

Case Note

GOODWILL HUNTING IN PASSING OFF

England Retains the “Hard Line” for NOW

Starbucks (HK) Ltd v British Sky Broadcasting Group plc
[2015] WLR 2628; [2015] UKSC 31

This recent UK Supreme Court decision has confirmed that the “hard line” perspective to interpreting “goodwill” in the common law action for passing off remains good law in England. There are, however, subtle hints in the judgment that going forward, the court may be prepared to consider and endorse (pragmatic) exceptions or extensions to the “hard line” in appropriate cases.

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I. Introduction

1 It is generally accepted in the common law world that there are essentially two schools of thought – “hard line” and “soft line”, respectively – in the interpretation of the goodwill element in a passing off action brought by a foreign trader.¹ The former approach requires the foreign trader to demonstrate that he has a place of business (and hence customers) in the jurisdiction, whereas the latter approach advocates that the existence and extent of a trader’s goodwill – which is ultimately a question of fact – should not be delineated by territorial confines.

2 Some years ago, this author had expressed the hope that the highest court in England would, in an appropriate case, reconsider the strict “hard line” approach and jettison it in favour of the other approach.²

3 Unfortunately, this is not to be, as the UK Supreme Court (the “Court”) in *Starbucks (HK) Ltd v British Sky Broadcasting Group plc*³

1 Goodwill is the first of three elements in the “classical trinity” that was identified by Lord Oliver in *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341 for establishing a claim in passing off.

2 See C L Saw, “Goodwill Hunting in Passing Off: Time to Jettison the Strict ‘Hard Line’ Approach in England?” [2010] *Journal of Business Law* 645.

3 [2015] WLR 2628; [2015] UKSC 31.

(“*Starbucks*”) recently reaffirmed the view that the “hard line” approach to interpreting goodwill – save in one limited respect – remains very much alive and well in the law of passing off in England.

II. The factual background

4 The facts in *Starbucks* are briefly these. The appellant claimants, referred to compendiously as “PCCM” by the Court, are members of a group of companies based in Hong Kong that provided internet protocol television (“IPTV”) services in that country under its present name, NOW TV. There is no dispute that the claimants’ business enjoyed significant goodwill in Hong Kong, given that they had a large pool of subscribers and spent substantial sums on marketing there. The majority of the programmes carried on NOW TV were in Mandarin or Cantonese.

5 PCCM did not carry on business in the UK. Residents in the UK could not subscribe to or pay for PCCM’s IPTV services and PCCM did not, in any event, hold a broadcasting licence in the country. Despite this, evidence was led at trial indicating that a number of Chinese-speaking residents in the UK were aware of the NOW TV service by 2012 – for example, through exposure to the service when residing in or visiting Hong Kong, the accessibility of programmes free of charge via PCCM’s own website and YouTube channel, as well as the availability of a number of programmes as inflight entertainment on three international airlines that serviced the UK.

6 From 2009, however, PCCM had harboured plans to expand its NOW TV subscription service into the UK in collaboration with a local partner. It then launched, as part of preparations for its UK debut, a NOW player “app” in the UK in June 2012, targeting the Chinese-speaking community in the country. By October 2012, more than 2,200 people in the UK had downloaded the app.

7 Meanwhile, the respondent defendants (collectively referred to as “Sky”) had, on 21 March 2012, announced their intention to launch a similar IPTV service in the UK under the identical name NOW TV. This launch was subsequently effected in beta form in mid-July 2012. PCCM decided to initiate passing off proceedings against Sky on 19 April 2012.

8 The trial judge, Arnold J, dismissed PCCM’s claim.⁴ Although his Lordship held that PCCM did acquire more than a *de minimis* reputation in the UK amongst members of the Chinese-speaking community, this body of people did not qualify as PCCM’s customers for its IPTV service

4 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2012] EWHC 3074 (Ch); [2013] FSR 29.

in the UK and therefore PCCM did not enjoy any protectable goodwill in the jurisdiction to support its claim in passing off. In short, viewers of PCCM's programmes in the UK were clearly aware of its IPTV service but they were not PCCM's customers in so far as satisfying the goodwill element in passing off was concerned. PCCM's appeal on the passing off claim was also dismissed by the English Court of Appeal, which essentially agreed with Arnold J's analysis.⁵ PCCM then brought this appeal before the Court.

