

**Star Industrial Company Limited**      -      -      -      -      *Appellant*

v.

**Yap Kwee Kor trading as New Star Industrial Company**      *Respondent*

FROM

**THE COURT OF APPEAL IN SINGAPORE**

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JUDGMENT OF THE LORDS OF THE JUDICIAL COMMITTEE OF  
THE PRIVY COUNCIL, DELIVERED THE 26TH JANUARY 1976

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*Present at the Hearing:*

LORD DIPLOCK

LORD KILBRANDON

LORD EDMUND-DAVIES

[*Delivered by* LORD DIPLOCK]

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The point of law determinative of this appeal from a judgment of the Court of Appeal of Singapore is a short one.

The appellant, Star Industrial Company Ltd. ("the Hong Kong Company") is incorporated in Hong Kong; all its shares are owned by J. H. Leung. Some time in 1961 or 1962 the Hong Kong Company took over from J. H. Leung the business previously carried on in that colony by him under the name of "Star Brush Manufacturing Company". The business included the manufacture of plastic toothbrushes packed for sale in boxes with a characteristic get-up of which a prominent feature were the words "ACE BRAND" and the device of a capital A enclosed in a red circle, known as "the Red A".

Between 1953 and 1965 substantial quantities of toothbrushes in this get-up were sold by J. H. Leung and later by the Hong Kong Company in Hong Kong for export to Singapore. At that time Singapore was a free port and the greater part of these consignments were re-exported to Malaysia or Indonesia. A small proportion, however, was marketed through retail outlets in Singapore itself. The trial judge (Choor Singh J.) found the evidence about the quantities marketed in Singapore unsatisfactory but, for the purposes of this appeal, their Lordships are prepared to draw an inference from the subsequent conduct of the respondent, Yap Kwee Kor, that by 1965 sufficient had been sold in Singapore itself to establish there a reputation and goodwill associated with the get-up under which the toothbrushes were sold. The Hong Kong Company, however, did not register the characteristic get-up of its goods or any part of it as a trade mark in Singapore.

In October 1965 the Government of Singapore imposed an import duty upon toothbrushes. This brought to an end that part of the Hong Kong Company's business which consisted of manufacturing toothbrushes for export to Singapore either for sale there or for re-export to other countries. There are concurrent findings of fact by the trial judge and the Court of Appeal that no toothbrushes of the Hong Kong Company's manufacture were exported to Singapore after October 1965.

In 1968 the respondent, who had been manufacturing toothbrushes in Singapore since 1966, changed the business name under which he was trading to "New Star Industrial Company" and adopted for his products a get-up indistinguishable from that formerly used by the Hong Kong Company except that the letter C in ACE was replaced by the letter G. The inference is irresistible that he at least considered that the reputation of the Hong Kong Company's products retained sufficient value in 1968 to make it worth his while to appropriate the benefit of it to himself.

It was not until 9th February 1971 that the Hong Kong Company started the proceedings that are the subject of the instant appeal. By writ of summons issued on that date it claimed an injunction restraining the respondent from passing-off his toothbrushes as being toothbrushes of the Hong Kong Company's own manufacture and an inquiry as to damages. There are, however, concurrent findings of fact by the trial judge and the Court of Appeal: that, at the time the writ was issued, the Hong Kong Company who is the sole plaintiff was not itself carrying on any business in Singapore; that it had not, since the imposition of the import duty more than five years before, manufactured any toothbrushes for export to Singapore; and that it had no intention of itself resuming this part of its former trade.

The Hong Kong Company's claim in the action was based on passing-off alone. In their Lordships' view these concurrent findings of fact are fatal to this claim. They do not find it necessary to go into any of the alternative grounds upon which the trial judge or the Court of Appeal would have been prepared to dismiss the appellant's action.

Whatever doubts there may have previously been as to the legal nature of the rights which were entitled to protection by an action for "passing-off" in courts of law or equity, these were laid to rest more than sixty years ago by the speech of Lord Parker of Waddington in *A. G. Spalding & Bros. v. A. W. Gamage Ltd.* [1915] 32 R.P.C. 273 ("the Gamage Case") with which the other members of the House of Lords agreed. A passing-off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing-off one person's goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired a goodwill the goodwill in that country perishes with it although the business may continue to be carried on in other countries. (See: *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd.* [1901] A.C. 217, per Lord Macnaghten at p. 224; per Lord Lindley at p. 235.) Once the Hong Kong Company had abandoned that part of its former business that consisted in manufacturing toothbrushes for export to and sale in Singapore it ceased to have any proprietary right in Singapore which was entitled to protection in any action for passing-off brought in the courts of that country.

What the Hong Kong Company had in fact done after the imposition of the import duty had made it commercially impracticable for its toothbrushes to be exported to Singapore, was to join in setting up a new company incorporated in Singapore, Star Plastics Industrial Co. (Private) Ltd. ("the Singapore Company") of which the capital was held, as to half, by the Hong Kong Company and, as to the other half, by two existing Singapore companies in which the Hong Kong Company had no financial interest.

The agreement to set up the Singapore Company was entered into on 22nd August 1968. The main object of the Singapore Company was to manufacture plastic products in factories in Singapore. It was to use moulds made by the Hong Kong Company, and sold or let on hire to it, to receive full technical assistance from the Hong Kong Company and to "be allowed to use the Red 'A' trade mark in Singapore and other markets free of rent or royalties for the period of 10 years with priority for renewal." For technical assistance and services in connection with moulds the Hong Kong Company was to receive a royalty of 3% on the total sales of the Singapore Company.

