

CA 6316/03

Ilan Car Glazing Ltd**v.**

- 1. Baruch and Sons Glazing**
- 2. Yaakov Kapiloto**

The Supreme Court Sitting as the Court of Civil Appeals

[1 August 2007]

Before Deputy President E. Rivlin, Justices M. Naor, S. Joubran

Appeal of the judgment of Judge Y. Zaft of the the Tel-Aviv–Jaffa District Court handed down on 28 May 2003 in CC, file number 1024/03.

Facts: Appellant, Ilan Car Glazing Ltd. purchased R.G. Car Glass Glazing Services Ltd from Respondents. After the sale, Respondents continued to make commercial use of the term “Car Glass.” Appellant filed suit seeking a permanent injunction prohibiting respondents from using the name “Car Glass” or any variation thereof in connection with any business providing glass windows for cars.

The District Court determined that the name “Car Glass” is a generic description of a service provided, and thus, is not subject to an action for passing off. Furthermore, the District Court ruled that the name did not hold a special distinction identifying it with a particular company, which would set it apart from all others providing the same service. In its appeal, Appellant argues that the name does have distinctive characteristics sufficient to distinguish it from its competitors, and that it has acquired sufficient goodwill through its use of the name which entitles it to legal protection.

Held: In writing for the majority, Deputy President E. Rivlin held that in a successful action for passing off the plaintiff must prove that the defendant provided goods or services under the name in question, thereby causing consumers to believe they were receiving the goods or services from the plaintiff. No liability will be imposed for passing off unless the plaintiff has acquired sufficient goodwill under the name in question such that the public identifies the goods or the services provided with the business of the injured plaintiff.

The Court found that the public identifies “Car Glass” with the services provided by Appellant, and, therefore, the use of the name by any other party for commercial purposes amounts to passing off. However, this ruling does not entitle Appellant to exclusive usage of the term “Car Glass.” The Court determined that Respondents are entitled to use a foreign company’s trademarked logo consisting of the English form of the term “Car Glass” together with an image of a car window, demonstrating the service it provides. The English form of the term and the accompanying logo are different from the name in question in both language and appearance. The Court concluded that this decision reflects an appropriate balance between the rights of Appellant, who rightfully purchased the right to use the name from Respondents, and the rights of Respondents, who purchased the right to use the English form of the term with the accompanying logo from a foreign trademark holder. The decision of the district court is therefore reversed as to Respondents’ usage of the Hebrew form of the name “Car Glass,” but upheld as to Respondent’s usage of the English form of the term and the accompanying logo.

Justice Naor ruled in the minority opinion that the appeal should be allowed in full. The appellant has “goodwill” in Israel and the use of the name “Carglass” by the respondent is liable to mislead its customers. The respondent does not have “goodwill” in Israel. The fact that the respondent has a contractual right to use the Israeli registered trade mark of a foreign company does not detract from the degree of protection provided by the tort of passing off, as respondent’s right to use the trade mark was not registered, and as such it has no validity under Trade Marks Ordinance. Although there is comparative caselaw regarding parallel goodwill, and regarding the question if it is sufficient for a foreign corporation’s product to be well known in the country under discussion, even without having customers there, for that corporation to have “goodwill” in said country, in this case it was not proven or even claimed that respondent has customers in Israel or even that it is well known in Israel. Neither does the issue of the local bad-faith copier of an internationally known product name arise in this case, as respondent did not even argue that appellant had acted in such a way. Where an injunction is given it must suit its purpose, which with respect to the tort of “passing off”, is to prevent conduct that may cause the fear of misleading, and as such, limiting the injunction in the current case in a manner that allows the respondents to use the trade mark of the foreign company would not prevent the fear of misrepresentation. First, unless the Court’s intention is to bar oral use of the word in the trademark, such a limited injunction would allow oral use of the name “carglass” which would be indistinguishable from appellant’s trade name. Regarding the written use of the trademark as allowed by the limited injunction, appellant’s customers are liable to see respondents’ English “Carglass” logo and be misled to believe that appellant, as many Israeli businesses do, has taken on an English-lettered logo. The

appellant's use of the name "Carglass" should get full protection. Its use does not prevent the public in Israel, whose languages are Hebrew, Arabic, Russian and Amharic, of a word needed for free use. Its protection will not prevent competition, as it has not been proven that "carglass" is even a common description for the relevant service in English. There are no circumstances that detract from the conclusion that the elements of "passing off" have been proven. The law has already balanced the rights of the parties, and the result is that the appellant has a right to prevent the respondent, who has no "goodwill" in Israel, from causing concern of misleading appellant's customers in Israel with a name that is identical to appellant's trade name orally and in Hebrew writing, and similar in English writing to the extent of misleading, whereas no damage to the public is expected from granting appellant that right in the field of auto glass in Israel.

Israeli Statutes Cited

Commercial Torts Law, 5759-1999, s. 1 (a), (b)
Companies Ordinance [New Version] s. 36,
Torts Ordinance [New Version]
Trademarks Ordinance [New Version], 5732-1972. ss.7 – 11, 11(6) 11 (13),16 (1), 16, 16 (6), 39, 23, 50

Israeli Supreme Court Cases Cited

- [1] CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — 'Family' newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — 'Good Family' newspaper* [2001] IsrSC 55(3) 933
- [2] CA 261/64 *Fru Fru Biscuit Ltd v. Frumin and Son Ltd* [1964] IsrSC 18(3) 275
- [3] CA 5689/94 *Vargos Ltd v. Noga Engineering Ltd* [1998] IsrSC 52(1) 521
- [4] CA 634/89 *Rhein v. Fuji Electronics Mfg. Co.* [1991] IsrSC 45(4) 837.
- [5] LA 253/72 *John Walker and Sons Ltd v. National Distillers Ltd*, [1973], 361 IsrSC 27(1) 361);
- [6] CA 18/86 *Fenzia Israelis Glass Enterprises Ltd v. Les Verreies de Saint Gobain* [1991] IsrSC 48(3) 224,
- [7] HCJ 296/85 *Sia Siak How (Anthony) v. Registrar of Patents, Designs and Trademarks* [1986] IsrSC 40(4) 770
- [8] CA 3559/02 *Gold Toto Members Club Ltd v. Council for Regulating Sports Gambling* [2005] IsrSC 59(1) 873,.
- [9] CA 6181/96 *Karadi v. Bacardi Company Ltd* [1998] IsrSC 52(3) 276
- [10] HCJ 476/82 *Orlogad Ltd v. Registrar of Patents, Designs and Trademarks* [1985] IsrSC 39(2) 148

- [11] CA 2626/95 *Princess Hotel Netanya Ltd v. Lexan Israel Ltd* [1997] IsrSC 51(3) 802
- [12] CA 364/74 *Davidovitz v. Meiromit Ashkelon Metal Enterprises Ltd* [1975] IsrSC 29(1) 703.
- [13] CA 8483/02 *Aloneal Ltd v. MacDonald* [2004] IsrSC 58(4) 314
- [14] CA 280/73 *Palimport Ltd v. Leted* [1975] IsrSC 29(1) 597
- [15] LCA 371/89 *Leibovitz v. A. & Y. Eliyahu Ltd* [1990], IsrSC 44(2) 309, at p. 316
- [16] LCA 5454/02 *Taam Teva (1988) Tivoli Ltd v. Ambrosia Supherb Ltd* [2003] IsrSC 57(2) 438
- [17] CA 8981/04 *Malca Golden Geese Restaurant v. HaTikva Neighbourhood Geese (1997) Restaurant Management Ltd* (unreported judgment of 27 September 2006)
- [18] CA 210/65 *Bank Iggud of Israel Ltd v. Bank 'Agudat Yisrael' Ltd* [1965] IsrSC 19(2) 673, at p. 676

Israel District Court Cases Cited

- [19] CC (Jer) 924/89 *United Sport 1984 Ltd v. Shiraz Sport Ltd* IsrDC 5750(2) 397
- [20] CC (TA) 490/90 *Morton v. Rimini Pizzerias in Israel Ltd*, Dinim District Court 32(1) 475 (1990),
- [21] CC (TA) 2070/90 *Chanel (French Société Anonyme) v. Silhouette*, Dinim District Court 32(1) 297
- [22] (OM (TA) 227/91 *Nash Import and Marketing v. St. Ives* (unreported))

American Court Cases Cited

- [23] *Standard Oil Co. v. Humble Oil & Refining Co.*, 363 F.2d 945 (5th), Cir.,, 1966 at p. 954

English Cases Cited:

- [24] *Star Industrial Co. Ltd. v. Yap Kwee Kor* [1976] F.S.R. 256, 269
- [25] *Erven Warnink BV and others v. J. Townend & Sons (Hull) Ltd and others* [1979] 2 All E.R. 927,
- [26] *Inland Revenue Commissioners v. Muller & Co.'s Margarine Ltd* [1901] A.C. 217, 223-224 (H.L.);
- [27] *A.G. Spalding & Bros. v. A.W. Gamage Ltd* [1915] 32 R.P.C. 273, 284-285;
- [28] *Panhard et Levassor v. Panhard Levassor Motor Co. Ltd* [1901] 18 R.P.C. 405
- [29] *Anheuser-Busch Inc. v Budejovicky Budvar Norodni-Podnik* [1984] F.S.R. 413
- [30] *Pete Waterman Ltd v. CBS United Kingdom Ltd* [1993] E.M.C.R. 27 (Ch D).
- [31] *Stacey v. 2020 Communications* [1991] F.S.R
- [32] *Daimler Chrysler AG v. Alavi* [2001] R.P.C. 42

- [33] *Arsenal Football Club PLC v. Reed* [2001] R.P.C. 46).
- [34] *Cavendish House (Cheltenham) Ltd. v. Cavendish-Woodhouse Ltd* [1970] R.P.C. 234)
- [35] *Reddaway v. Banham* [1896] A.C. 199 (H.L.), at p. 222

Australian Cases Cited

- [36] *Taco Bell v Taco Co of Australia* (1981) 60 F.L.R. 60; 40 A.L.R. 153, affirmed (1982) 2 T.P.R. 48; 42 A.L.R. 177

For the appellant — A. Gabrieli, E. Gabrieli.

For the respondents — Z. Chowers.

Judgment

Vice-President E. Rivlin

1. This is an appeal of a judgment of the Tel-Aviv–Jaffa District Court (his honour Judge Y. Zaft), in which it denied the appellant’s action for a permanent injunction that would prohibit the respondents from using the name ‘Car glass’ or a similar name with regard to car glazing services. It should already be stated at the outset that the parties chose to conduct the proceedings between them by relying only on written evidence, and the decision in their case is based, for that reason, on what was presented before the court.

2. On 1 October 2002, the appellant — the company Ilan Car Glazing Ltd — bought the business activity of another company called R.G. Car-Glass Glazing Services Ltd (hereafter: Carglass Ltd). There is a dispute between the parties as to the nature of this transaction. According to the appellant, it acquired, within the framework of the transaction, the business activity of Carglass Ltd and the right to use its name. The respondents, by contrast, are of the opinion that the agreement concerned the purchase of the customers of Carglass Ltd, and no more. The District Court held — and this ruling is supported in the affidavits of the appellant’s manager and the person who was, at the time of the contract, the manager of Carglass Ltd — that the negotiations and the agreement concerned the purchase of ‘the business activity and the right to use the name “Carglass”.’ I see no reason to intervene in this finding of the District Court. The respondents’ claim that the transaction only concerned the purchase of the customers is *de facto* based solely on the text of the agreement between the appellant and Carglass Ltd, which does not

include the word ‘goodwill.’ But this agreement, on which the parties did not see fit to rely and which was attached to the court file at our request, does not undermine the ruling of the trial court that the transaction between the appellant and Carglass Ltd included the right to use the name. On the contrary, the agreement states that:

‘...’