III. The court's decision

9 As a preliminary matter, it was "common ground" that to succeed in an action for passing off, the claimant had to establish its claim – including the first element of goodwill in the "classical trinity" – "as at the inception of the use complained of".⁶ In so far as PCCM's claim was concerned, the relevant date was 21 March 2012, which was when Sky went public about its imminent intention to launch its IPTV service in the UK under the name NOW TV. Further, the only issue on appeal concerned the element of goodwill, since the trial judge had already accepted that PCCM did establish, on the facts, the second and third elements of the "classical trinity".

10 Counsel for PCCM sought to persuade the Court that it was sufficient for a claimant in a passing off action to establish a "reputation" – as opposed to "goodwill" – among a significant section of the public in the jurisdiction.⁷ This argument had earlier been rejected by both the trial judge as well as the Court of Appeal. The Court embarked on a careful and extensive survey of decisions from Ireland,⁸ Canada,⁹ New Zealand,¹⁰ Australia,¹¹ South Africa,¹² Hong Kong¹³ and Singapore,¹⁴ before coming to the view that this was an area where there was conflicting jurisprudence in the common law world.

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- 5 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2013] EWCA Civ 1465; [2014] FSR 20.
 - 6 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [16].
 - 7 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [28].
 - 8 *C&A Modes v C&A (Waterford) Ltd* [1978] FSR 126.
 - 9 *Orkin Exterminating Co Inc v Pestco Co of Canada Ltd* (1985) 19 DLR (4th) 90.
 - 10 *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 TCLR 91.
 - 11 *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 106 ALR 465.
 - 12 *Caterham Car Sales & Coachworks Ltd v Birkin Cars (Pty) Ltd* [1998] 3 All SA 175 (A).
 - 13 *Ten-Ichi Co Ltd v Jancar Ltd* [1989] 2 HKC 330; *In re Ping An Securities Ltd* (2009) 12 HKCFAR 808.
 - 14 *Jet Aviation (Singapore) Pte Ltd v Jet Maintenance Pte Ltd* [1998] 3 SLR(R) 713; *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide Inc* [2014] 1 SLR 911.

11 In dismissing PCCM's appeal, Lord Neuberger (who delivered the judgment on behalf of a unanimous Court) reaffirmed the "hard line" position in the English law of passing off thus:¹⁵

[A] claimant in a passing off claim must establish that it has actual *goodwill* in this jurisdiction, and that such goodwill involves the *presence of clients or customers* in the jurisdiction for the products or services in question. And, where the claimant's business is abroad, people who are in the jurisdiction, but who are not customers of the claimant in the jurisdiction, will not do, even if they are customers of the claimant when they go abroad. [emphasis added]

12 His Lordship observed that the "hard line" view of passing off – that mere association by people in the jurisdiction of the mark/get-up with a foreign trader's goods/services without an actual customer base in the jurisdiction will not suffice – had been consistently adopted by the highest courts in England (namely, the House of Lords and Privy Council) in a string of precedents.¹⁶ There was also much to be said for maintaining the *status quo* in the case law going forward, in particular so as not to undermine legal certainty.¹⁷

13 Lord Neuberger further went on to clarify the issue as to what – quite apart from mere "reputation" – constitutes "sufficient business" to give rise to a protectable goodwill. In his Lordship's view, "[t]he claimant must show that it has a significant goodwill, in the form of customers, in the jurisdiction, but it is *not necessary* that the claimant *actually has an establishment or office* in this country" [emphasis added].¹⁸ Crucially, there must be *customers within the jurisdiction*, as opposed to people in the jurisdiction who *happen to be customers in the overseas jurisdiction* where the claimant's business is carried on. An example of the former is where people in the jurisdiction had *booked with, or purchased from, an entity in the jurisdiction* for the right to receive the claimant's services abroad. In such an instance, his Lordship explained that the entity in

15 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [47].

