
The Protection of International Business Reputation in Australia Under the Registered Trademark System

How safe is the foreign trademark owner from those who seek either to speculate in foreign marks or to take advantage of the ability of the successful mark to create custom? Until recently, Australian courts adopted a narrow interpretation of prior use strictly delimited by territory which tended to facilitate the local adoption of foreign marks. This article examines a range of cases to show that the concept of trademark use within Australia, both for the purpose of determining proprietorship under s 40 of the Trade Marks Act 1955 (Cth), and for the purpose of assessing public awareness under s 28(a), now entails a broader consideration of reputation. In addition, the enactment of the Draft Trade Marks Bill 1994 will give statutory force to the protection of well-known marks in Australia. The author concludes that the recognition of international reputation is a timely response to the reality of global commerce, the modern function of the trademark and Australia's obligation to accord foreign marks national treatment.

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Introduction

Since the effects of trademark ownership are national or territorial in nature, the foreign trademark register is potentially open to the depredations of the local speculator intent on appropriating the reputation and goodwill in the mark. The territorial nature of trademarks and the current definition of proprietorship mean that the international trader intending to do business in Australia may find that a local trader has previously acquired proprietorship of the mark. Where, for instance, the foreign trademark owner has neither registered the mark nor commenced doing business in Australia, a narrow definition of proprietorship predicated upon use within the jurisdiction may permit the local trader to register the mark.¹ If the local trader succeeds in pre-empting the original owner's use of the mark in Australia, the result may not only be damage from diversion of custom but also injury in the less tangible form of lost licence fees, dilution of the mark and, as the counterfeit article is generally of inferior quality, not least, loss of reputation. Consequently, foreign trademark owners may find that they are prevented from entering the Australian market without first having to purchase the local rights or take legal action to redress the injury.² If local entrepreneurs are to be prevented from trading on the reputation of well-known overseas trademarks, trademark

¹ "[T]he user must be user in Australia; the most extensive user by another person in foreign countries will not avail by itself to defeat an applicant for registration in this country": *Aston v Harlee Manufacturing* (1960) 103 CLR 391 at 400 per Fullagar J.

² While an international trader may also have remedies against misappropriation of its trademark in an action for passing off, or under s 52 of the *Trade Practices Act* for misleading and deceptive conduct, this article focuses on those actions available under the registered trademark system.

law needs to keep pace with the commercial reality of an increasingly global marketplace. In a changed commercial environment where sophisticated print and electronic media herald the reputation of goods and services before they are actually advertised or sold in a particular country,³ a narrow, territorially based definition of use is no longer tenable.

Until recently, the Paris Convention for the Protection of Industrial Property was the principal international agreement regulating the rights and claims of foreign trademark owners.⁴ In the context of the local adoption of an established overseas trademark,⁵ Art 6 bis of the Paris Convention requires member countries to refuse or to cancel the registration, and to prohibit the use of a trademark which is liable to create confusion with another trademark already well known in that member country. Whether the trademark in question is in fact well known is a matter to be determined by the competent administrative or judicial authorities in that country. The terms of Art 6 bis do not require a trademark to have been used in the sense that goods bearing the mark have been sold in that country. A trademark may equally be well known there due to advertising either in that country or as a consequence of promotion overseas.⁶ Currently, under the Australian *Trade Marks Act* 1955, Pt D registration gives some degree of protection to well-known marks, but this is limited to a considerable extent by the requirements that the marks be registered in Pt A and acquire sufficient reputation in respect of the goods or services covered by the Pt A registration to show that use of the mark in respect of the other goods or services specified in the Pt D application would be taken to indicate a connection between themselves and those other goods or services.⁷ Part D registration is therefore limited to those marks which enjoy such a degree of fame for certain goods or services that their unauthorised use for quite different goods or services would be likely to mislead the public.⁸ Yet it is sufficient for the purposes of Art 6 bis that the mark in question is well known in commerce in Australia as a mark belonging to a particular trader.