8.4 Carglass, the owners of the shares in Carglass and Daniel Besserglik are aware that the buyer [the appellant] intends to set up a company that will have the name of “Carglass” and they undertake not to make use of any name that will include the name Carglass in any way and/or will be similar to the name Carglass in the sound and/or the form of the name *and the ownership of the rights in the name “Carglass” will pass to the buyer.*

8.5 Similarly, the sellers agree that the buyer may set up a company called “Carglass” or any similar name and they will give their consent thereto in so far as it is required by the Registrar of Companies or any other body’ (emphasis supplied).

It is therefore certain that the agreement included the purchase of the name ‘Carglass.’ This important fact is supplemented by an additional fact that was determined in the judgment of the District Court, which is that the purchase of Carglass Ltd by the appellant did not occur until after negotiations for a similar transaction, between the respondents — the company Baruch and Sons Car Glazing Ltd and its director — and Carglass Ltd, *were unsuccessful.*

At this stage, the respondents began to make use of the trademark ‘Carglass,’ which is registered as belonging to a company from Switzerland called Carglass Luxembourg S.A.R.L. (hereafter: the foreign company). They did this, allegedly, in accordance with a concession agreement with the foreign company. It was at this stage that the appellant filed the action in the District Court, in which it sought to be granted a permanent injunction that would prohibit the respondents from making use of the name Carglass.

3. As stated, a procedural agreement was reached in the District Court, according to which the judgment in the action would be given on the basis of the material that was filed at the temporary relief stage, without hearing witnesses or cross-examining affiants. The parties were given time to complete their arguments and to file additional documents. In its judgment, the District Court held that ‘the name “Car glass” (in Hebrew characters) is a

transliteration from English to Hebrew of a name meaning “car glazing”.’ This name is merely a description of the service under discussion...’. It was held that this was a generic name, which did not deserve the protection of the tort of passing off. The trial court went on to hold that even if it was a descriptive name, it had not been proven that the name had acquired, among the public, a distinctive character, which distinguished it from the other parties working in the industry of providing glazing services for cars.

The District Court also held, ‘although it was not strictly needed,’ that 90% of the ‘end users’ that needed car glazing services were not exposed to any risk of misrepresentation, since they were referred to one of the garages with which Carglass Ltd was associated under agreements between the insurance company and Carglass Ltd. Other customers, so the District Court held, were large organizations (such as car leasing companies), which could be presumed to examine who was the other party to the transaction, so that even with regard to them there was no real fear of misrepresentation. The District Court emphasized that the appearance of the name used by the appellant was different from the one used by the respondent. Finally the court noted that ‘the action has no purpose other than an attempt to restrict the action of a business competitor by means of a violation of free competition, in a sector that is characterized by a high level of concentration.’

4. The action was dismissed, therefore, and this led to the appeal before us. According to the appellant, we are not discussing in this case a generic mark, which consists of a work or words that are the name of the product or the name of the service under discussion. Moreover, neither is mark descriptive — according to the appellant — although it is indicative, since the expression Carglass is not used in the trade as a description of glazing services, and anyone who looks at this expression does not automatically regard it as a description of these services. In any case, the appellant argues that it was successful in showing that the mark is of a distinctive character, and that it acquired for itself goodwill among insurance agents and garage owners who provide glazing services. The appellant is of the opinion that it proved that there is a fear of misrepresentation, both with ‘end users’ and with other parties in the market.

The respondents support the judgment of the District Court, and they add various reasons for denying the appeal. Notwithstanding, in the course of the hearing before us, the respondents agreed that the ruling of the District Court, according to which the mark before us is of a generic nature, cannot stand.

The appeal in my opinion should be allowed in part.

5. The appellant bases its appeal on the tort of passing off (the statement of claim included other grounds of action, but these were not considered in the judgment of the District Court and the appellant also did not argue these before us). The tort of passing off is today to be found in s. 1 of the Commercial Torts Law, 5759-1999 (hereafter: the Commercial Torts Law), which provides the following:

- ‘Passing off
1. (a) A dealer shall not cause a commodity that he is selling or a service that he is providing to be considered in error to be a commodity or a service of another dealer or a commodity or a service that have a connection with another dealer.
 - (b) The use by a dealer of his name, in good faith, in order to sell a commodity or provide a service, shall not in itself be considered passing off.’

The focus of the tort of passing off, according to its wording, is the fear of misrepresentation. The tort arises where a person causes a commodity or a service provided by him to be considered a commodity or service of another. But no liability will be imposed under this tort unless someone has acquired goodwill in a commodity or a service, or, in other words, ‘that the public identifies the products or the services under discussion with the business of the injured plaintiff’ (CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — ‘Family’ newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — ‘Good Family’ newspaper* [2001] IsrSC 55(3) 933, at p. 942; see also CA 18/86 *Fenizia Israelis Glass Enterprises Ltd v. Les Verreies de Saint Gobain* [1991] IsrSC 48(3) 224; CA 4030/02 *Amihai Trade Ltd v. Shores Nomad Kits Ltd* (not yet reported); CA 307/87 *M. Weisbord and Sons v. D.Y.G. Electrical Product Factory Ltd* [1990] IsrSC 44(1) 629; E.H. Seligson, *Law of Trademarks and Similar Laws* (1973), at pp. 118-119). Admittedly, the term goodwill does not appear in the definition of the tort, but case law has recognized it as a basic element of the tort, which combines with the element of the fear of misrepresentation, and in truth, we find it difficult to speak of ‘misrepresentation’ in the absence of ‘goodwill.’ The reason for this is that if the products or services offered by the plaintiff have not acquired any goodwill with the public, so that they are regarded by the public precisely as unique to the business of the plaintiff, then no one will be misled into thinking that the products or services offered by the defendant to the public are those of

the plaintiff (see further with regard to the tort of passing off as a means of protecting goodwill, see O. Freedman, *Trademarks — Law, Case Law and Comparative Law* (1998) at pp. 400-402).

6. With regard to the question of goodwill, a distinction has been made in case law between different types of names — generic, descriptive, indicative and imaginary — and it has been held that each of these merits a different protection. The distinction between these four types and the significance thereof were described in CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — ‘Family’ newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — ‘Good Family’ newspaper* [2001] IsrSC 55(3) 933, and there is no need for us to add to what was said there. We shall only point out that whereas there are cases that clearly fall into one category or another, other cases lie on the border between various categories, with a foot in each camp. Our case is one of these. There is no longer any dispute that the mark ‘Carglass’ does not constitute a generic name, and it would appear that it lies on the border between the descriptive category and the indicative category. The term ‘Carglass’ describes the service under discussion. But it can also be argued that the connection between the name and the service is not so direct, immediate and self-evident. The examination in this context should be made from the viewpoint of the ordinary Hebrew-speaking consumer, and it is questionable whether the term ‘Carglass’ is necessarily restricted, in a self-evident manner or as a market practice, to a description of the activity of repairing car windows. Thus, for example, this name may be used also by a manufacturer of car windows. In any case, I see no decisive importance to this distinction, which is derived from the law concerning the protection of trademarks and it is merely an indication of the existence of goodwill, in so far as the tort of passing off is concerned. It has been held that the two types of names, the descriptive and the indicative, may in principle merit protection under the tort of passing off, and that ‘the classification should always be subservient to us, rather than we being subservient to it’ (CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — ‘Family’ newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — ‘Good Family’ newspaper* [2001] IsrSC 55(3) 933, at p. 947).

7. In our case, several factors indicate that the use of the term ‘Carglass’, at least when used in Hebrew, constitutes a tort of passing off. As stated, the premise for our deliberations is the one determined by the District Court, namely that the appellant paid five million sheqels for the business activity and the right to use the name ‘Carglass,’ after negotiations between the

respondents and Carglass Ltd in order to reach a similar transaction failed. This shows us, at least as long as the contrary has not been proven, that Carglass Ltd has *prima facie* valuable goodwill, and that in return for the use of the name, the respondents themselves were originally prepared to pay a sum of money. This is supplemented by the affidavit of the director of Carglass Ltd with regard to the resources that were invested in acquiring goodwill, and also affidavits of parties in the field of insurance and car glazing with regard to the goodwill that Carglass Ltd acquired in the market — affidavits made by people who were not cross-examined and whose content was not rebutted. What emerges from all of this is that it has been proven that the name ‘Carglass’ acquired respect and recognition among the public, which became accustomed to regarding this name as the business mark of Carglass Ltd (and now of the appellant that bought the right to use the name).

8. The District Court held — admittedly although this finding was not strictly required for the purposes of the case before it, but we attribute it great importance — that there are two groups in the market that require car glazing services, which are relevant for the purpose of considering the possibility of misrepresentation. For both groups, the court thought, there is no fear of misrepresentation: the first group consists of 90% of ‘end users,’ whose car window has been damaged and who are referred by the insurance company to garages where the service is provided, in which case the appellant is merely a middle man, whose identity is of no importance to those customers. The second group includes large institutions, such as leasing companies, for whom there is a presumption that they do not enter into a contract without careful scrutiny

After considering the matter, I have reached the conclusion that this finding of the District Court should also not be accepted in its entirety. Admittedly, the position in this regard was not clarified as it should have been, *inter alia* because the evidence in this regard was minimal, and in the District Court the parties agreed, as aforesaid, that there would be no cross-examination of the affiants and that the action should be decided on the basis of the material that was filed within the framework of the application for a temporary injunction, together with supplementary material. But ultimately, my conclusion is that, subject to the following, we should accept the appellant’s argument that the use of the name ‘Carglass’ gives rise to a reasonable fear of misrepresentation.

9. In so far as the end user group is concerned, there is no dispute that for 90% of these users, the service is provided in the manner described in the

affidavit of the director of Carglass Ltd, which was filed by the appellant in the District Court:

- a. An end user whose car window is cracked, broken and/or damaged in any other way, contacts the insurance agency or insurance company with whom he is insured.
- b. Should the insurance policy of an end user contain the service contract of Car Glass, the insurance agent or the insurance refer the end user directly to one of the service garages that are associated with Car Glass throughout Israel to receive the aforesaid service at the authorized garage.

It should be noted that in the main cities of Jerusalem, Tel-Aviv, Haifa and Beer Sheba, there were service garages that were owned by sister companies of Car Glass.

- c. The authorized garage verifies that the end user is entitled to receive the aforesaid service in accordance with the service contract by directly contacting Car Glass and it provides the requested service to the end user, after receiving the approval of Car Glass.'

Thus, we see that the appellant's affiant testifies that those customers who receive the service from the 'authorized garage' in accordance with the referral from the insurance company, do not come directly into contact with the appellant. These customers do not 'choose' the appellant, but they choose to enter into a contract with a certain insurance company, and it is the insurance company that has a relationship with Carglass Ltd (and now, with the appellant). When there is a need to receive glazing services, the insurance company refers the customer (the insured) to one of the garages that constitutes the appellant's 'service providers.' In other words, these customers are a 'captive audience,' which is not exposed to the danger of misrepresentation.

10. It follows that the fear of misrepresentation should be examined mainly with regard to other parties, namely the insurance companies, insurance agents and other market forces that do not operate through insurance companies. This can also be seen from the affidavit of the director of Carglass Ltd, which was filed on behalf of the appellant itself:

'Since it was founded, Car Glass invested considerable resources in marketing its services, under the name of Car Glass, to the whole of the Israeli driving public. *The marketing and advertising efforts of Car Glass in order to introduce the aforesaid services*

into the car window market in Israel were directed at insurance agencies and insurance, car rental and leasing companies, with which Car Glass had, in recent years, daily contact in order to increase its market penetration for its services and to improve the services.