16 *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273; *Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* [1901] AC 217; *T Oertli AG v EJ Bowman (London) Ltd* [1959] RPC 1; *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731; *Reckitt & Colman Products Ltd v Borden Inc* [1990] RPC 341; *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256 (PC). See also *Maxwell v Hogg* (1867) LR 2 Ch 307 (English CA).

17 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [49]. See also Sir John Mummery's speech in the Court of Appeal in *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2013] EWCA Civ 1465; [2014] FSR 20 at [103].

18 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [52].

question “need not be a part or branch of the claimant” – “it can be *someone acting for or on behalf of the claimant*” [emphasis added].¹⁹

14 One significant reason that contributed to the Court’s reluctance to develop the English law of passing off further (by extending the ambit of the goodwill element) was the existence and availability of the “well-known marks” provisions in statutory trade mark law.²⁰ For example, a foreign trader who owns and uses a mark abroad and has a huge reputation in the UK (or an “international reputation” for that matter) can surely seek protection under s 56 of the UK Trade Marks Act 1994²¹ (a provision which gives effect to Art 6bis of the Paris Convention for the Protection of Industrial Property),²² even if the claimant cannot establish that it has any customers or sufficient goodwill in the UK. Lord Neuberger expressed concern that a provision such as s 56 might well become redundant if PCCM’s submission on “reputation”, as opposed to “goodwill”, were accepted as good law, but his Lordship felt it unnecessary to rule on the point.²³

15 Finally, the Court, in reference to the decision of the Singapore Court of Appeal in *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide, Inc*²⁴ (“*Staywell*”), also left open the question whether a passing off claim may be brought by a claimant who has not yet attracted goodwill in the jurisdiction but has launched a substantial advertising campaign therein, making it clear that it will imminently be marketing its goods or services in the jurisdiction under the mark in question. This was precisely the question that Sundaresh Menon CJ had examined in some

19 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [52].

20 See also *Novelty Pte Ltd v Amanresorts Ltd* [2009] 3 SLR(R) 216 at [68].

21 c 26.

22 21 UST 1583, 828 UNTS 305. Cf s 55 of Singapore’s Trade Marks Act 1998 (Cap 332, 2005 Rev Ed).

23 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [64] and [65]. Although there is force in this argument, it has been suggested elsewhere that there is no reason, in principle, why the common law tort of passing off cannot evolve in tandem with similar developments in statutory trade mark law: C L Saw, “Goodwill Hunting in Passing Off: Time to Jettison the Strict ‘Hard Line’ Approach in England?” [2010] *Journal of Business Law* 645 at 663. In any event, it is arguable that bringing an action pursuant to these “well-known marks” provisions may appear less attractive to the potential claimant, as compared to an alternative action at common law for passing off. The reason for this is that whereas the proprietor of a “well-known trade mark” is only entitled, under the statute, to the remedy of an injunction against the defendant (assuming, in the first instance, that the mark in question is indeed “well known”), the claimant in a passing off action, if successful, can avail itself of a wider spectrum of remedies (eg, compensatory damages).

24 [2014] 1 SLR 911.

detail in the *Staywell* decision.²⁵ In any event, even if the Court had agreed with this limited exception to the “hard line” perspective, the result in *Starbucks* would not have been any different, because “PCCM’s plans for extending its service into the UK under the NOW TV mark [though quite well advanced when Sky launched their NOW TV service] ... were still not in the public domain.”²⁶

16 In the result, the Court concluded that PCCM’s business was clearly based in Hong Kong and that it had no customers – and therefore no goodwill – in the UK to sustain an action in passing off. Its appeal was accordingly dismissed.

