer, is how far these things have been dealt with and remedies provided by English law; and you will find that what I have to say about English law applies almost exactly, in many respects, to Canadian law.

Take first of all the patent infringement that is prohibited by the Patent Act. Somebody steals an invention. In many ways that is the most unfair kind of competition. The same kind of unfairness applies to registered designs, and there is a similar remedy. Take next the question of secret processes. I do not know exactly how you deal with that in Canada, but I imagine your remedy or remedies will be almost exactly the same as ours. There is in England a remedy against the employee who carries his master's secrets elsewhere. There is a remedy against him for breach of an implied contract. And, secondly, there is frequently a remedy against the employer who takes him, because quite frequently he has done something by way of inducing the man to break his contract, and in that case there is an action in tort against him.

So much with regard to patents. Now just a word, if I may, with regard to trade marks, and I am venturing upon this because only the other day I was speaking to some university students and they asked me whether it was possible to give a compendious statement of, for instance, a particular body of law, which would serve as a day-by-day working rule for anyone not a specialist. Now, in my humble opinion, the trade mark law is one which satisfies a requirement of that sort to a remarkable degree, and I ventured upon the view that, if anyone not a specialist were faced with a question in trade mark law, and if he asked himself, as he looked at an alleged trade mark to see whether it was an infringement or was being properly used, "Is this trade mark telling a lie?"—he would find in ninety per cent. of such cases that he could accuractely decide the matter according to the answer that he gave to that simple inquiry.

Take for example the question of assignment. Great difficulty is arising in matters of assignment, owing to the formation of subsidiary and associated companies. If you say to yourself, "Will this trade mark, when it has been assigned, tell a different story to the public or convey a different impression from that which it did before assignment?" and if the answer is in the affirmative, then you can lay the last and best Canadian dollar you possess that that assignment will almost certainly be bad. That, of course, is perfectly elementary to you, but there you do have a striking example of the fact that when the experienced mind has been dealing with such problems for some time it is quite frequently possible to pick out the kernel of a subject; in other words, to find the underlying principle and to use that as something which will serve as a guide through a good deal of unexplored land.

I am dealing now, you remember, with questions of piracy. I do not know whether you have been faced in Canada with a difficulty with which we have been faced in England, but, if so, I should like to deal with the matter. Quite recently in England, the House of Lords had before it a case which I will refer to shortly as the Yeast-Vito case. It arose out of this—a kind of thing which appears to be commoner in questions of patent medicines and foods and so on, than in other spheres—where you have a well-known trade mark somebody starts in business and, although he says quite clearly that his product is not Yeast-Vito—take this particular case—he is hinting it is as good as Yeast-Vito. What he is really doing, if you come to look at the root of it, is this,—he is really utilizing in a curious sort of

way the goodwill which has been built up at somebody else's expense. An action was started in England, it went to the House of Lords, and the House of Lords confirmed the lower courts, and said that no action would lie in a case of that sort, because that which was complained of was not being used as a trade mark.

There has been a good deal of agitation in England in this matter. There has been sitting a departmental committee on trade marks, and that committee has decided that that is a legitimate complaint of the trader's, and that an attempt should be made to deal with the matter, and so it has been suggested that the use of somebody's trade mark in the kind of way that I have just mentioned, not using it as a trade mark to indicate origin of goods, but using it, as it were, as part of the description of somebody else's goods, should be stopped by statute. What has been recommended is that, in the new Trade Marks Act which it is thought will soon be passed, such acts should be made an infringement, care being taken to safeguard the position of bona fide users and sellers of such things as refills, spare parts and accessories and so on, which are specially adapted for use with the goods which are put upon the market by the registered proprietor of the mark.

That is one of the difficulties we have met with in the first class of cases. It will not take me long to deal with the second class of cases, although I may be taking up a rather long time. You remember that second class of cases is the one in which there is unfair trading dependent upon false statements. That we deal with, as you know, in all these English-speaking countries, quite apart from statute; we deal with it by the old passing-off actions, trade libel, and the like. It is not my purpose to go into those, but I wondered if you had found difficulties in Canada in meeting certain evils, as many people regard them in my own country, evils of unfair competition, and whether or not your law has proved strong enough, as the English law up to now, in many respects, certainly has not, to cope with them.