During the decade in which I managed Car Glass, we invested hundreds of thousands of sheqels in order to promote sales and to strengthen the name of Car Glass in the car glazing market in Israel, *inter alia* by giving significant reductions off market prices to certain groups of insured persons and to certain insurance companies' (emphasis supplied).

The District Court, as aforesaid, was of the opinion that even this group, which includes the insurance companies and additional organizations that benefit from the services of the appellant, is not likely to make the mistake of thinking that the respondents and the appellant are one and the same. The reason that it gave for this was that:

'These bodies are presumed to enter into contractual relationships after a careful examination of the market, and the fear that they will enter into a contract with the defendants in error, thinking that they are entering into a contract with the plaintiff, seems to be unfounded.'

I am of the opinion that, in the circumstances of the case, such a presumption is insufficient. *First*, as aforesaid, the use of the name of Carglass by the respondents was not adopted until after negotiations with Carglass Ltd, which were intended, *inter alia*, to obtain the right to use the name, failed. In such circumstances, it would seem that if there is a *prima facie* presumption in this case, then it is the presumption that the use of the name Carglass has economic value and influence in the relevant market. *Second*, in view of the look and sound test that is applied in cases of this kind, it would appear that there is no basis for allowing the respondents to make use of a name that is absolutely identical to the name of the appellant, when it transpires that the various companies operating in this industry in Israel use other names such as Autoglass, Israglass, Beniglas, etc. (see, with regard to the look and sound test, CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — 'Family' newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — 'Good Family' newspaper* [1]; with regard to a deliberate imitation of a competing product, as an indication of a fear of misrepresentation, see CA 261/64 *Fru Fru Biscuit Ltd v. Frumin and Son Ltd*

[2]; CA 5689/94 *Vargos Ltd v. Noga Engineering Ltd* [3]. *Third*, we cannot rule out the fear that various parties, such as insurance agents who have never entered into a contract with the appellant in the past, garage owners or ‘end users’ who receive glazing services without going through insurance companies, will err in thinking that the service given to them by the respondents is the service of the appellant. *Fourth*, according to the affidavits of parties in the relevant market, which were filed on behalf of the appellant, and which were not, as aforesaid, subjected to any cross-examination, Carglass Ltd invested substantial resources in order to acquire for itself a reputation in the market. An additional affidavit was given by a person who acts as the managing director of a car rental and leasing company. According to him, ‘on 19 November 2002, he received a telephone call from persons at the company Baruch and Sons Car Glazing Ltd [the respondent], who presented themselves as representatives of the company Carglass, and tried to persuade me to abandon the applicant and work with them.’ The respondents do not deny what is stated in this affidavit, which describes an attempt to win over parties in the market, by presenting the respondents as representatives of ‘the Carglass company.’ Admittedly, this affiant did not err in thinking that the respondents were the appellant, but there is no certainty that such an error will not occur in future cases. *Fifth* and finally, the respondents themselves, in a letter that they sent to customers, wrote the following remarks:

‘We would like to emphasize that there is no connection between the company Baruch and Sons Car Glazing Ltd, which is the owner of the concession and licence to use the name, trademark and method of Carglass, and the company known as R.G. Carglass Glazing Services Ltd, which was involved in the sale of policies for the insurance of car windows to insurance companies.’

In other words, the respondents themselves recognized the fear of misleading the customers, but they sought to eliminate it by emphasizing the difference between the companies that is reflected in the different name they use.

11. However, all of the aforesaid does not, in the circumstances of the case, give the appellant a complete monopoly on the name Carglass, in every language and in every method of presenting it. What do I mean by this? The respondents argue that they acquired the right to make use of the trademark of the foreign company. This claim was not considered in the judgment of the trial court, and the parties also did not discuss it at length before us. But in

view of the information in our possession, our conclusion is that this argument may affect the proper balance between the rights of the parties. From the affidavit of the representative of the foreign company, it appears that the respondents did indeed acquire from the foreign company the right to make use of the foreign company's trademark, which includes the word 'Carglass' in Latin characters together with an image of car glass. In so far as the respondents restrict the use that they wish to make to this combination only, it would appear that there is no basis for allowing the appellant, who does not have a trademark for the name, to prevent them from doing so. It would appear that this result reflects the proper balance between the rights of the appellant, who succeeded in buying from Carglass Ltd the right to use the name and is now concerned that customers will be misled, and the rights of the respondents, who acquired from the owner of a registered trademark the right to make use of its trademark, which is also not identical in language and appearance to the name that the appellant wishes to protect.

The appeal is therefore allowed in the sense that the appellant is given an injunction that prohibits the respondents from making use of the name Carglass that departs from use that is limited to the trademark that was acquired by them from the foreign company. In the circumstances of the case and in view of the result that I have reached, there is no order for costs.

Justice M. Naor

1. Were my opinion to be heard, the appeal would be allowed in its entirety. In my opinion the elements of the tort of passing off exist and therefore the appellant should be given complete protection of its rights in the name Carglass. In order to clarify my position, which ultimately gives a more complete relief to the appellant than the one provided in the opinion of my colleague the vice-president, I will first turn to the tort of passing off and the elements thereof.

2. It is possible to summarize the issue that arises in this case as follows: A is doing business in Israel under a certain name, but he does not have a registered trademark. A third party does business in many foreign countries under a similar name, which it registered in those foreign countries as a trademark; it also registered the name as a trademark in Israel, but never did business in Israel. After A and the third party began to do business, each in its own location, and after the third party registered its trademark in Israel, the third party made an agreement with B, according to which B is entitled to make use in Israel of the trademark that is registered in Israel; this permission

is not registered in the Trademark Register in Israel. B begins to do business in Israel with the registered trademark; A sues B for passing off. What is the law?

The property right that is protected by the tort of passing off: goodwill

English law

3. The tort of passing off or palming off originated in English law in the eighteenth century (although there are some authorities who date it back to a single judgment that was given in the sixteenth century; see C. Wadlow, *The Law of Passing-Off – Unfair Competition by Misrepresentation* (third edition, 2004), paras. 1-24 – 1-28), and from the beginning of the twentieth century it is clear in English law that the purpose of the tort is to protect the right of goodwill, which is a property right:

‘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 60 years ago by the speech of Lord Parker of Waddington in *Spalding v Gamage* [27]...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 p as the goods of another’ (*Star Industrial Co. Ltd. v. Yap Kwee Kor* [24], at p. 107).

It should be noted that the tort in England today protects goodwill not only against presenting products or services as if they are those of the plaintiff, but also against presenting products or services as having *characteristics* that they do not have and which the plaintiff’s products or services do have (see *Erven Warnink BV and others v. J. Townend & Sons (Hull) Ltd and others* [1979] 2 All E.R. 927, which is the well-known Advocaat case).

Goodwill is, in essence, a business’s ‘power to attract customers:’

‘What is goodwill? It is a thing very easy to describe, very difficult to define. It is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom. It is the one thing which distinguishes an old-established business from a new business at its first start. The goodwill of a business must emanate from a particular centre or source. However widely extended or diffused its influence may be, goodwill is worth nothing unless it has power of attraction sufficient to bring customers home to the source from which it emanates’ (*Inland Revenue Commissioners*

v. Muller & Co.'s Margarine Ltd [26] at pp., 223-224; see also Wadlow, at p. 108).

It should be noted that this was a case involving taxes: 'Perhaps somewhat strangely the only comprehensive definition of goodwill which has been attempted, and the one which is generally accepted today, appears in a tax case' (J. Drysdale and M. Silverleaf, *Passing Off—Law and Practice* (second edition, 1995), at p. 17).

4. As we have said, the English tort of passing off protects goodwill. Businesses use trademarks (I am using this term in its simple sense, irrespective of the question whether it is a 'trademark' under the law of trademarks), among other measures, to attract customers; but the tort of passing off does not protect the trademark itself, for passing off (even in the narrow sense, without the extension in *Erven Warnink BV and others v. J. Townend & Sons (Hull) Ltd and others* [25] at p. 927) does not need to be done by means of a trademark. It protects goodwill:

'There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing-off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question – property in what? Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say, property in the goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v. Banham* [35] at p. 139) expressly dissents from the former view; and if the right invaded is a property at all, there are, I think, strong reasons for preferring the latter view. In the first place, cases of misrepresentation by the use of a mark, name, or get-up do not exhaust all possible cases of misrepresentation. If A says falsely, "These goods I am selling are B's goods," there is no mark, name or get-up infringed at all... Even in the case of what are sometimes referred to as Common Law Trade Marks the property, if any, of the so-called owner is in its nature transitory, and only exists so long as the mark is distinctive of his goods in the eyes of the public or a class of the public. Indeed, the necessity of proving this distinctiveness in each case as a step in the proof of the false representation relied on was one of the evils sought to be remedied by the Trade Marks Act 1875, which conferred a real right of property on the owner of a registered mark' (*A.G. Spalding & Bros. v. A.W.*

Gamage Ltd [27] at pp., 284-285; see also *Erven Warnink BV and others v. J. Townend & Sons (Hull) Ltd and others* [25], at pp. 931-932 and 941).

The importance of a trademark (in the simple meaning of the term as aforesaid) *in the tort of passing off* is that use by the defendant of a trademark that is similar to the trademark of the plaintiff may harm the goodwill — the power to attract customers — of the plaintiff. It should be emphasized that in passing off actions concerning the use of a trademark, the critical question is not who is the owner of the trademark, but whether the plaintiff has a group of customers that are attracted to him by means of the trademark, a group that may be redirected towards the defendant by the defendant's use of the trademark.

Israeli law

5. The British Mandate gave Israeli law the English tort of passing off by means of a section of legislation, s. 33 of the Torts Ordinance, 1944. This section became s. 59 of the Torts Ordinance [New Version]. In 1999 this section was replaced by s. 1 of the Commercial Torts Law, 5759-1999. The word 'goodwill' does not appear in any of the three sections. But it is also established case law in Israel — both since the Commercial Torts Law was enacted and previously — that the right protected by the tort of passing off is goodwill: 'What is the purpose of the tort of passing off? Its purpose is to protect goodwill that a person has acquired in his business...' (CA 5792/99 [1], CA 634/89 [4]). Even in Israel, in so far as passing off is concerned, the right to goodwill is a property right (LA 253/72 *John Walker and Sons Ltd v. National Distillers Ltd* [5], 361; with regard to the limits of the protection of goodwill outside the framework of passing off, see the illuminating judgment of Justice V. Zeiler in CC (Jer) 924/89 *United Sport 1984 Ltd v. Shiraz Sport Ltd* [19] at p. 397; see also Y. and H. Calderon, *Commercial Imitations in Israel* (1997), at paras. 3.011 – 3.020). Even in Israel, the essence of the concept of 'goodwill' is the power to attract customers (CA 634/89 [4] at p. 8 of the opinion of President Shamgar; see and cf. Calderon and Calderon, *Commercial Imitations in Israel*, at paras. 3.001-3.005). In Israel, even though the tendency is (especially in the case law of the District Courts) to speak with regard to passing off also of the right to the trademark itself (see Calderon and Calderon, *Commercial Imitations in Israel*, at para. 2.008 and the references cited there), the right that is protected by the tort — whose protection admittedly sometimes requires the court to make an order concerning the use of a trademark — is the right to goodwill that was acquired by means of the trademark (see LA 253/72 [5] at p. 361, which refers to the aforementioned

A.G. Spalding & Bros. v. A.W. Gamage Ltd [27] at p.,284-285; see also CA 18/86 *Fenizia Israelis Glass Enterprises Ltd v. Les Verreies de Saint Gobain* [6], at para. 2 of the opinion of Justice Netanyahu; HCJ 296/85 *Sia Siak How (Anthony) v. Registrar of Patents, Designs and Trademarks* [7] at para. 14 and Calderon and Calderon, *Commercial Imitations in Israel*, at para. 3.113).