IV. Analysis

17 According to the “hard line” school of thought, a foreign trader who does not conduct any business activity in the jurisdiction (and hence has no customers and goodwill therein) will generally not be able to maintain an action in passing off.²⁷ Short of an actual retail outlet in the jurisdiction, goodwill can be acquired where the foreign trader has a local distributor²⁸ or a local importer²⁹ for his products in the jurisdiction. Foreign traders – and particularly those in the service industry – have also succeeded in establishing goodwill through the operation and activities of local representative offices or booking agents in the jurisdiction.³⁰

18 Against this backdrop, it may be argued that the Court’s decision in *Starbucks* is unremarkable – a mere endorsement and restatement of the “hard line” approach in England, without any attempt at developing or extending the law (perhaps because the facts in the instant case did not warrant such consideration). Indeed, the Court reiterated the merits of maintaining the *status quo* in the English law of passing off.

19 In emphasising that it is the “goodwill” of a claimant’s business (and not the claimant’s “reputation” *per se*) that the law of passing off protects, the *Starbucks* decision has confirmed that the law of passing off

25 *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide, Inc* [2014] 1 SLR 911 at [140] *ff.*

26 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [66].

27 The level of commercial activity that is required in the jurisdiction can be fairly minimal, though it must satisfy the *de minimis* threshold: see *Jian Tools for Sales Inc v Roderick Manhattan Group Ltd* [1995] FSR 924 at 937.

28 *Suhner & Co AG v Suhner Ltd* [1967] RPC 336.

29 *La Societe Anonyme des Anciens Etablissements Panhard et Levassor v Panhard Levassor Motor Co Ltd* [1901] 2 Ch 513.

30 *Sheraton Corporation of America v Sheraton Motels Ltd* [1964] RPC 202.

in Australia³¹ and Canada³² – until pronouncements from the highest courts in these jurisdictions suggest otherwise – has clearly diverged from that which presently exists in England (and indeed Singapore).³³ It may be usefully noted that even the alternative, “soft line” approach adopted in a number of first instance decisions in England *did not* do away with the notion of goodwill.³⁴ Lord Neuberger cautioned that if it were sufficient for a claimant merely to establish reputation within the jurisdiction to maintain a passing off action, this “would tip the balance too much in favour of protection”.³⁵

20 What was probably fatal to the claimants’ case in *Starbucks* was that PCCM could not establish, on the facts as at 21 March 2012, that they had any customers (and hence goodwill) in the UK for their IPTV service.³⁶ PCCM – whose business is clearly in Hong Kong – had not yet begun operations in the UK (there was no evidence to show that at the relevant time, there were residents in the UK who were subscribers of PCCM’s service) and all their marketing, publicity and other preparatory activities for penetration into the UK market were not yet in the public domain (and so could not conceivably generate any protectable goodwill for PCCM in the UK).³⁷

21 On the other hand, mere exposure of the Chinese-speaking community in the UK to PCCM’s programmes online and the availability of PCCM’s programmes on international flights did not make these people “customers” of PCCM for the purpose of establishing PCCM’s goodwill in the UK. Consumer exposure simply illustrates an *awareness* of PCCM’s existence and, because this alone does not translate into

31 *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 106 ALR 465 (Full Court of the Federal Court of Australia).

32 *Orkin Exterminating Co Inc v Pestco Co of Canada Ltd* (1985) 19 DLR (4th) 90 (Ontario CA).

33 *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide Inc* [2014] 1 SLR 911; *Guy Neale v Ku De Ta SG Pte Ltd* [2015] 4 SLR 283 at [134].

34 *Baskin-Robbins Ice Cream Co v Gutman* [1976] FSR 545; *Maxim’s Ltd v Dye* [1977] FSR 364; *Pete Waterman Ltd v CBS United Kingdom Ltd* [1993] EMLR 27.

35 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [62]. The “balance” his Lordship was referring to is, of course, that between the “public interest in free competition” and the “protection of a trader against unfair competition by others” (at [61]).