May I just mention two or three instances? First of all, where goods are represented to be of the same ingredients or quality or properties as somebody else's goods. It was suggested by Lord Halsbury in the Birmingham Vinegar[1] case that that might be made the basis of a passing-off action. Whether it would succeed or not, nobody has yet tried. Anyhow, I tried a little experiment. I said: Can we work it this way? If A

[1] [1897] A. C. 710; 66 L. J. Ch. 763.

says that his goods are of the same quality as B's goods, and we can prove that they are not of the same quality, can we not say that this is indirectly a libel upon the goods of B, by saying that they are as bad as those of A? Anyhow, we tried it. A writ was issued. It proved good enough to cause the other side to collapse. But I am afraid the experiment has not yet come to judicial determination. Perhaps there is very little in it.

The next point as to which we found difficulty is the case where a false statement is made as to the origin of a firm. For instance, persons say sometimes that their firm has been established one hundred years. No other statement is made, and no attention is drawn to a competing firm, and yet in fact that statement would be true of the competing firm, but it is not true of the firm which makes the statement. So far nobody has found a way to stop that in England. It is just a plain lie, for which there does not seem to be any legal punishment.

A third instance is where false statements have been made as to the winning of medals and awards and so on. I am not referring to the case where it is being said that awards which have actually been won by somebody else have been won by the person who is putting out the advertisement. I mean just the plain, unadulterated lie by which a firm arrogate to themselves the credit of having won certain awards which probably have not been made to anybody. That again has turned out to be an evil for which nobody, not even a person who feels that his business is being unfairly injured, has been able to find a legal remedy.

May I mention just one other point? You know that in many of these cases of trade libel, it is necessary in England to prove special damage before you can get an effective remedy. I do not know what your view is, but mine is that it is about time that that necessity was abolished. What the person who is suffering by unfair competition requires is that the wrong practice should stop. He does not trouble about the damages, and often it is very difficult indeed to prove special damage. I think it is time that we were excused from proof of special damage.

Then just one or two other points. A good many complain because their trade marks are defaced, sometimes obliterated. Some firms take great exception to that. I personally do not think that in many cases that is anything that anybody has much right to complain about. If I buy goods from somebody else, and I choose to give those goods away, or burn

them, or otherwise destroy them, and I have paid the price to the vendor of those goods, I do not see that it ought to matter to him what I do with the goods; and if I choose to sell them in another carton, in the majority of cases, in my humble opinion, that trader has no legitimate cause of complaint. Still some things are done which possibly are not always fair, and my opinion upon the question does not really matter, because it has been considered by the Trade Marks Committee that some help should be given to traders who do not like the defacement of their trade marks; and, whilst it is not recommended that there should be any general statutory enactment forbidding that, it is recommended that power should be given to enable traders under certain circumstances to protect themselves from defacement of their trade marks.

Those are just a few of the problems. Now, you see, I have said nothing at all, because I have not time to say anything, about such interesting things as false indications of origin of such goods as the product of the vine, and so on, which are said to owe their special qualities to particular soils, particular methods of cultivation and manufacture, and so on. I naturally am referring to such thorny subjects as Australian Burgundy, and people from the Rhine and elsewhere calling their wines champagne. Nor am I saying anything, because I have not time to say anything, upon the question of unfair competition by price-cutting. In fact, from many points of view, by putting it that way, it seems to me, I am begging the question, for a great many people—and, if my experience is any guide, the majority of people—do not under normal circumstances regard it as unfair competition to cut prices. I am expressing no view, because I am not dealing with policy; I am merely dealing with what can be done. Well, whatever view anybody may take about the morality of that, there is no question that such things as alleged unfair competition by price-cutting and unfair competition by sweating and the like are not within the same category of unfair trading as are those matters with which I have already been dealing.

Nobody can foresee all the means of unfairness which the ingenuity of unfair and dishonest minds will evolve, and so I think you will agree that it necessarily follows that as we have new developments in trading they will bring new crops of dirty tricks. Provisions in general terms in statutes will, in my opinion, always be necessary. It will never be possible, as it were, to codify all possible acts of unfairness, as some delegates at the international conference seemed to desire to do.

What is the lawyer to do? Well, at all events, he can do two things. He can at least do something to keep as clean as possible the public conscience with regard to these matters, and, secondly, he is probably in the best of all positions to utilize every lawful expedient to defeat the dishonest trader whenever and wherever he appears.