PRIVY COUNCIL

Carl Franz Adolf Ottoingenohl

Vs.

Wing On and Co. (Shanghai) Ltd.

Privy Council Appeal No.81 of 1925
(Viscount Haldane Lords Shaw and Warrington of Clyffe. JJ)

30.05.1927

JUDGMENT

VISCOUNT HALDANE J.

1. This is an appeal by the plaintiff in an action brought in His Majesty's Supreme Court for China at Shanghai to restrain the respondents from passing off cigars not manufactured by the appellant as if they had been manufactured by him, and also to restrain the user of certain brands or trade-marks used by the appellant to denote his own cigars by affixing them to other cigars, and the user, in the description of such other cigars, of certain words. The action was one to restrain passing off and also for infringement of trade-mark.

2. The appellant was by birth a German citizen, but in 1886 he was naturalized as a Belgian subject, and he carried on business in Antwerp. There, in 1882, he founded a limited company under the name of "El Oriente Fabrica de Tobacos Sociedad Anonima." He was the directing administrator of the company. In 1882 the appellant had designed two trademarks and trade names, "La Perla del Oriente" and "El Cometa del Oriente." Towards 1887 he designed a third, "Imperio del Mundo." All these three names and marks were registered not only at Antwerp but in various parts of the world, and his cigars were sold under the names and marks in boxes bearing an outside closing label with a facsimile of the appellant's signature, " C.ingenohl," preceded by the words "garantizado por." This company continued trading until 1905, when it went into voluntary liquidation.

3. In 1905 the appellant formed under Belgian law an "Association en Participation," under the name of the Syndicat Oriente." of this the appellant was appointed sole "gerant." Thereupon the business of the old company, including its registered trade-

marks in Belgium and in every other country, were transferred to the appellant as owner.

4. The appellant had before this time established at Manila a cigar factory, the business of which he superintended, at first for the old company and later for himself. In the end of 1908 he established a second factory at Hongkong. Large quantities of cigars were manufactured in both factories, and they became well known in the East. The cigars were sold under the names and marks already referred to. Subsequently the address of the Manila factory on the boxes was replaced by that of the factory in Hongkong for the cigars made there. For the rest, the "Perla," "Cometa" and "Imperio del Mundo" marks were used for both kinds of cigars, and the marks were registered in Hongkong as well as Manila. His signature and the words of guarantee appeared on all boxes.

5. Their Lordships think that for the sale of his cigars the appellant had built up a valuable goodwill. Under the circumstances to which they will now advert, he has had the misfortune to have had hard treatment under war legislation, but that fact does not affect either his rights or those of the respondents. On the 6th October 1917, the United States Trading with the Enemy Act became law. Under this Act the American Alien Property Custodian took possession of the appellant's factory and business in Manila apparently in the belief that he had continued to be a German, and sold it to a firm of Olsen and Co., including in the sale all the stock and the goodwill, trade name and trade-marks of the "El Oriente Fabrica de Tobacos, C.ingenohl." The American Trading with the Enemy Act provides that the sole relief and remedy of any person having any claim or title to any property taken or seized by the Custodian is to be limited to the proceeds received therefrom and held by the Custodian or the Treasurer of the United States. At the conclusion of the war the appellant who as stated, had in fact long before become a Belgian national, was cleared of enemy character by the United States Government, and the proceeds of sale of his Manila property and of other property which had been sequestrated, were handed back to him. Not unnaturally, the amount fell short of the value of the property as held by the appellant before the seizure.

6. Subsequently to the assignment to them by the Custodian, Olsen and Co., to whom the Custodian had sold the property of the appellant's company seized during the war, proceeded to sell the products of the Manila factory in the Hongkong markets under the trademarks and names already referred to The appellants then brought an action in the Supreme Court of Hongkong to restrain Olsen and Co. from passing off as his

goods, goods purporting to be protected by his marks, but which were not of his manufacture. The Court held in May 1922 that the appellant was entitled to the relief he claimed, and awarded to him costs. No appeal was brought from this judgment.

7. The respondents are a British limited company carrying on business as dealers in cigars at Shanghai, and they sell the cigars consigned to them by Olsen and Co. Olsen and Co. carry on the factory and business in Manila just as they were carried on in the time of the appellant. The principal question in this appeal is whether they acquired a right to use the trade names and trade-marks which the Custodian seized and assigned to Olsen and Co., outside American territory. The boxes containing the cigars sold by the respondents in China are closed with labels exactly similar to those of the appellant, excepting that the words "Walter E. Olsen and Co., Successors, " are added in very small type after the facsimile of the appellant's signature, that is, after the words " grantizado por C.ingenohl ".