36 This probably explains why counsel for PCCM had sought to persuade the Court to substitute the long-standing notion of “goodwill” in a passing off action with “reputation”. If PCCM cannot be said to enjoy any protectable goodwill (as traditionally understood) in the UK, it is likely to be easier for them, evidentially, to establish a sufficient reputation in the jurisdiction to found an action in passing off – eg, by tendering evidence of Chinese-speaking residents in the UK accessing PCCM’s programmes online and watching the same on long-haul international flights servicing the UK.

37 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [66]–[67].

tangible *custom*³⁸ for PCCM's business in Hong Kong, at most contributes to establishing PCCM's reputation – but not goodwill – in the UK. In other words, people in the local jurisdiction who are merely *aware* of the foreign trader's existence (because of its far-reaching reputation) but who are *not capable of becoming customers* of the foreign trader will *not* contribute to proof of the foreign trader's goodwill locally.³⁹ Passing off, it bears repeating, is a common law tort that protects the goodwill of a business, and not its reputation.

22 What, then, do we make of the fact that Chinese-speaking residents in the UK may well avail themselves of PCCM's IPTV service whenever they visit Hong Kong? This scenario, in the author's view, is no different from one where a UK resident, who happens to drop by a ZARA outlet while on holiday in Madrid, buys a number of articles of clothing on impulse. Such patronage – in most cases, fortuitous in nature – by local residents of a foreign business, whenever these people happen to visit the foreign jurisdiction, will *not* count as proof of a foreign trader's goodwill locally. As Lord Neuberger reminds us, “[i]n order to establish goodwill, the claimant must have customers within the jurisdiction, as opposed to people in the jurisdiction who *happen to be customers elsewhere*” [emphasis added].⁴⁰ And, further, “where the claimant's business is carried on abroad, it is not enough for a claimant to show that there are people in [the] jurisdiction who *happen to be its customers when they are abroad*” [emphasis added].⁴¹ His Lordship's choice of language in these remarks – the use of the phrase “happen to be” – suggests that such overseas custom contributed by “people in the jurisdiction” often takes place fortuitously, in the form of impulse patronage.

23 In contrast, however, where there is proof that local residents have travelled to the foreign jurisdiction *principally* because they were drawn to it by the allure of the foreign trader's business (in such cases, it can hardly be said that they “happen to be” customers when abroad), then it is submitted that there is, in existence, this mystical force – a *local* goodwill – engendered by the claimant's foreign business that has truly “brought in custom”. On this basis, there is evidence of a *clear and tangible demand* for the overseas business in the local jurisdiction to justify a finding of goodwill locally. This, in the author's view, is ample evidence

38 According to Lord Macnaghten in *Commissioners of Inland Revenue v Muller & Co's Margarine Ltd* [1901] AC 217 at 223, goodwill is “the attractive force which brings in custom”.

39 “A *desire* to become a customer of the plaintiff without the *ability to actually be one* cannot ordinarily form the basis of goodwill” [emphasis added]: *Novelty Pte Ltd v Amanresorts Ltd* [2009] 3 SLR(R) 216 at [62].

40 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [52].

41 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [52].

of a foreign trader's *identifiable market presence* in the local jurisdiction (the existence of "customers within the jurisdiction"), notwithstanding that it does not carry on business locally.⁴²

24 An illustration of this argument is apposite at this juncture. It is now not uncommon for people (no doubt the more affluent and sophisticated) to go on epicurean holidays, where a major reason for their travelling to a particular country overseas is to patronise a particular foreign business (such as a three-star, gourmet restaurant). In preparation for the trip, they consciously make reservations (whether online or phone bookings) from their home country with the foreign business directly, without going through any third-party intermediary. Are these people any less "customers" of the foreign business than those who have made bookings with it through "an entity in the [local] jurisdiction" (such as a booking agent/office in the home country)?⁴³ Are these people not also contributing to the overall "custom" of the foreign business in much the same way, having been attracted to it by the *local* goodwill of the foreign business? Indeed, there is much force in Arnold J's reasoning in *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd*:⁴⁴