Apart from Pt D registration, the *Trade Marks Act* contains no express protection for marks well known in commerce in Australia. Although Australia has been an independent contracting country to the Paris Convention since 1925,⁹ the federal government has been under no compulsion to comply with the undertaking in Art 6 bis since reciprocity under the Convention is formal and the mechanisms for enforcement of its provisions are clearly inadequate.¹⁰ With respect to the extent of reciprocity, as national treatment is expressed in Art 2(1) of the Paris Convention, members of the Union "shall have the same protection as [nationals] and the same legal remedy against any infringement of their rights." However, if the level of protection is low or non-existent, the foreign trademark owner will derive little or no benefit from national treatment under the Convention. Moreover, reciprocity is formal in nature not only with respect to the codified law, but also with respect to the practice of the courts and the Trade Marks Office, since Art 10 ter (2) permits member countries to provide access to the courts or administrative authorities only "in so far as the law of the country in which protection is claimed allows". Furthermore, national laws relating to judicial and administrative procedure, jurisdiction and requirements of representation are expressly reserved in Art 2(3). Consequently, certain requirements of a procedural nature

³ M Mostert, "Is Goodwill Territorial or International?" [1989] 12 EIPR 440.

⁴ The Paris Convention for the Protection of Industrial Property as revised at Stockholm in 1967. Australia became an independent contracting country from 10 October 1925.

⁵ In the broader context of commercial counterfeiting two further articles of the Paris Convention are applicable: Art 9 prohibits the importation of goods bearing unlawful trademarks and authorises their seizure; and Art 10 bis provides protection against unfair competition.

⁶ World Intellectual Property Organisation, *Background Reading Material on Intellectual Property* (WIPO, Geneva, 1988), p 181.

⁷ *Trade Marks Act* (Cth) 1955, s 93(1).

⁸ Examples of trademarks registered in Pt D are "Kleenex", "Levi's", "Coke" and "Gillette".

⁹ Previously, the UK had acceded to the Convention on behalf of Australia in 1907.

¹⁰ Nevertheless, Australia continues to be named in the US Administration's annual *National Trade Estimate Report on Foreign Trade Barriers* insofar as aspects of its intellectual property protection are considered to be inadequate: United States Trade Representative, 1994, pp 15-16.

which impose special conditions on foreigners for purposes of judicial and administrative procedure, may also be invoked validly against foreigners who are nationals of member countries.¹¹ With respect to the question of enforcement, Art 28(1) of the Paris Convention provides that any dispute between member countries concerning the application of the Paris Convention, not settled by negotiation, may be brought before the International Court of Justice. However, Art 28(2) subsequently renders the provision ineffectual by allowing a member country to declare itself not bound by the provisions of par 1 in any dispute that may arise between it and another member of the Paris Union. Given the extent of trademark piracy, and the discriminatory operation of trademark laws which favour local applicants over foreigners,¹² the right to national treatment under the Paris Convention, based as it is upon a reciprocity which is only formal, has proven inadequate in protecting the reputation of the established mark.