Passing off — elements of the tort

6. In English law, the elements of the tort of passing off as determined in case law — ‘the classic triangle’ — are goodwill, misrepresentation and damage (it should be noted that since the 1970s the definitions have become more complex; see Wadlow, *The Law of Passing-Off — Unfair Competition by Misrepresentation*, at paras. 1-8 to 1-19).

The Israeli tort of passing off, as aforesaid, is the product of a section of legislation. Before it was cancelled by the Commercial Torts Law, s. 59 of the Torts Ordinance provided:

‘Passing off 59. Whoever causes or tries to cause, by imitating the name, description, trademark or label or in any other way, goods to be erroneously considered the goods of another person, to a degree that an ordinary buyer may assume that he is buying the goods of that person, is committing a tort against that person; but a person does not commit a tort merely by using his name to sell goods.’

It was originally held with regard to this section that there are two elements to passing off — goodwill and a reasonable fear of misrepresentation:

‘The plaintiff, who wishes to prove the existence of the tort of passing off should prove both of the following: first the plaintiff should prove that he has acquired goodwill in the goods, in such a manner that the public identifies the positive image of the goods with the plaintiff. In the second stage, the plaintiff should persuade the court that the acts of the defendant result in the public being misled into thinking that the goods of the defendant are the goods of the plaintiff.

...

It follows that the court should conclude that there is a reasonable fear that the acts of the defendant will cause the ordinary buyer to think erroneously that he is dealing with the plaintiff’s goods when he is really dealing with the defendant’s goods’ (CA 634/89

Rhein v. Fuji Electronics Mfg. Co. [1991] IsrSC 45(4) 837, at paras. 7 and 14).

When s. 59 was in force, case law held that an *intention* to mislead on the part of the defendant is not an element of the tort of passing off (CA 5689/94 [3], at para. 9).

7. As we have said, s. 59 of the Torts Ordinance was replaced by s. 1 of the Commercial Torts Law, 5759-1999, which provides:

- ‘Passing off
1. (a) A dealer shall not cause goods that he is selling or a service that he is providing to be erroneously considered goods or a service of another dealer or goods or a service that have a connection to another dealer.
 - (b) The use by a dealer of his name in good faith, in order to sell goods or to provide a service, shall not in itself be considered passing off.’

Justice M. Cheshin said with regard to this section:

‘There is no need to study the matter in depth in order to discover that the new tort is, in essence, similar to the previous tort, not only in its name but also in its character. Therefore without any great difficulty — but with caution — it remains to apply to the interpretation of the new tort those case law rulings concerning the interpretation of the old tort... and we are only making these remarks from an academic viewpoint’ (CA 5792/99 [1], at para. 6).

We shall not make any firm determinations with regard to all the points of difference and similarity between the two sections (see *Draft Laws* 5750, 346; M. Deutch, *Commercial Torts and Commercial Secrets* (2002), at pp. 57-61); however, it has already been held that the two elements of s. 1 of the Commercial Torts Law, like those of the section that preceded it, are goodwill and a reasonable fear of misrepresentation (CA 5792/99 [1], at para. 8; CA 3559/02 *Gold Toto Members Club Ltd v. Council for Regulating Sports Gambling* [8] at para. 16).

8. To summarize so far, the tort of passing off under s. 1 of the Commercial Torts Law, 5759-1999, is intended to protect goodwill, and in order to win his action, the plaintiff needs to prove both of the following elements: that he has goodwill and that the acts of the defendant give rise to a reasonable fear of misrepresentation.

9. In addition to these elements, when the circumstances of the case include the involvement of a foreign company, the need arises to adapt the manner of analyzing the tort of passing off to a more complex reality. I will discuss three problems in this context: the territorial problem, the problem of parallel and/or prior goodwill, and the problem of the good faith of the plaintiff, all of which in reference to our case.

The territorial problem in the tort of passing off

10. The classic case of the tort of passing off occurs in an isolated village. There are dealers in the village and there are customers in the village. One dealer in the village acquires goodwill among the particular and defined population of the village. Subsequently, another dealer in the village begins to do business in it in a manner that gives rise to a fear of misleading the customers in the 'population,' which, as aforesaid, constitutes the customers of the plaintiff. A tort of passing off is committed. But life is more complex than this classic case. Dealers and customers are not contained within an isolated village. People buy products and hire services from dealers who are in other cities, countries and even continents; often there is even no direct contract between the dealer and the consumer, who buys the product or the service of the dealer from another party (such as a distributor, retailer, etc.). Moreover, in reality the market is not one single market; a certain dealer may acquire goodwill in a certain market (such as a town or country), and another may acquire goodwill in another market. But even in complex cases, the criterion for solving and deciding the problem is goodwill. Thus, already at the beginning of the twentieth century, the English court allowed a claim of passing off, when the plaintiff was located in France and did no business at all in England, but he had customers in England:

'This appears to me a plain case. The plaintiffs are a well-known firm of manufacturers of motor cars. Their reputation on the evidence has for some years been, I may say, European — including in that term England. Their reputation has certainly extended to England for several years. Although until last December they had no agency in England, and did not sell, so far as I see, directly to England, they sold indirectly in the sense that a Company bought their cars and imported them into England, and individuals went over to Paris and bought cars there and imported them into England, so that England was one of their markets' (*Panhard et Levassor v. Panhard Levassor Motor Co. Ltd* [28] at p. 405; Wadlow, *The Law of Passing-Off — Unfair Competition by Misrepresentation*, at para. 9-3).

11. Indeed, the main element of passing off is goodwill — the power to attract the consumer to the products or services of the plaintiff — irrespective of the whereabouts of the plaintiff and the identity of the party making the sale to the consumer. And what is the law with regard to a plaintiff whose products or services are recognized by the alleged public in accordance with the alleged trademark, but this public does not actually buy his products or hire his services? Should we say that goodwill — the power to attract customers — does not exist unless customers actually buy the products or services of the plaintiff? Or should we say that the power to attract customers exists even vis-à-vis a public that admittedly does not buy the products or services of the plaintiff, but recognizes them and is prepared to buy them if only it has a convenient possibility of doing so? The Court of Appeal in England held that goodwill does not exist without actual customers (*Anheuser-Busch Inc. v Budejovicky Budvar Norodni-Podnik* [29] F.S.R. 413). In that case, the court considered a claim of Anheuser-Busch, the manufacturer of the Budweiser beer which is world renowned, against a Czech manufacturer, which sole beer under the same name in England. Consumers in England did not buy Anheuser-Busch's Budweiser beer (except for a supply to American army bases and American diplomatic institutions in England), even if they identified the name Budweiser with the American beer. It was held that Anheuser-Busch, which argued that there had been passing off in England, had not acquired goodwill with the public under discussion in the action, and its action was dismissed. It was held that in order to have goodwill *in a specific place*, there needed to be actual customers in that place. See also *Pete Waterman Ltd v. CBS United Kingdom Ltd* [30]. An Australian case expresses this idea effectively:

‘A business has goodwill attached to it in a particular place if there is an attraction among people there to do business with it. Even if it has no place of business there people residing there may, nevertheless, be attracted to do business with it. For example, by buying goods which it produces and are sold there by importers, or by ordering goods from it by mail or by travelling from their residence to its place of business in an adjoining country... However, one thing, in my opinion is clear, namely knowledge by people in Sydney that a successful business is being conducted in the Unites States under a distinctive name does not give that business a reputation or goodwill here unless people in Sydney are attracted to do business with it despite the distance separating them. Only then could it be said that there

existed in Sydney “the attractive force which brings in custom.”...’ (per Elliott J. in *Taco Bell v Taco Co of Australia* [36] at p. 48; in Wadlow, *The Law of Passing-Off — Unfair Competition by Misrepresentation*, at para. 3-69).

12. Although the foregoing comes, as we have said, from an Australian judgment, it would appear that of all the common law countries, it is precisely Australia and South Africa that are satisfied today, for the purpose of proving goodwill, with a *recognition* of the products or services of the plaintiff among the public that is the subject of the claim (Wadlow, *The Law of Passing-Off — Unfair Competition by Misrepresentation*, at paras. 3-86 to 3-103). In Israel, in a matter similar to our case of passing off (an objection to the registration of a trademark under the Ordinance because of a similarity between trademarks) it is possible that, for the purpose of goodwill, it is sufficient to have ‘potential’ power to attract customers as a result of recognition of a trademark, even if there are no actual customers in the relevant population (see CA 6181/96 *Karadi v. Bacardi Company Ltd* [9] at p. 276). But in my opinion there is no clear determination on this point in the judgment: first, the court held that it was basing the judgment on the doctrine of ‘international goodwill’ (or on the doctrine of ‘dilution’), but it does not contain a clear definition of the elements required to establish ‘goodwill’ of this kind; that judgment speaks of the use of ‘goodwill’ of a foreign company and ‘goodwill’ by means of a recognized trademark that departed from the sphere of a certain type of product, but the judgment gives no answer to the question of what is ‘goodwill’ — are actual customers required or is recognition sufficient? Even in the judgments of the District Courts on which this court relied in CA 6181/96 [9] p. 276 in this regard, there is no answer to this question: in CC (TA) 490/90 *Morton v. Rimini Pizzerias in Israel Ltd*, Dinim District Court. [20]), Judge Winograd recognized the possibility that there may be goodwill when the dealer is not *located* in the area where the goodwill is alleged to exist, but as the following cite shows, there is no decision there as to whether the ‘goodwill’ discussed includes only recognition or also purchases:

‘We live in an age in which consumers *are exposed* more and more to what happens outside the boundaries of their city or their country, both because of *the relatively easy possibility of visiting other places and the fact that a large percentage of the population does indeed take advantage of this possibility*, and also because of the developed communications that allow the consumer public to be familiar also with what is happening abroad, even without actually traversing borders’ (emphases

supplied) (CC (TA) 490/90 *Morton v. Rimini Pizzerias in Israel Ltd*, [20] at para. 5).

In that case, it was held that goodwill was not proved. In the decision in CC (TA) 2070/90 *Chanel (French Société Anonyme) v. Silhouette*, [21], at p.297, which is mentioned in CA 6181/96 *Karadi v. Bacardi Company Ltd* [9] 276, which was also given by Judge Winograd, it was held (*prima facie* — the case was an application for a temporary injunction) that the foreign company there had a valid *registered* trademark in Israel and the argument that its products were not sold in Israel was rejected (even though the products concerned were not identical to the products that were the subject of the claim). It was held that the foreign company claimed that it had worldwide goodwill and that this argument was not denied at all. For our purposes, from an *obiter dictum* similar to what was cited above, there is support for both sides of the question of whether the international ‘goodwill’ under discussion means only recognition or perhaps actual purchases. In H CJ 476/82 *Orlogad Ltd v. Registrar of Patents, Designs and Trademarks* [10], 148, an appeal on a decision to strike out a trademark that was also cited in CA 6181/96 *Karadi v. Bacardi Company Ltd* [9] it was expressly held that the foreign company marketed its products in Israel, and details were given of the sales turnover (and a question was considered with regard to products that were not identical). There is no need to decide the question whether the existence of goodwill requires merely a recognition among the public that is the subject of the claim or whether it requires actual customers (see and cf. Calderon and Calderon, *Commercial Imitations in Israel*, at paras. 3.058 – 3.068): in our case, not only is there no dispute that the foreign company (or its representative) did not have any actual customers in Israel at the relevant time, but it is not even argued that its products were recognized in Israel (in addition it should be mentioned — and this will be discussed below — that it is not the foreign company that is a party to the proceeding, but it is actually its representative, and this representative was the defendant and not the plaintiff). *The problem of parallel and/or prior goodwill*

13. As we have said, in order to prove his claim, the plaintiff must prove that he has goodwill and that the conduct of the defendant gives rise to a fear of misrepresentation. If the plaintiff proves the existence of goodwill and a fear of misrepresentation as aforesaid, his claim will be successful. It will be noticed that according to the structure of the tort we do not ask at all whether the *defendant* has goodwill. Goodwill is the very heart of the tort, but the tort focuses, with regard to goodwill, *prima facie* solely on the plaintiff, while absolutely ignoring the defendant. What is the law in a dispute between two

dealers, where each of them has acquired goodwill of his own in the same product? Is the first of them that runs to the court and registers himself as a ‘plaintiff’ the one who will win the action? In such a case, the first of the parties that runs to the court — whoever he is — will succeed in proving that he has goodwill and that there is a fear of misrepresentation, and *prima facie* the court will not clarify or ask at all about the goodwill of the other party. The question that we are now asking assumes, of course, that more than one dealer can have goodwill in the same product or service vis-à-vis the same ‘public.’ If the customers who buy from one dealer *are not the same customers* who buy from the other dealer, this is possible, and we may *ab initio* define the public where the plaintiff has goodwill so that it will include only his customers, and then, for the purpose of *this particular public*, there is no longer any problem of parallel goodwill.