The reference in this agreement to "the Red 'A' trade mark" can only have been to the unregistered mark or get-up which was used in connection with toothbrushes of the Hong Kong Company's manufacture that had been exported to Singapore before October 1965, though it had never been registered there as a trade mark. It is conceded on behalf of the Hong Kong Company that the right of user of the unregistered mark or get-up intended to be conferred upon the Singapore Company was exclusive; the Hong Kong Company could no longer use it itself in relation to goods to be sold, or otherwise traded in, in Singapore.

At common law this right of user of the mark or get-up in Singapore was incapable of being assigned except with the goodwill of that part of the business of the Hong Kong Company in connection with which it had previously been used. So, if despite the temporary cesser of the Hong Kong Company's business in Singapore after the import duty on toothbrushes had been imposed in 1965, it still retained—as well it might (cf. *Mouson & Co. v. Boehm* (1884) 26 Ch.D. 398)—a residue of goodwill capable of being revived in 1968, any right of property in that goodwill would have passed to the Singapore Company under the agreement. The Singapore Company is not a party to these proceedings; and their Lordships express no view as to what rights, if any, it would have been entitled to enforce against the respondent if it had been the plaintiff in a passing-off action brought against him.

Their Lordships mention this, however, because the burden of the appellant's argument before the Board has been that the common law ought to provide the Hong Kong Company itself with a remedy against the respondent for the financial loss which it will sustain in the form of reduced dividends and royalties receivable from the Singapore Company, as a result of the respondent's piracy of the mark or get-up. The argument has been put in alternative ways.

The first is that the case of *Warwick Tyre Company Ltd. v. New Motor and General Rubber Co. Ltd.* ([1910] 1 Ch. 248; 27 R.P.C. 161; 101 L.T. 889) is authority for the proposition that at common law a person who, in a business carried on by him, has used an unregistered mark or get-up to which goodwill has become attached, thereby acquires a property in the mark or get-up which he may exploit by conferring for reward upon some other person the right to use the mark or get-up in his own business; and that this method of exploitation of the mark or get-up is entitled to protection at common law in an action at his suit for passing-off, notwithstanding that he himself has ceased to carry on the

business in which the mark or get-up is used. In the *Warwick Case* the mark "Warwick" had originally been used by the plaintiff company upon tyres which it manufactured and sold itself. At the time when it brought a passing-off action to restrain the use of the mark by a third party it had entered into an agreement with another company ("the Dunlop Company") under which tyres bearing the mark "Warwick" were manufactured and sold for it by the Dunlop Company. It is not possible from any of the three reports of the case to discover what were the terms of the agreement between the plaintiff company and the Dunlop Company, but from the language used by Neville J. in his judgment the inference is that the Dunlop Company had been appointed to act as selling agent for the plaintiff company for an agreed period. Whether upon the particular, but unknown, facts of the case the judge's decision in favour of the plaintiff company was right in law it is not now possible to say; but, in any event, the judge's reasoning is vitiated by the fact that it is based upon the assumption, later rejected by the House of Lords in the *Gamage Case*, that what was entitled to protection by a passing-off action was a right of property in the mark itself—not a right of property in the business or goodwill in connection with which the mark was being used. In their Lordships' view the *Warwick Case* cannot now be treated as authority in support of the appellant's argument.

The second way in which the argument has been put is that business practices in international trade have changed so much since the *Gamage Case* was decided, that the time has come when the common law should be developed by their Lordships in such a way as would make available an action for passing-off in circumstances such as those in which the appellant finds itself in the instant appeal. The submission is, that the courts in the exercise of the judicial power should extend to the user of an unregistered mark or get-up proprietary rights similar to those which have been conferred by statute upon the registered proprietor of a registered trade mark. These, it is contended, should include (1) the right conferred by section 30 of the Trade Marks Act of Singapore (which substantially reproduces section 28 of the United Kingdom Trade Marks Act 1938) to permit the use of the registered trade mark by another person ("the registered user") where the owner maintains a sufficient degree of control over the permitted use and (2) the right conferred by section 42 of the Singapore Act (which reproduces section 22 of the United Kingdom Trade Marks Act 1938) to assign the registered trade mark otherwise than in connection with the goodwill of a business, provided that there would not subsist exclusive rights in more than one of the persons concerned to the use of the mark in relation to goods to be sold or otherwise traded in within Singapore.

These are rights which the Hong Kong Company might have been able to exercise if it had registered the get-up of its goods in the Register of Trade Marks in Singapore; but that it was the intention of the Parliament in Singapore, as it was of Parliament in the United Kingdom, to confine these novel statutory rights to registered trade marks, is in their Lordships' view apparent from (a) the express provisions of section 42(3) of the Act which confine the right to assign unregistered trade marks, otherwise than in connection with the goodwill of a business, to unregistered marks which are assigned together with a registered trade mark used in the same business in relation to the same goods, (b) section 49 of the Act which provides that no person shall be entitled to institute any proceedings to prevent or recover damages for the infringement of an unregistered trade mark, and (c) section 53 which provides that nothing contained in the Act shall be deemed to affect rights of action against any person for passing-off his goods as those of another person or the remedies in respect thereof.

In view of this clear indication of the intention of Parliament, it is not in their Lordships' view open to a court to change the common law in the way in which they have been urged to do so by the appellant.

For these reasons their Lordships will dismiss the appeal with costs.

In the Privy Council

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STAR INDUSTRIAL COMPANY  
LIMITED

v.

YAP KWEE KOR  
TRADING AS  
NEW STAR INDUSTRIAL COMPANY

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DELIVERED BY  
LORD DIPLOCK