As a result, during the Uruguay Round of Multilateral Trade Negotiations,¹³ the owners of valuable trademarks, together with holders of rights in patents and copyright, lobbied their respective governments for a renewed commitment to the protection of intellectual property rights. In recognition of the need to promote the effective and adequate protection of intellectual property rights the Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS)¹⁴ was drawn up with the expressed purpose of providing new rules and disciplines concerning the applicability of the basic principles of the GATT, and of relevant international intellectual property conventions.¹⁵ The inclusion in the Agreement of the basic GATT disciplines of most-favoured-nation (MFN) treatment, national treatment and transparency of trading rules, is seen as providing a means of protecting member countries against discriminatory practices that favour either one nation over another, or the local enterprise over the foreign, in respect of goods and services traded with an intellectual property component.¹⁶ Secondly, the Agreement on TRIPS reinforces the rights of trademark owners under the Paris Convention by stipulating in Art 2(1) that members are to comply with Arts 1-12 and 19 of the Convention. However, the Agreement on TRIPS enhances those rights by prescribing minimum standards of protection for intellectual property,¹⁷ procedures for the enforcement of rights,¹⁸ and border measures for the seizure of counterfeit trademark goods.¹⁹ In contrast to the Paris Convention, Art 1 of the Agreement on TRIPS imposes an obligation on members to give effect to the provisions of the Agreement in their domestic law. When Art 1 is read together with Arts 3 and 4, requiring members to accord national treatment and MFN treatment respectively, a material reciprocity comes into play which requires Australia to accord the nationals of member states the minimum standards of protection prescribed in the Agreement, if it in turn wishes to demand the same for its nationals in markets overseas. Further, Art 64 of the Agreement brings the mechanisms of GATT dispute resolution to the settlement of international disputes arising from a breach of the obligations undertaken by members of the Agreement.²⁰ Having signed the Agreement on TRIPS as part of the Uruguay Round Treaty on 15 April 1994, Australia is now bound internationally by its provisions.

Moreover, in the near future the provisions of the Agreement on TRIPS in respect of trademarks will be enacted within Australian legislation. Prior to the signing of the Agreement, the Working Party

¹¹ Eg. the requirement for foreigners to deposit a certain sum as security or bail for the costs of litigation: World Intellectual Property Organisation, op cit n 6, p 52.

¹² During the last 10 years the US in particular has continually voiced concern over the level of piracy and counterfeiting activities in overseas markets and the resulting barrier to legitimate trade arising from the lack of protection for its intellectual property rights. Eg. a study by the US International Trade Commission (ITC) estimated aggregate worldwide losses to US companies in 1986 at \$US23.8 bn (the ITC compiled its data from a questionnaire for the year 1986 which was answered by 431 US companies): USITC, *Foreign Protection of Intellectual Property Rights and the Effects on US Industry and Trade*, USITC Publication 2,065, February 1988. In their extensive study, Gadbow and Richards estimated that the level of pirate sales in 1986 for the countries and industries they studied (these included the pharmaceutical, computer and agricultural industries) was greatest in India followed by Brazil, Taiwan, South Korea, Argentina, Mexico and Singapore. With respect to trademark piracy in particular, the authors report that representatives from industries such as clothing, footwear and food processing emphasised that losses were difficult to quantify, chiefly because in low technology industries, goods were produced by cottage industries: *Intellectual Property Rights: Global Consensus, Global Conflict?* (Westview Press, Boulder, 1988), Chart 3.1, p 93. In 1993 the situation had changed little as the US Administration named India, Thailand, Brazil, Taiwan and South Korea as those countries where the most serious violations of US intellectual property rights occurred: *Far Eastern Economic Review*, 13 May 1993, p 74. The European Community, a major exporter of intellectual property, has also experienced considerable losses due to the thriving trade in counterfeit goods. The Business Software Alliance, composed of European and American software manufacturers estimated that in 1993 international piracy cost the EC's software industry up to \$US4.6 bn in lost revenues: *Far Eastern Economic Review*, 5 August 1993, p 63.

¹³ The Multilateral Trade Negotiations, known as the Uruguay Round, were launched in September 1986 with a meeting of Ministers representing the contracting parties to the General Agreement on Tariffs and Trade (GATT) in Punta del Este, Uruguay. The mandate embodied in the Ministerial Declaration of 20 September 1986 stated that in respect of the trade-related aspects of intellectual property rights, negotiations were to have two aims: first, to clarify GATT provisions and to elaborate appropriate new rules and disciplines; and secondly, to develop a multilateral framework of principles, rules and disciplines dealing with international trade in counterfeit goods: *Basic Instruments and Selected Documents (BISD)*, 33rd Supp. 1987, pp 25 and 26.