There was some debate before me as to whether it made any difference that bookings were made by customers directly with the foreign service provider or via an office maintained by the provider in the United Kingdom (as in the *Sheraton* case) or indirectly through tour companies and/or travel agents (as also occurred in the *Sheraton* case). *In principle I cannot see that it makes any difference*, just as it makes no difference whether a foreign manufacturer of goods sells them directly to British customers or via a branch office or through a distributor. [emphasis added]

25 The paramount test for the existence of goodwill must surely be to ascertain facts which can go towards establishing, in a practical and

42 Per Sir John Mummery in the Court of Appeal in *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2013] EWCA Civ 1465; [2014] FSR 20 at [104]:

Generating a goodwill for service delivery [perhaps more pertinently for businesses that are sited overseas] generally involves *making, or at least attempting to make, some kind of connection with customers in the market with a view to transacting business and repeat business with them*. The claimants' customers are usually those with whom business is transacted [emphasis added]

43 As suggested by Lord Neuberger in *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [52] – evidence of "people in this jurisdiction who, by booking with, or purchasing from, an entity in this country, obtained the right to receive the claimant's service abroad. And, in such a case, the entity need not be a part or branch of the claimant: it can be someone acting for or on behalf of the claimant". This is simply an endorsement of Buckley J's rather dated decision in *Sheraton Corporation of America v Sheraton Motels Ltd* [1964] RPC 202.

44 [2009] RPC 9 at [218].

meaningful way,⁴⁵ an identifiable goodwill for the foreign business in the jurisdiction. The appropriate question to ask, in my view, is whether the foreign business can truly be said – in *substance*, and not just *form* – to have a pool of “customers in the jurisdiction,”⁴⁶ people who consciously (as opposed to fortuitously) seek out and patronise the overseas establishment.⁴⁷ It ought to be entirely immaterial whether bookings for the foreign business were made directly⁴⁸ or through the intervention of a local, third-party intermediary. Indeed, Lord Neuberger’s example of the latter cannot, in the circumstances of the present day, be exhaustive of the myriad instances (and infinite possibilities) in which a foreign trader attempts to establish that it has a pool of customers within the jurisdiction.⁴⁹ As his Lordship rightly acknowledged, “when it comes to a domestic, common law issue such as passing off, an English court has to

45 And not, for example, to stretch the concept of “customer” to “breaking point”: *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2012] EWHC 3074 (Ch); [2013] FSR 29 at [149], *per* Arnold J.

46 According to this (“soft line”) view, any meaningful or tangible proof of “customers within the jurisdiction” should be dispositive of the question of goodwill.

47 See also the views articulated in C L Saw, “Goodwill Hunting in Passing Off: Time to Jettison the Strict ‘Hard Line’ Approach in England?” [2010] *Journal of Business Law* 645 at 664–667. See, further, Christopher Wadlow, *The Law of Passing-off – Unfair Competition by Misrepresentation* (Sweet & Maxwell, 4th Ed, 2011) at para 3-095:

[I]t is now suggested that a service business operating from a place or places abroad has customers and therefore goodwill in England to the extent that persons from England consciously seek out and make use of its services in preference to those available from competitors, in England or elsewhere. So the foreign business has goodwill here if English residents are prepared to go to it (literally or figuratively) to avail themselves of its services, or if the availability of those services abroad is a material factor in their travelling to wherever the services can be acquired or experienced.

It may be usefully noted that Professor Wadlow’s suggested formulation has received some tacit (if non-committal) endorsement from Lloyd LJ in *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2010] RPC 16 at [117]–[118], as well as Sundaresh Menon CJ in *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide Inc* [2014] 1 SLR 911 at [161].

48 Indeed, this test of “direct bookings” might be “increasingly outmoded” and calls have been made for the test to be reviewed in an appropriate case – see Lloyd LJ’s *obiter dictum* in *Hotel Cipriani Srl v Cipriani (Grosvenor Street) Ltd* [2010] RPC 16 at [124] (which was specifically endorsed by Stanley Burnton LJ at [126]).