I should point out that there is nothing unusual in the court defining the public where the plaintiff has goodwill: this is a finding of fact; the court usually determines the relevant public in other fields (for example, the ‘relevant market’ in various matters of restrictive trade practices); even in passing off, the court is accustomed to determine the relevant public when it considers misrepresentation (see CA 5689/94 *Vargos Ltd v. Noga Engineering Ltd* [3], at para. 10; CA 3559/02 *Gold Toto Members Club Ltd v. Council for Regulating Sports Gambling* [8], at para. 16, which relates to a judgment in a similar matter of the use of a company name under s. 36 of the Companies Ordinance [New Version], 5743-1983 (which has since been repealed: see today s. 30 of the Companies Law, 5759-1999); CA 2626/95 *Princess Hotel Netanya Ltd v. Lexan Israel Ltd* [11] at p. 802; see also Calderon and Calderon, *Commercial Limitations in Israel*, at paras. 4.030-4.035). I should also point out that in the Internet age, dealers and customers are continually being integrated into one market: a global village is continually developing, and this is like the isolated village in the classic example. It can be expected that parties to passing off actions in the future will focus more on the type of customers as the defining characteristic of the public where the goodwill exists, rather than the geographic characteristic; but it is clear that this does not rule out geographic distinctions that are based upon reality, which certainly still exist.

As we have said, a correct definition of the plaintiff’s consumer ‘public’ may make a discussion of parallel goodwill unnecessary; but if those customers buy from both dealers, or if it is not possible to distinguish between the customers of each of the dealers, then we are faced with a problem of ‘pure’ parallel goodwill. According to Dr Wadlow, parallel or prior goodwill

of the defendant is a defence to the tort of passing off in English law (see Wadlow, *The Law of Passing-Off— Unfair Competition by Misrepresentation*, at paras. 9-88 to 9-103). With regard to prior goodwill, Wadlow cites *Stacey v. 2020 Communications* [1991] F.S.R. 49 [31] : this concerned an application for a temporary injunction within the framework of a passing off action that was filed by the dealer who started his business first in the location under consideration, while the main goodwill accumulated by the later dealer was precisely in that location; the application was denied because of the balance of convenience, but it was held, in an *obiter dictum*, and notwithstanding the fact that the more substantial goodwill belonged to the later dealer, that the later dealer did not have the power to prevent the earlier dealer from doing business under the name that was the subject of the dispute. With regard to parallel (rather than prior) goodwill, Wadlow himself points out that in the cases on which he relies in this matter, the actions were denied because of *a failure to prove the parallel goodwill* (the absence of misrepresentation was the result, *inter alia*, of parallel dealing over a considerable period of time without any actual misrepresentation until then: *DaimlerChrysler AG v. Alavi* [32] at p. 46; *Arsenal Football Club PLC v. Reed*). These judgments dealt with situations where all the elements of the tort were not proved, and it is not possible, in my opinion, to deduce from them what the court in England would decide in a case of parallel goodwill where all the elements of the tort there *are satisfied*.

14. It would appear that the key to analyzing the tort of passing off in these complex situations is that an action of passing off examines goodwill with regard to a *specific and defined public*. If the correct definition of the customer public under discussion in the action is the public in a certain city, the goodwill in that city (rather than outside it) is what will be decisive (see, in English law, *Cavendish House (Cheltenham) Ltd. v. Cavendish-Woodhouse Ltd* [34] at p. 234); if the correct definition of the consumer public under discussion in the action is the public in a certain country, the goodwill in that country (rather than outside it) is what will be decisive (see, in English law, *Anheuser-Busch Inc. v Budejovicky Budvar Norodni-Podnik* [29] at p. 413); when both parties have goodwill in the *same public that cannot be divided*, the problem of parallel goodwill genuinely arises. In our case, as we will explain below, the problem of parallel goodwill does not arise.

Good faith of the plaintiff

15. We have already said that an intention to mislead on the part of the defendant is not an element that needs to be proved in an action for passing off; it follows that the good faith of the defendant does not improve his

position with regard to determining whether the tort has been proved (but see s. 1(b) of the Commercial Torts Law; see, in English law, Wadlow, *The Law of Passing-Off— Unfair Competition by Misrepresentation*, at paras. 9-81 to 9-85). In so far as the *plaintiff* is concerned, in South African law and apparently in English law, a plaintiff who himself deliberately makes false representations in the course of his business will not succeed in his action (Wadlow, *The Law of Passing-Off— Unfair Competition by Misrepresentation*, at paras. 9-41 to 9-62). It is possible that good faith is the basis for the remarks of Judge Goren, in dismissing an action for passing off that was filed by a local imitator against a foreign company:

‘It should also be pointed out that even if the applicant alone built up the local goodwill of the “Swiss formula,” and that this cost it a considerable amount of money, as it claims, this is not capable of giving it any cause of action. Any local manufacturer or distributor of any product, who decides to rely on a design and/or marketing concept that he copies from a foreign manufacturer, takes the risk that one day that foreign manufacturer will decide to market his product in Israel, and thus the products that have already been marketed will lose their uniqueness in the market. It is possible that the fact that the local manufacturer or the marketer was the first to use the aforesaid concept in Israel will prevent the foreign manufacturer from prohibiting him by means of legal proceedings from using it (a question that we were not required to consider in the present proceeding); but it is absolutely certain that it cannot prevent the foreign manufacturer from marketing his product in Israel’ (OM (TA) 227/91 *Nash Import and Marketing v. St. Ives* (1992) [[21] (unreported, decision of 10 February 1992), at para. 14).

The rules for deciding disputes between a small local dealer and a corporation that operates in many countries will be coloured by an assumption that is not always true: not every small local dealer who does business in competition with a corporation that operates in many countries is acting without good faith. The law requires us to take into account also a small local dealer operating in good faith who is confronted by a corporation that operates in many countries. The question of goodwill and the question of good faith are independent of one another.

From the problems that arise in a complex reality, let us turn to our case.

16. A preliminary question that arises in our case is the following: is the fact that the defendant is entitled to use in Israel, in accordance with a contract

that he made, a registered trademark of the foreign company capable of reducing the degree of protection that the tort of passing off gives the plaintiff? I will give my conclusion before the analysis and say that in my opinion the answer is no, mainly in view of the circumstances of the case before us. In brief, we are dealing with two circumstances: one is that the permission received by the defendant to use the registered trademark was not registered; the second is the existence of a separate and parallel proceeding in the application of the plaintiff to cancel the registered trademark of the foreign company in Israel.

It appears that the significance of the question of the permission to use the registered trademark of the foreign company is what lies at the heart of the dispute between me and Vice-President Rivlin, and the difference in the wording of the operative order that I propose also arises from our different conclusions. This is therefore the place to clarify my position and reasons with regard to the preliminary question.

An unregistered permission to use a registered trademark

17. The cause of action under consideration in this appeal is passing off. But the defendant in the passing off action before us entered into a contract with the owner of a trademark that is registered in the Register of Trademarks in Israel, and according to the contract it is entitled to use this trademark — which is the trademark under dispute — in Israel. How is this fact reflected in the legal position? The answer to this is that such a ‘licensee’ has no standing under the Trademarks Ordinance [New Version], 5732-1972. Section 50 of the Ordinance provides:

- ‘Permission to use a trademark
50. (a) The owner of a registered trademark may permit another person (in this Ordinance — a licensee) to use his trademark for all or some of the goods for which the trademark is registered.
- (b) The permission shall not be valid unless it is registered under the provisions of this section, and the registrar may register it subject to the conditions and restrictions as he sees fit.

- (c) As long as a licensee uses the trademark for the purpose of the goods in the course of his business in accordance with the permission and subject to the conditions and restrictions therein, the right of use of the trademark by the licensee shall be deemed unique use by the owner of the trademark.
- (d) The registrar may register a permission, if it is proved to his satisfaction that the use of the trademark with regard to the goods for which the registration is sought is not contrary to public policy and is not misleading.

The permission that the defendant received in our case to use the trademark that is registered in Israel was not registered, and it has no validity under the Ordinance.

In this regard, see also CA 364/74 *Davidovitz v. Meiromit Ashkelon Metal Enterprises Ltd* [12] at p. 703. That case, unlike our case, considered a dispute in the field of the internal relations between the party that gave the permission (the owner of the registered trademark) and the party that was given the permission, when the permission was not registered. The dispute concerned the validity of an agreement between the parties that granted permission to use the registered trademark. Notwithstanding, apart from the question of the validity of the agreement, there was no dispute that in the absence of registration of the permission, the permission had no validity under the Ordinance. Justice Berinson, in the majority opinion, held that 'a permission to use a trademark... only comes into effect when it is registered, if it is registered. If it is not registered... the permission has no effect and it has no legal force or significance' (*ibid.*, at p. 704; see also E.H. Seligson, *Law of Trademarks and Similar Laws* (1973), at p. 112). Justice H.H. Cohn, in a minority opinion, was also prepared to assume that permission that was granted in an agreement, but was not registered, had no validity under the Ordinance (*ibid.*, at pp. 708 and 711). Therefore there was no disagreement between the justices that permission to use a trademark, which is not registered in accordance with the Trademarks Ordinance, is of no validity under the Ordinance.