¹⁴ Bringing to a close seven years of negotiations, the Agreement on TRIPS was adopted by the contracting parties to the GATT on 15 December 1993 and signed on 15 April 1994.

¹⁵ Preamble to the Agreement on TRIPS, p 2.

¹⁶ The principal trade disciplines of the GATT are found in Arts 3, 4 and 63 of the Agreement on TRIPS which provide respectively for national treatment, MFN treatment and transparency of laws.

¹⁷ Standards in respect of trademarks are provided in Arts 15-21 of the Agreement on TRIPS.

appointed in 1989 to review the Australian trademarks legislation proceeded in the knowledge that, given Australia's membership of GATT and its commitment to the conclusion of the Agreement, changes might be required in order to bring national trademark laws into conformity with international standards as expressed in the Draft Agreement.²¹ Following the recommendations of the Working Party,²² the draft Trade Marks Bill 1994 implements the provisions of Arts 15-21 of the TRIPS Agreement in respect of trademarks. These Articles and their corresponding clauses within the Trade Marks Bill facilitate the trademark owner's ability to protect the reputation of the mark chiefly by broadening the test of infringement to include goods or services which are similar to those in respect of which the mark is registered, and by expressly providing against the infringement of well-known trademarks.

In particular, the provisions of Art 16 of the TRIPS Agreement are an acknowledgment that an established or well-known mark acquires a secondary function in as much as it reflects the reputation, goodwill and selling power built up by its owner in respect of the goods or services for which it is used. Thus, Art 16(2) of the Agreement affirms and supplements Art 6 bis of the Paris Convention by requiring not only that members prohibit the use and registration of confusing marks, but that they extend its application *mutatis mutandis* to services. Moreover, Art 16(3) further extends the prohibition in Art 6 bis, *mutatis mutandis*,

“to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use”.

Finally, Art 16(2) expressly provides that in determining whether a trademark is well known, members are to take into account knowledge of the trademark in the relevant public sector, “including knowledge ... obtained as a result of the promotion of the trademark”.

However, in the absence of fresh provision for well-known marks, there are fundamental difficulties associated with the implementation of Art 16 within existing Australian trademark law, particularly with respect to the determination of proprietorship. According to the criterion in Art 16(2), the owner of a well-known mark may successfully oppose registration by a local trader by showing sufficient knowledge of the trademark among the relevant sector of the Australian public. By contrast, the *Trade Marks Act* 1955 offers well-known marks no equivalent protection. While the Act is silent as to the nature of proprietorship,²³ common law principle has long held that the first person to use the mark in Australia in relation to the relevant goods or services is entitled to exclusive use of the name.²⁴ Since proprietorship is not dependent on original authorship, and both foreign use and foreign registration are independent of any proprietary rights within Australia, it has meant that a local trader may deliberately adopt and successfully appropriate a foreign trademark. An application to register the foreign mark might confer ownership on the Australian applicant since, in principle, the only proviso against allowing the applicant to go to registration is that there must have been no prior use of the mark

¹⁸ Art 41 sets out the general obligations for the enforcement of intellectual property rights and Arts 42-49 provide particulars of fair and equitable civil and administrative procedures, which include the remedies of injunction and damages.

¹⁹ Art 51 provides for the suspension of counterfeit trademark goods, and Arts 52-60 provide details of appropriate procedures with respect to border measures.

²⁰ With respect to dispute prevention and settlement see Arts 63 and 64 of the Agreement on TRIPS.

²¹ The Draft Agreement of 22 November 1990 was followed by the Dunkel Draft of 20 December 1991. While the number of square brackets within the first draft indicated that various issues had yet to be resolved, the definitive text varies little from the Dunkel Draft Agreement.

²² The Report of the Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation*, AGPS, Canberra, July 1992.