49 Indeed, the artificiality of the strict “hard line” approach and the obvious limitations of Lord Neuberger’s given example become even more apparent in the context of online businesses which do not have brick-and-mortar retail premises, where the host servers for conducting online trading are located in several different jurisdictions and where business is often transacted between the online trader and online consumer (who may be located anywhere in the world) directly. The view that goodwill can only arise if the trader has a tangible business presence in the jurisdiction is clearly inept for the world of e-commerce. In such situations, where the online (foreign) trader can point to the existence of online customers in the local jurisdiction (eg, customers with local billing addresses), it is submitted that the online trader enjoys a protectable goodwill locally.

consider the *factual position* in the UK” [emphasis added].⁵⁰ The author agrees entirely with this observation and would only add that, in this regard, substance is clearly more important than form!

V. Conclusion

26 To be fair, the facts in *Starbucks* did not require the Court to reconsider the “hard line” perspective in passing off in the context of modern day commerce, “easy worldwide travel and global electronic communication”.⁵¹ The Court’s decision therefore does not foreclose the possibility that on a different set of facts (such as those set out in the illustration above), the highest court in England may, one day, consider and endorse an “exception” or “extension” to the “hard line”, as it might have been prepared to do if the issues raised in *Staywell*⁵² had come before it.⁵³ Indeed, similar sentiments have been expressed by Sundaresh Menon CJ in the recent decision of the Singapore Court of Appeal in *Guy Neale v Ku De Ta SG Pte Ltd*,⁵⁴ wherein his Honour opined thus:⁵⁵

We recently considered this issue in *Staywell* ..., and held that the ‘hard-line’ approach to goodwill is the law in Singapore, as it has been for the last 40 years since *Star Industrial* ... In brief, the ‘hard-line’ approach means that a foreign trader who does not conduct any business activity in Singapore will generally not be able to maintain an action in passing off here. After reviewing the authorities in the UK, Australia and Hong Kong, we declined to soften the ‘hard-line’ approach, although we indicated ... that *we might be prepared to do so in some respects if and when the right case came before us*. [emphasis added]

27 In *Starbucks*, Lord Neuberger reiterated that “it is *not necessary* that the [foreign] claimant *actually has* an establishment or office in this country” [emphasis added].⁵⁶ This, in the author’s view, is a resounding first step in the English law of passing off *away* from the strict “hard line”

50 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [54].

51 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [63].

52 *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resorts Worldwide Inc* [2014] 1 SLR 911; and see para 15 above.

53 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [66].

54 [2015] 4 SLR 283.

55 *Guy Neale v Ku De Ta SG Pte Ltd* [2015] 4 SLR 283 at [134].

56 *Starbucks (HK) Ltd v British Sky Broadcasting Group plc* [2015] WLR 2628; [2015] UKSC 31 at [52]. Clearly, a foreign trader ought to be able to establish a protectable goodwill locally even if it does not have a physical business presence in the jurisdiction.

position adopted in *Alain Bernardin et Compagnie v Pavilion Properties Ltd*⁵⁷ (“*Crazy Horse*”).

28 Therefore, at present in the UK (as it is in Singapore), while the pendulum that is passing off has not yet swung all the way to the other (“soft line”) end, this author is reasonably confident that it will get there eventually. In this age of increasing globalisation, sophisticated mercantilism and stunning technological achievements, this is simply going to be a matter of time. In any event, it has been pointed out elsewhere that, in the final analysis, there may be no real dichotomy between the “hard line” (*Crazy Horse* excepted) and “soft line” approaches.⁵⁸ On either interpretation, the question of goodwill – and not reputation *per se* – will ultimately turn on whether the foreign trader can establish, on the facts at hand, the existence of an identifiable pool of “customers” in the jurisdiction.

57 [1967] RPC 581. See also Christopher Wadlow, *The Law of Passing-off – Unfair Competition by Misrepresentation* (Sweet & Maxwell, 4th Ed, 2011) at para 3-093.

58 C L Saw, “Goodwill Hunting in Passing Off: Time to Jettison the Strict ‘Hard Line’ Approach in England?” [2010] *Journal of Business Law* 645 at 667–668.