Law of trademarks and similar laws

18. One of the parties in the factual picture before us, which is not a party to the action, is a foreign company that operates in many countries under the name that is the subject of the dispute. This appeal revolves around the tort of passing off, and we will focus on this. We are not holding a general discussion on the question whether or how to protect the economic interest of a dealer who does business in different countries, whose name or trademark are recognized throughout the world but who has not yet begun to operate in other countries, to expand his business under that name and trademark. We have seen, and we have not made any determination in this regard, that in so far as the tort of passing off is concerned, there is an approach according to which recognition by the relevant public of the products or services of the plaintiff is sufficient to establish goodwill. But passing off is only one cause of action among many causes of action and laws. In the *law of trademarks*, the countries who have signed the Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement within the framework of the Uruguayan round of the GATT agreements, which include Israel, give protection to a trademark that is not registered in that country provided that it is 'well-known' in that country (the Intellectual Property Laws Amendment (Adjustment for the Provisions of the TRIPs Agreement) Law, 5760-1999; see also CA 9191/03 *V&S Vin & Sprit Aktiebolag v. Absolute Shoes Ltd* [2004] IsrSC 58(6) 869). According to the amendment, the Ordinance today protects not only a trademark that is registered under the Ordinance, but also a 'well-known trademark' even if it is not registered under the Ordinance, and it extends the protection given to a 'well-known trademark' that is registered under the Ordinance also to goods that are not of that type. It should be noted, incidentally, that although the amendment to the Trademarks Ordinance by virtue of the TRIPs agreement speaks of a property right in the trademark (since we are speaking of the law of trademarks — see CA 8483/02 *Aloneal Ltd v. MacDonald*, [13] at p. 314, at para. 20 of the opinion of Vice-President Rivlin) as distinct from a property right in goodwill (in passing off — see once again what we cited above from *A.G. Spalding & Bros. v. A.W. Gamage Ltd* [27] at p. 273), nonetheless it is possible to see here the same approach that we mentioned with regard to the law of passing off, according to which recognition is sufficient to establish goodwill. With regard to the far-reaching approach — on which I shall express no position — that there is a justification for replacing, in the law of trademarks, the 'well-known trademark' with the protection of every foreign trademark of which the local dealer was aware when he adopted it, even if it was not well-known in that place at that time, or for defining every foreign

trademark as a 'well-known' trademark even if it is not well-known in that place, as a matter of legal policy (the importance of preventing imitations overriding any injury to innocent local dealers), see A.H. Khoury, 'Well-Known and Famous Trademarks in Israel: TRIPS from Manhattan to the Dawn of a New Millennium!', 12 *Fordham Intell. Prop. Media & Ent. L.J.* 991 (2002), at pp. 1031-1033. This concerns the law of trademarks; as stated, we are concerned with passing off, a tort that protects the property right of goodwill in the relevant public.

From general principles to the specific case

19. The appellant, Ilan Carglass Ltd (hereafter: Ilan) has traded in Israel in the field of car glazing services under the name 'Carglass' since 1 October 2002, when it acquired from R.G. Car-Glass Glazing Services Ltd (hereafter: R.G.), a company that operated in the field since 1992, its business activity and the right to use the aforesaid name. During the years that it operated, R.G. provided car glazing services to hundreds of thousands of customers that were insured with insurance companies such as the 'Migdal' group, the 'Direct Personal' insurance company, Gesher Car Insurance Agency Ltd, the 'Ilit' insurance company, Sahar Zion Insurance Company Ltd and others. In total R.G. provided glazing services to more than a million cars, on a scale of approximately 150,000 cars a year. Ilan bought the business activity of R.G. and the right to use the name in return for five million sheqels.

Approximately one month after Ilan bought the business activity and the right to use the aforesaid name, the respondents, Baruch and Sons Car Glazing Ltd (hereafter: Baruch) and its director began to use the name 'Carglass' in Hebrew characters and Latin characters; the use of the two forms was done in ordinary printed characters; the use of the name in Latin characters was also done within the framework of a designed symbol. They also used the name orally. It should be noted that before Ilan bought the business activity and the right to use the name 'Carglass' from R.G., Baruch also held negotiations with R.G. in the same matter.

It is clear from the aforesaid — the scope of the sales of R.G., the purchase price for the business activity and the right to use the name by Ilan and the fact that Baruch also held negotiations in order to buy these rights — that R.G. had a well-established goodwill in the field of car glazing services in Israel. In other words, R.G. had significant power to attract customers among the Israeli public, and it made hundreds of thousands of actual transactions in Israel.

As we have said, R.G. sold its business activity and the right to use the name 'Carglass' to Ilan. Goodwill, as a property right, may be transferred

voluntarily (CA 280/73 *Palimport Ltd v. Leted* [14], at p. 597, at para. 7 of the opinion of Vice-President Sussman; LCA 371/89 *Leibovitz v. A. & Y. Eliyahu Ltd.* [15], p. 316). Even if it is possible, theoretically, to conceive of the goodwill of a business — the power to attract its customers — as not deriving from its business activity or from the name under which it operates, but from another source (such as an owner or director with considerable persuasive powers who will not continue to work in the business after the business activity is sold), it cannot be denied that in selling the business activity of providing service to 150,000 cars a year in Israel and the right to use the name the purchaser is likely to receive most of the elements that attract customers to the business. In our case, there is no reason to hold that the goodwill of R.G. did not pass to Ilan. Moreover, from the affidavits of the insurance agents that were filed in support of Ilan, and which were signed months after the transfer of rights, it is not noticeable at all that the insurance agents that were pleased with ‘Carglass’ knew that anything had changed with it.

According to Ilan, the use by Baruch and its director of the name ‘Carglass’ for car glazing services in Israel gives rise to a fear of misleading its customer public. I agree with my colleague Vice-President Rivlin that in view of the circumstances of the negotiations and the purchase with regard (*inter alia*) to the name ‘Carglass,’ there is a presumption that the name has value: it has value for attracting customers. I also agree that, in view of the structure of the particular market under consideration, the relevant consumer public in our case is the insurance companies, insurance agents and additional parties as set out in his opinion. I also agree that the name ‘Carglass’ ‘lies on the border between the descriptive category and the indicative category.’ I agree that the look and sound test concerning the fear of misrepresentation between Ilan’s ‘Carglass’ and Baruch’s and its director’s ‘Carglass’ is satisfied vis-à-vis the aforesaid relevant consumer public (to which I will return later).

20. We have therefore decided that Ilan has goodwill — the power to attract customers in the market of car glazing services in Israel — and that there is a fear of misrepresentation vis-à-vis these customers in view of the use of the name ‘Carglass’ in Hebrew and Latin characters by Baruch and its director. In my opinion, the elements of the tort of passing off exist.

The operative conclusion

21. The operative conclusion that is implied by this determination is that the appeal should be allowed and an order should be made in terms that give the appellant’s rights in the name of Carglass full protection. But the conclusion of my colleague Vice-President Rivlin is different; he proposes a path that will allow the respondents to make use of the word Carglass in Latin

characters together with an image of car glass. In his opinion, my colleague writes in paragraph 11:

‘However, all of the aforesaid does not, in the circumstances of the case, give the appellant a complete monopoly on the name Carglass, in every language and in every method of presenting it. What do I mean by this? The respondents argue that they acquired the right to make use of the trademark of the foreign company. This claim was not considered in the judgment of the trial court, and the parties also did not discuss it at length before us. But in view of the information in our possession, our conclusion is that this argument may affect the proper balance between the rights of the parties. From the affidavit of the representative of the foreign company, it appears that the respondents did indeed acquire from the foreign company the right to make use of the foreign company’s trademark, which includes the word ‘Carglass’ in Latin characters together with an image of car glass. In so far as the respondents restrict the use that they wish to make to this combination only, it would appear that there is no basis for allowing the appellant, which it will be recalled does not have a trademark for the name, to prevent them from doing so. It would appear that this result reflects the proper balance between the rights of the appellant, which succeeded in buying from Carglass Ltd the right to use the name and is now concerned that customers will be misled, and the rights of the respondents, which acquired from the owner of a registered trademark the right to make use of its trademark, which is also not identical in language and appearance to the name that the appellant wishes to protect.

The appeal is therefore allowed in the sense that the appellant is given an injunction that prohibits the respondents from making use of the name Carglass that departs from use that is limited to the trademark that was acquired by them from the foreign company.’

With all respect, I cannot agree with these remarks, for the following reasons.

Non-registration of the permission to use the registered trademark

22. The main reasoning of my colleague is that he takes into account the fact that Baruch, the defendant, entered into a contract with the company that registered the trademark ‘Carglass’ with the design described above at the

Registry of Trademarks in Israel, and according to the contract between these parties, Baruch is entitled to use the aforesaid registered trademark. But the problem is that this permission was not registered. In view of the lack of registration of the permission, as we said above, Baruch has no standing under the Trademarks Ordinance. We should mention that the owner of the trademark (Carglass Luxembourg S.A.R.L. — Zug Branch) is not one of the defendants in the case.

Notwithstanding, Carglass Luxembourg S.A.R.L. — Zug Branch did allow Baruch to use the name ‘Carglass.’ Carglass Luxembourg S.A.R.L. is a company that belongs to the Belron group of companies that does business under the name ‘Carglass’ in many countries around the world, in which it has goodwill, according to its claim in the affidavit that it filed on behalf of the defendants. Does all of this not have any weight in the law of passing off? We have seen above that the tort of passing off protects goodwill *with the consumer public that is relevant to the action* against a fear of misrepresentation. Ilan proved that it has goodwill with the relevant consumer public in Israel; and it was not even claimed that Carglass Luxembourg S.A.R.L. or Belron have any goodwill with this consumer public. It was not claimed that they have any actual customers in this public; it was not even claimed that their products or services are *well-known* in this public. In view of the absence of any claim with regard to customers of the products or services of Carglass Luxembourg S.A.R.L. or Belron among the Israeli public or even with regard to a recognition of those products or services among the Israeli public, there does not arise any question of parallel goodwill, whatever the answer is to the question whether goodwill requires actual customers or merely recognition among the relevant public. For the same reason — the lack of any claim with regard to actual customers in the public that is the subject of the claim or even any recognition of its products or services among that public — there also does not arise any question as to whether the company whose products or services are well-known around the world has any goodwill in the country that is the subject of the claim, even if it has no actual customers there (see above *Anheuser-Busch Inc. v Budejovicky Budvar* [] *Norodni-Podnik* [29] at p. 413; CA 6181/96 *Karadi v. Bacardi Company Ltd* [9] at p. 276). Thus, even if we assume that the goodwill of the party giving the permission devolves onto the party receiving the permission (and see, in this respect, LCA 371/89 *Leibovitz v. A. & Y. Eliyahu Ltd* [15] at p. 309 and the judgments that cite it; see also Wadlow, *The Law of Passing-Off — Unfair Competition by Misrepresentation*, at paras. 3-104 to 3.154, and Calderon and Calderon, *Commercial Imitations in Israel*, at paras. 3.069-3.085), the fact that

Carglass Luxembourg S.A.R.L or Belron is a foreign company that operates in many countries under the name 'Carglass' does not derogate, in the absence of a claim of parallel goodwill among the public that is the subject of the claim, from the fact that the elements of the tort of passing off exist with regard to Baruch and its director.

23. I should also point out that it was not claimed in this case that R.G. (which preceded Ilan) chose the name 'Carglass' in order to imitate the name used by Carglass Luxembourg S.A.R.L. and Belron. Thus, the question of the local plaintiff who is an imitator in bad faith in passing off does not arise. *Prima facie* — since a judge can only rely on what his eyes see — this case precisely reflects a position of a local trader, or to be more precise, two local traders in succession, who operated in good faith under a name which it transpires, after a decade, is similar to a name used by a foreign concern that operates in many countries. Beyond what is required I will point out that it is implied, *prima facie*, by the documents of Belron itself that were filed on behalf of Baruch and its director themselves, that it is possible that the local trader (originally R.G.) even preceded the international company in actually using the name.

24. To summarize so far, in view of all of the aforesaid, it is clear that the fact that Carglass Luxembourg S.A.R.L. or Belron is a company operating in many countries under the name 'Carglass' and that Carglass Luxembourg S.A.R.L has a registered trademark in Israel does not detract from the tort of passing off against Baruch and its director in this case.

