

Hospital Products Ltd v United States Surgical Corporation Ltd (1984) 156 CLR 42

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Facts

- United States Surgical Corporation Ltd (USSC) manufactured surgical stapling products and disposable loading units. In 1978, USSC engaged Alan Blackman to become its distributor.
- Blackman obtained exclusive distribution rights in Australia and then established a competing company, Hospital Products Ltd (**Hospital Products**).
- Hospital Products competed with USSC by repackaging USSC's products. Hospital Products would then sell these products as its own products.
- Hospital Products also reverse engineered USSC's products which allowed it to develop and produce further competing products.
- Hospital Products eventually began establishing itself in the USA as direct competitor to USSC in that market.
- USSC sued Blackman and Hospital products for a breach of contract and also a breach of fiduciary obligations – however, it was unclear whether a fiduciary relationship existed.

Issue

- Did a fiduciary duty exist between Blackman and USSC or was the relationship between the parties purely a contractual one?

Held

- In an unanimous judgment, the High Court of Australia held that Blackman had breached his contract. It was clear that Blackman and Hospital Products had violated the agreement with USSC.
- The High Court was divided on whether Blackman owed fiduciary obligations to USSC, however.
- The majority of the High Court held that Blackman did not owe fiduciary duties.
- Mason J dissented, arguing that Blackman and Hospital Products were under a limited fiduciary obligation to protect the “goodwill” of USSC's Australian products.
- However, all factors indicated that USSC's contract with Blackman and Hospital Products allowed them free to pursue their commercial interests and had not agreed to act exclusively in the interests of USSC, as otherwise required in a fiduciary relationship.

Quotes

“The authorities contain much guidance as to the duties of one who is in a fiduciary relationship with

another, but provide no comprehensive statement of the criteria by reference to which the existence of a fiduciary relationship may be established. The archetype of a fiduciary is of course the trustee, but **it is recognized by the decisions of the courts that there are other classes of persons who normally stand in a fiduciary relationship to one another - e.g., partners, principal and agent, director and company, master and servant, solicitor and client, tenant-for-life and remainderman. There is no reason to suppose that these categories are closed.** However, the difficulty is to suggest a test by which it may be determined whether a relationship, not within one of the accepted categories, is a fiduciary one.”

(Gibbs CJ, 68)

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