8. The writ in this action was issued in November 1922, against the respondents themselves sand not Olsen and Co. The case made for the plaintiff was : (1) that the assignment by the American Custodian did not affect rights outside the Philippine Islands ; (2) that its recognition by a British Court would be to give effect to penal legislation of the United States ; and (3) that the sale of cigars under the names and marks in question would lead the public in China to think that they were purchasing the appellant's goods. On all these issues His Majesty's Supreme Court at Shanghai decided against the appellant.

9. Meantime, in August 1922, the appellant had sued Olsen and Co. in the Supreme Court of the Philippine Islands to recover the costs awarded him by the Court in Hongkong. The trial Judge decided in the appellant's favour and the Court of appeal reversed this judgment, holding that the judgment of the Hongkong Court was erroneous and not binding on the Philippine Courts. Since then, on appeal to the Supreme Court of the United States, an appeal from this decision has been allowed. Holmes, J., who delivered the judgment of the Supreme Court, held, in language of characteristic precision, that it would be improper for a foreign Court to review the judgment of the Hongkong Court about the rights of the appellant in the trademarks and names in Hongkong. In this he appears to have been applying a broad principle which has been fully recognised in this country in such cases as *Castrique v. Imrie L. R. 4 H. L. 414* that where the subject-matter is a res so situated as to be within lawful control of the State under the authority of which a Court sits, and that authority has conferred on the Court jurisdiction to decide as to the disposition of the thing, and the

Court has acted within that jurisdiction, that decision is conclusive, whether, according to the law of another country, it might seem right or wrong. The questions which their Lordships have to determine are accordingly simply the three decided adversely to the appellant by the judgment of the Shanghai Court now under appeal. As to the second of these questions, whether any recognition of the assignment by the American Custodian would give effect to penal legislation of a foreign country, their Lordships are of opinion that the statute under which the property was seized and assigned by the Custodian was not penal legislation within the meaning of the English authorities cited to them on behalf of the appellant. The legislation, whether wise or not, was at least a step taken in carrying out a war policy which had its analogue in what was done during the war in this and other countries. It cannot properly be said to be penal legislation to take possession and dispose of the property within the country of a supposed enemy alien. No doubt it is true that subsequently the appellant was able to satisfy the United States Government that he had ceased to be a German and had become the subject of a friendly power before the time of the seizure. But, whatever happened, the statute deprived him of any remedy excepting one against the proceeds of sale in the hands of the United States Government. It did not enable him to set aside the assignment under which Olsen and Co. took the property and paid the price. As to the first or earlier point, that the assignment by the Custodian could not transfer any rights outside American territory, their Lordships think that the assignment by the Custodian to Olsen and Co., although confined, so far as property was concerned, to property within the Philippine Islands, not the less purported to include the business as a, going concern and the goodwill, trade name and trade-marks thereof, of the appellant's company doing business in the Philippine Islands under the name of El Oriente, Fabrica de Tobacos, C.ingenohl.

10. This assignment could not transfer the title to trade-marks or trade names in China, but it could enable Olsen and Co., as between themselves and the appellant, to say that they were not passing off goods under a trade name to which they had no title, so long as they abstained from representing the goods as those ofingenohl himself. It is on the third point in the judgment under appeal that their Lordships have felt some anxiety.

11. It is said that the sale of cigars under the names and marks in question would not lead the public in China to think that they were purchasing the appellant's goods. The respondents may have, for the reasons already given, the right to make use of the names and marks in question, so long as they are descriptive of a kind and quality of

cigar. But it does not follow that the respondents have any right to represent the cigars as those guaranteed by the appellant or to print his signature as stating this. Their Lordships have, therefore, asked the learned counsel for the respondents whether they are willing to give a definite undertaking on this point, which is important, although it is one of minor importance, as it does not destroy the basis of the respondent's general case. The learned counsel for the respondents have undertaken in these terms, terms which satisfy the only point on which their Lordships have entertained doubt :

> The respondents undertake not to use upon the boxes in which the cigars are sold the label W. O. 3, or any other label upon which the name of the appellant shall appear as guarantor of the cigars or otherwise.

12. In the able and exhaustive judgment under appeal, learned Judge who delivered it came to the conclusion that Olsen and Co. were not, by merely using the labels of the Manila factory, under which they had acquired a right to manufacture at Manila, imitating the labels of the Hongkong factory. They had become owners of the Manila labels with the business and reputation attached to them, and by simply using such lables did not represent to the public that the cigars were made by the appellant's firm, of which they described themselves as the successors. The signature on such labels as W. O. 3, " garantizado por C.ingenohl, " stands on a different footing. It is a direct representation that the appellant signs as guarantee in the quality. The point is, however, far from having been the most prominent one contended for in the respondents' general defence, from which it is separable. Their Lordships think that justice will be done by the imposition of the undertaking accepted by the respondents, and that the latter, having given this, are entitled to succeed on the main questions raised at their Lordships' Bar, and should have their costs. They will humbly advise His Majesty that, subject to the undertaking, the appeal should be dismissed with costs.

Appeal dismissed.