The application to strike out the registered trademark of the foreign company

25. This is the place to say something on the relationship between the law of trademarks and the law of passing off. Ilan has property rights in *goodwill* in Israel, and *prima facie* Carglass Luxembourg S.A.R.L. has property rights in a registered trademark in Israel. How is it that the owner of the goodwill has the upper hand? We have already discussed how before us there is a dispute between the owner of goodwill and the owner of a permission, which was not registered, to use a registered trademark, where the owner of the trademark is not a party to the action. Therefore there is no direct conflict at all in this case between the property rights in goodwill and the property rights in a registered trademark. It may therefore be asked what would be the position, in so far as the conflict between goodwill and a registered trademark is concerned, if Carglass Luxembourg S.A.R.L. was a party to the action? The answer lies in the fact that the extent of the property rights in a registered trademark is *in any case limited* in the first few years after its registration. Why is this? A

trademark cannot be registered if it is a ‘trademark that may mislead the public, a trademark that contains a false indication of origin *and a trademark that encourages unfair competition in trade*’ (s. 11(6) of the Trademarks Ordinance) or a trademark that is ‘*identical or similar to the extent that it may be mistaken for a well-recognized trademark even if it is not a registered trademark*, with regard to goods for which the trademark is well-known or for goods of the same type’ (s. 11(13) of the Ordinance — emphases supplied). With regard to the registration in the Israeli Register of Trademarks of a trademark that is registered in a country that is member of the World Trade Organization, see s. 16 of the Ordinance, which departs from s. 11 but allows the registrar to refuse to register the trademark, *inter alia*, if the registration ‘*will harm rights that another person has acquired in Israel*’ (s. 16(1) of the Ordinance) or it is capable of ‘misleading the public’ (s. 16(6) of the Ordinance). After filing an application to register a trademark, the registrar publicizes the application (s. 23 of the Ordinance), and any person may file an objection to the registration within three months or another time that is stipulated, where the grounds for the objection are a lack of jurisdiction to register the trademark or a claim of ownership on the trademark (s. 24 of the Ordinance). The main point, for our case, is this: within *five years* from registration of the trademark (and if the application for registration is filed in bad faith — *at any time*) it is possible to apply to strike out the trademark from the register ‘because the trademark is not fit for registration under sections 7 to 11 of the Ordinance, or because registration of the trademark creates unfair competition with regard to the rights of the applicant in Israel,’ and with regard to a trademark that is registered in a country that is a member of the World Trade Organization as aforesaid, ‘if it satisfies a condition that disqualifies it from registration under the provisions of section 16’ (s. 39 of the Ordinance). *Thus, the Trademarks Ordinance — the ordinance that grants property rights in a trademark — in and of itself restricts the property rights in a trademark, inter alia in view of the property rights in goodwill.* This is true for at least five years after the registration. Incidentally, at the same time that it filed in the court the action which is the subject of this appeal, Ilan filed with the Registrar of Trademarks an application to strike out the registered trademark of Carglass Luxembourg S.A.R.L., which was registered on 2 January 2002. It need not be stated that none of the findings held in this case between Ilan on the one hand and Baruch and its director on the other bind Carglass Luxembourg S.A.R.L.. Thus, if Carglass Luxembourg S.A.R.L. has any claims that it has goodwill in Israel, or concerning an imitation, or any other matter, it may raise these before the Registrar of Trademarks, and the

Registrar of Trademarks will make his decision on the basis of the evidence *before him*. It need not be said that the registrar may reach similar conclusions or completely different conclusion with regard to the facts that were considered here — all of which in accordance with the facts before him. All that we have determined has been with regard to the tort of passing off which is directed against Baruch and its director, and this was done on the basis of the facts that the parties before us provided within the framework of the case.

26. So much for Carglass Luxembourg S.A.R.L.; let us return now to Baruch and its director. Let us recall, for the purpose of the issue of prior or parallel goodwill, that Ilan bought and acquired goodwill in the public under discussion before Baruch and its director began to operate in that public under the name that is the subject of the dispute — copies of advertisements on behalf of Baruch and its director expressly show that they relate to its entry into the market — and there is no claim before us that they accumulated parallel goodwill in this public before Ilan sought to enforce its rights. Thus, even when we examine the defendants (Baruch) in their own right, it does not affect the conclusion that there is a tort of passing off.

The formula proposed by my colleague does not avert the fear of oral misrepresentation

27. Even though my colleague determines in his judgment that the look and sound test is satisfied with regard to misrepresentation, he sees fit to qualify the injunction so that it prohibits the respondents from making use of the name Carglass ‘that departs from use that is limited to the trademark that was acquired by them from the foreign company,’ where this trademark is ‘not identical in language and appearance to the name that the appellant wishes to protect.’ I cannot agree with this. It is unnecessary to say that an injunction — every injunction — must coincide with the conduct that the court wishes to prevent, but no more. An injunction must be suited to its purpose, and not be too broad (or too narrow). The purpose of an injunction in a tort of passing off is to prevent the conduct that gives rise to a ‘fear of misrepresentation.’ In my opinion, limiting the injunction in our case so that it allows the defendants to use the trademark (which, as aforesaid, includes the word ‘Carglass’ with the design described above), will not avert the fear of misrepresentation. First we should note carefully that according to such an injunction, the defendants are permitted to present the trademark in writing, but they are prohibited from saying orally the name under dispute. Saying the Latin character version of ‘Carglass’ orally (in the absence of an ability to speak with a foreign accent) sounds identical to saying the Hebrew character version of ‘Carglass’ orally: the sound test is completely satisfied. If the intention of my colleague is not to

prevent oral use, then certainly the injunction will not avert a fear of misrepresentation in so far as oral communication is concerned. My colleague rightly mentioned a telephone call in which the defendants tried to attract a customer by identifying themselves orally as 'Carglass' (see, with regard to a misleading similarity in sound without a misleading similarity in look, LCA 5454/02 *Taam Teva* [16], at p. 438, at paras. 18 *et seq.*). Moreover, use of the Latin character trademark in writing only will continue to cause, in my opinion, a fear of misrepresentation. Someone who reads the 'Carglass' trademark (with the aforesaid design), who is familiar with the 'Carglass' service of Ilan and R.G. but who does not see or pay attention to the paperwork of this service is likely to think that it is the trademark of the 'Carglass' service. An established customer of 'Carglass' may assume that 'Carglass' adopted for itself a new trademark in Latin characters. For better or for worse, there are those in Israel who think that Latin characters add prestige to an Israeli business, so that this erroneous assumption can be anticipated. This is no less true of insurance agents and companies as it is of others. Thus, in so far as limiting the injunction as proposed by my colleague derives from a desire not to make too broad an injunction, it seems to me that there is no alternative to preventing also the use of the trademark. I considered proposing allowing the defendants to use the trademark with an express emphasis that it did not refer to 'Carglass' in Hebrew characters (see the injunction in *Reddaway v. Banham* [35] at p. 222), but I have not been persuaded that such an injunction will avert a fear of misrepresentation. It seems to me predictable that some of the customers will try in this situation to think whether the party whom they knew originally was 'Carglass' in Hebrew characters or 'Carglass' in Latin characters.

The justification for giving full protection to the name 'Carglass' in Israel

28. Finally, I would like to address my colleague's fear of giving a 'complete monopoly on the name Carglass' in the case before us. In CA 8483/02 *Aloneal Ltd v. MacDonald* [13] at p.314, my colleague wrote on the law of trademarks:

'... The law of intellectual property seeks to balance competing interests. Between the need to give an incentive to creativity and to prevent unfair competition on the one hand, and public interests concerning the need for free competition, freedom of expression and enriching the public domain on the other... This balance has led to the creation of arrangements that provide limited protection to the rights of the owner of an intellectual property asset. This is also the nature of the protection of the

trademark. Indeed, the protection of the trademark is not limited in time, unlike the protection given to a patent, copyright and design. This is because *the legislature thought that the monopoly given to the owner of the trademark does not, in general, harm any essential public interest. The premise is that the right of a person to protection for a trademark does not usually deprive the public of something essential that should be available to be used freely* (J. Weisman, *Law of Property: General Part* (1993), at pp. 355-356).

Notwithstanding, it is self-evident that the public may be harmed by giving too broad a monopoly to the owner of the trademark. Thus, for example, too broad a protection of a trademark may deprive the public of the possibility of making use of words and names of a general nature, and in this way impair a person's ability to express himself and to promote his business legitimately (see also CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — 'Family' newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — 'Good Family' newspaper* [2001] IsrSC 55(3) 933, at pp. 943-946)... (CA 8483/02 *Aloneal Ltd v. MacDonald* [2004] IsrSC 58(4) 314, at para. 14 of the opinion of my colleague; emphasis supplied).

In our case we are concerning with passing off and protection of goodwill rather than in giving a 'right' in a name, but it cannot be denied that the result of an injunction is to prevent the use of the name by another. The classification of the types of names in the law of passing off and the law of trademarks (which is merely an auxiliary tool) is indeed intended to deprive the public of the possibility of making use of words and names of a general nature, and in this way of impairing the ability of a person to express himself and to promote his business legitimately:

'... The common denominator in all of these [all four categories of names] is the desire to prevent a monopoly being given in the names of certain goods, where the monopoly is contrary to the public interest or public welfare...

A generic name is not entitled to the protection of the tort of passing off. The reason for this is that no person is entitled to seize control of a generic name, since *it is the right of all persons engaging in a profession to describe their products with their generic name...*

In trademark law, as in the law of passing off, a descriptive name will not merit registration nor will it be entitled to protection, since it is not proper that a business owner should be allowed to seize control of a common word in the language. *An exception to this rule will be in a case where the business owner acquired through his business a distinctive character for the name of the goods, a character that makes that name unique among the other goods of that type. In this case, the owner of the name may be entitled to protection, and use of that name by a competitor will constitute misrepresentation...*

Indicative names... are entitled to protection...

“Arbitrary” names or imaginary names... these names have the greatest strength...’ (*per* Justice M. Cheshin in CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — ‘Family’ newspaper v. S.B.C.[1]* at p. 933; emphases and square parentheses added).

29. In our case, when we focus on the purpose that underlies the classification, there is no reason not to give the name ‘Carglass,’ *in Israel*, full protection. Even if we prevent every person apart from Ilan from using the name ‘Carglass’ for car glazing services in Israel, this does not deprive the public of something that needs to be used freely. A trader who wishes to sell services and products in the field of car glass (or any other field) to the Israeli public, which is mainly Hebrew speaking and additional common languages are Arabic, Russian and Amharic, will have no difficulty at all in describing its products and services without using the *English* combination of words ‘Carglass.’ This combination is not needed for a ‘description’ or any other effective communication in the relevant market, at least vis-à-vis the market *in Israel*. It should be said that I have not been persuaded that ‘car glass’ is the common term used to describe the service under discussion even in English. There is no reason here to fear a ‘monopoly’ of this name, which does not deprive the public of anything that needs to be used freely. The remarks of McCarthy on trademarks, even though they were made with regard to an arbitrary name, are pertinent to our case:

‘In traditional... antitrust analysis, monopoly power is often measured by defendant’s percentage share of a relevant economic market. The vast majority of trademarked products are in competition in a relevant market with other trademarked products. Thus, it is quite incorrect to state something like, “Ford Motor Co. has a monopoly of FORD autos.” “FORD

automobiles” is not a relevant economic market for which no reasonable substitutes exist. The relevant product market is automobiles, not one firm’s brand of automobile...’ (J.T. McCarthy, *Trademarks and Unfair Competition* (second edition, 1984), para. 2:5, at p. 63).

After the author discusses the claim that in the economy trademarks constitute an obstacle to the entry of competitors into the relevant market, he says the following:

‘The contributions of trademarks to effective competition are much greater than any ‘monopolistic’ effects. Identification of product source and quality is the essence of competition. If there are competing sellers, there must be some system of symbols which allow the buying public to discriminate.

.....

In pointing out that there is no inconsistency between enforcement of free competition by the antitrust laws and enforcement of fair competition by trademark infringement laws, the Fifth Circuit stated:

“The antitrust laws require competition, not piracy. The essence of competition is the ability of competing products to obtain public recognition based on their own individual merit. A product has not won on its own merit if the real reason the public purchases it is that the public believes it is obtaining the product of another company. There is not now, nor has there ever been, a conflict between the antitrust laws and trademark laws or the law of unfair competition” (*Standard Oil Co. v. Humble Oil & Refining Co.*, [23] at p. 954, cert. denied, 385 US 1007).’

(McCarthy, *Trademarks and Unfair Competition*, at p. 65).

On the one hand, giving ‘exclusivity’ for the name ‘Carglass’ in Israel does not prevent competition; on the other, it does not place any constraints on other traders, except in that it excludes one name of many names that may be chosen. Giving exclusivity as aforesaid is not contrary to the public interest or public welfare, and there is no reason to hold back from giving an injunction that orders the defendants to refrain from using the name entirely.

Summary

30. In my opinion, there is no reason to refrain from giving full relief to the plaintiff because of ‘the proper balance between the parties.’ Admittedly, it may be possible to find another balancing formula (see, for example, CA 8981/04 *Malca Golden Geese Restaurant v. HaTikva Neighbourhood Geese (1997) Restaurant Management Ltd* (unreported judgment of 27 September 2006) [17], but not within the framework of this case, its circumstances and the arguments that were made in it. As I explained, the proper balance between the parties is made in our case by the law itself. This is the case with regard to the question of parallel goodwill; this is the case with regard to the territorial issue; this is the case with regard to status by virtue of the Trademarks Ordinance. In the appropriate circumstances, these issues or some of them will be capable of affecting the right of the plaintiff to receive relief in a passing off action. But the problem is that in the factual circumstances in our case, there are no facts that can prevent us reaching the conclusion that a tort of passing off exists. The law balanced the rights of the parties, and the result of the balance is that Ilan, the owner of the goodwill in Israel, has the right to prevent Baruch and its director, who have no goodwill in Israel, from giving rise to a fear of misleading the relevant consumer public in Israel by means of a name which is identical orally, identical in Hebrew characters and so similar in Latin characters that it is misleading, when no damage is anticipated to the public from giving Ilan exclusivity of this name in the field of car glazing in Israel.

Admittedly it would appear that Baruch paid Carglass Luxembourg S.A.R.L. for the right to use the name in Israel. As we have said, before it did so, it held negotiations with R.G. in order to buy a right to use the name ‘Carglass.’ Even if we ignore this fact utterly, and we assume that Baruch bought the aforesaid right from Carglass Luxembourg S.A.R.L. without any reason to expect legal problems with regard to use of its trademark, it is not Ilan that should pay for Baruch’s unworthwhile investment (whether in view of the failure to register the permission to use the trademark, or whether in addition it is ultimately determined that the trademark of Carglass Luxembourg S.A.R.L. should be struck off).

31. Once again I should emphasize that I am not adopting any position on the question of the validity of the registered trademark of Carglass Luxembourg S.A.R.L.. This question is not to be decided by us within the framework of the proceeding before us. The proceeding before us required a decision on the rights of the parties in accordance with the elements of the tort of passing off. My decision in this matter is in favour of the appellant. The question of the existence of another possible ‘balancing formula,’ in so far as

it relies on the importance of the respondents' *prima facie* right to make use of the trademark of the foreign company, will be more suitably examined within the framework of the proceeding concerning the application to strike out the trademark of the foreign company. My decision on the question of the tort of passing off does not adopt any position on the question of the validity of the registered trademark of the foreign company.

32. Were my opinion heard, we would allow the appeal and order Baruch and Sons Car Glazing Ltd and Yaakov Kapiloto, as well as everyone acting through them or on their behalf, to refrain from using the name Car Glass in Hebrew characters and/or Carglass in Latin characters in writing or orally, with regard to car glazing services and repairing car windows in Israel.

Justice S. Joubran

In the dispute between my colleagues, I agree with the opinion of my colleague Vice-President E. Rivlin, that the appeal should be allowed only in the sense that we should prohibit the respondents from making use of the name Carglass other than by way of using the rights which they acquired from the company Carglass Luxembourg S.A.R.L..

As my colleagues set out in their opinions, the main question before us is whether the facts of the case before us fall within the scope of the tort of passing off, which is provided in s. 1 of the Commercial Torts Law, 5759-1999 (hereafter: the Commercial Torts Law). As my colleague Justice M. Naor points out in her comprehensive opinion, proving the tort requires the proof of two cumulative elements — the existence of goodwill and the existence of a reasonable fear of misrepresentation. As I shall explain immediately, the fear of misrepresentation in the circumstances of the case before us is very limited, and therefore it justifies protection that is limited in scope.

As can be seen from the arguments of the parties, the vast majority of the appellant's 'end users' — approximately 90 per cent of them, in the estimation of the District Court — do not even face the question of whether to buy its services or to turn to another glazing company. As can be seen clearly even from the appellant's arguments (see para. 16 of its summations), these 90 per cent are customers who have comprehensive car insurance from an insurance company, which includes car window insurance, which is carried out by the appellant. In other words, when someone has the misfortune of having one of his car windows broken, he contacts the company where he insured his car or turns to the insurance policy itself, and these refer him to repair the window at the 'Carglass' company, which has now been replaced by the appellant. It is clear, therefore, that we are speaking of someone who should be regarded as a 'captive audience,' who never chose to enter into a business relationship with the appellant, and for whom it is all the same whether it is the appellant or the respondents, since the choice of with whom he has a business relationship is made for him by the insurance company (and see s. 7 of the appellant's summations in reply).

In view of this, the true target population of the appellant is in practice the insurance companies themselves, who choose for their insured customers the provider of glazing services, together with the other ten per cent of 'end users,' who are comprised mainly of car leasing and rental companies. It should be emphasized that only these large institutional bodies have indeed chosen to enter into a business relationship with the Carglass company, a choice that they made for their insurance and leasing customers.

Consequently, the former director of the company Carglass, Daniel Besserglik, in his affidavit for the appellant, says that 'Since it was founded, Car Glass approached insurance companies and insurance agencies as well as car leasing and car rental companies in order to supply its services to them.' From this we see that in the transaction between the appellant and the Carglass company (after an attempt to make a similar transaction between the respondents and the Carglass company failed), the appellant bought the business activity of the Carglass company in the form of hundreds of thousands of end users who made use of its services and the goodwill that it had accumulated *among insurance companies and among leasing and rental companies*.

It follows from the aforesaid that the question of the existence of a reasonable fear of misrepresentation should be restricted to the possibility of misleading the insurance companies and car leasing and rental companies by the use that the respondents make of the name Carglass and the trademark that they bought. In this regard, I accept the determination of the District Court, that the fear that these bodies will make a mistake is unfounded. These are bodies with the common denominator that they incorporate a large number of cars, so that their decision to enter into a contract with one or another glazing company is a decision of great significance. This choice can be presumed to be made after a careful and thorough examination of whether the transaction is worthwhile and what are its circumstances, and it is

not a decision that is made casually. In such circumstances, the fear that these bodies will err between the appellant and the respondents becomes, in practice, a theoretical fear only.

As the court said in CA 5792/99 *Family Jewish Religious Communications and Education (1997) Ltd — 'Family' newspaper v. S.B.C. Publishing, Marketing and Sales Promotion Ltd — 'Good Family' newspaper* [1] at p. 950, with regard to the fear of misrepresentation with regard to descriptive names:

'First, we should compare the names that compete with one another and ask ourselves "Is the general impression that is given from the viewpoint of sound and look by the manner in which the goods are presented to the target audience such that it is likely to cause a misrepresentation, mistake or confusion"... In our case, this comparison shows a similarity between the names. At the same time, when we consider that we are speaking of common words that are used in the language to describe the goods under discussion — i.e., descriptive names — the fear of misleading the public decreases. The public are not fools, and the readers of newspapers know that the same word may be used to describe different products in the same industry. And even if we said that there is a small fear of a mistake, taking this risk is proper, even if only in order to maintain free competition and the freedom of occupation of the public, so that the individual will not expropriate for himself a word or name from the public and from competitors merely because of that small fear of misrepresentation.'

If we say that the newspaper reading public are not fools, this is even more certain when we are speaking of institutional bodies where the transactions that they make have significant economic ramifications. Thus, the court similarly held with regard to the manner in which transactions are made between banking institutions and their customers, in CA 210/65 *Bank Iggud of Israel Ltd v. Bank 'Agudat Yisrael' Ltd* [18] at p. 676, that:

'Even if the two companies are involved in banking business, there is no reason to fear that the potential customer base will be misled. We are not dealing here with merchandise of the grocery products type, which a person is accustomed to buy on a regular basis, without investigating or asking whose product it is. A person who requires the services of a bank is presumed, because of the importance of the action, to ascertain and investigate whether he is actually dealing with the institution in which he has confidence. Naturally, the type of customers of a bank is *a priori* more limited and their power of discernment is more developed than the power of the general public that regularly buys products that it needs on a daily basis... the greater the power of discernment of the customers is, the smaller the danger of misrepresentation.'

These remarks are also appropriate in our case.

In order to emphasize the fear that its customers will be misled by the respondents, the appellant attaches to its appeal the affidavit of Yahav Barzilai, the general manager of a car rental and car leasing company, who declares that the representatives of the respondents contacted him and presented themselves as representing the Car Glass company. But even from this affidavit we can see no fear that Mr Barzilai, or the general manager of another car rental company in his position, would enter into a contract with the respondents, while thinking them in error to be the representatives of the appellant. As we said above, there is a presumption that such a contract would not be made in a casual telephone call, but after thorough consideration and examination, and therefore we are not dealing with a representation that gives rise to a 'reasonable fear of misrepresentation.'

Notwithstanding, despite what I regard as a small fear of actual misrepresentation between the respondents and the appellant among their customer base, I have nonetheless seen fit to accept those arguments that my colleague Vice-President E. Rivlin raises in para. 10 of his opinion. Admittedly, as I said above, in my opinion the negotiations that both the respondents and the appellant held with the Carglass company were directed towards the purchase not

only of the goodwill that it had acquired for itself among its institutional customers, but mainly towards buying the extensive business activity, and I also do not regard the fear of misleading these customers, which is reflected *inter alia* in the affidavit of Mr Barzilai, as a reasonable fear of misrepresentation, as required in order to establish the tort of passing off. But I accept the arguments that the circumstances of the case do not justify allowing the respondents the possibility of making use of the *name* Carglass, with its various derivatives, but only a possibility of making use of the *trademark* that is registered in the name of Carglass Luxembourg S.A.R.L. — a right of use that the respondents bought from the aforesaid company.

In the aforesaid transaction, the respondents bought for themselves the right to represent themselves as licensees of Carglass Luxembourg S.A.R.L. and to make use of the aforesaid trademark, which is composed of a graphic presentation of the word Carglass in Latin characters, and above this an image with two colours. Because of the great similarity between the name of the company Carglass Luxembourg S.A.R.L. and the Israeli Carglass company, any use by the respondents that departs from the specific rights that they bought from the foreign company, even if it does not amount as aforesaid to a reasonable fear of misrepresentation, is likely to amount to a false description on the part of the respondents, as this is defined in s. 2 of the Commercial Torts Law, and this should not be allowed.

In conclusion, as I have said, I agree with the opinion of my colleague Vice-President E. Rivlin, that the appeal should be allowed in part, in the sense that an injunction should be made in favour of the appellant, prohibiting the respondents from making use of any of the forms of the word Carglass, in Hebrew or Latin characters, beyond the use outlined above. I also agree with his determination concerning court costs.

Decided in accordance with the opinion of Vice-President E. Rivlin, Justice M. Naor dissenting.

Given today, 17 Av 5767

1 August 2007

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| (-) | (-) | (-) |
| Vice-President | Justice | Justice |