²³ *The Trade Marks Act* (Cth) 1955, s 40, provides that “[a] person who claims to be the proprietor of a trade mark may make application to the Registrar for the registration of that trade mark in Part A or Part B of the Register”.

²⁴ In *Re Hick's Trade Mark; Ex parte Metters Bros* (1897) 22 VLR 636 at 640, Holroyd J said: “the word ‘Proprietor’ must be taken to mean the person entitled to the exclusive use of that name. If there is anyone else who would be interfered with by the registration of the word ‘Empress’ in the exercise of a right which such person has already acquired to use the same word in application to the same kind of thing, then Hicks ought not to have been put on the Register for that trade mark.” (Cited with approval by Fullagar J in the *Tastee Freez* case (1960) 103 CLR 391 at 399.) Despite the existence of a substantial body of case-law, the Law Council submitted to the Working Party to Review the Trade Marks Legislation that “some explicit provision dealing with [proprietorship] should be included in the legislation”: *Recommended Changes to the Australian Trade Marks Legislation*, July 1992, p 38.

by the foreign owner in Australia.²⁵ Similarly, if the mark is already registered, only a successful opposition on the ground of prior use in Australia will see the mark expunged from the register. Therefore, in any competing claim, the critical question is whether the mark has been used in Australia by either claimant by the date of the application for registration. According to the combined effect of ss 6 and 40, a successful opposition will be founded on establishing the authorship of the mark, an application for registration, and the intention to use the mark in connection with the goods or services.²⁶ Alternatively, it is open to the foreign opponent to submit, in accordance with s 28, that the applicant's mark is not distinctive of the goods with which it is connected, since the mark is likely to deceive the public or cause it confusion. These grounds will now be examined in turn.

Establishing Proprietorship Under Section 40

For the purpose of the *Trade Marks Act*, a narrow interpretation of prior use within Australia meant that the foreign owner of an adopted mark might well find that the law provided no remedy. In the classic case of *Seven Up Co v OT Ltd*²⁷ it was said that

"In the absence of fraud²⁸ it is not unlawful for a trader to become the registered proprietor under the *Trade Marks Act* of a mark which has been used, however extensively, by another trader as a mark for similar goods in a foreign country, provided the foreign mark has not been used at all in Australia at the date of the application for registration."²⁹

Nonetheless, in cases where the foreign mark has been adopted in bad faith, the High Court is prepared in principle to accept a small amount of use of the foreign mark in Australia to hold that it had become identified with, and distinctive of, the goods of the foreign trader. Given the speculative element generally involved in the adoption of a foreign mark, the court in *Seven Up* was said to frown "upon any attempt by one trader to appropriate the mark of another trader", and therefore to seize "upon a very small amount of use of the foreign mark in Australia" to find that the goods have become identified with the foreign mark in Australia.³⁰ The primary factors relevant in assessing a "very small amount of use" include the fact of importation, any business or other arrangements between the parties, or an association in the minds of the Australian public with the foreign goods, where the mark has been advertised in publications which have circulated extensively in Australia.³¹ Consequently, the requirement for use within Australia may be satisfied when the goods are offered for sale in Australia under the mark in question, whether the goods themselves are actually in Australia or not. Goods are said to be put upon the Australian market whether they are in Australia awaiting delivery upon sale, or whether they have to be imported for delivery after sale.³² Thus, provided an offer has been made to the public, the goods may still be in transit. Although the court is said to have no concern with the motive of the applicant, where there is clearly a speculative element present, its conscience will be exercised in favour of minimal prior use of the foreign mark in Australia.³³ The difficulty with this analysis is that, as a means of restraining misappropriation, the onus is squarely on the foreign applicant to bring itself within the bounds of a local commercial

²⁵ In *Re Registered Trade Mark "Yanx": Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199 at 203, Williams J said that a person can only become the proprietor of a trademark if there has been no use at all in the territorial area.

²⁶ Per Dixon J in *Shell Co of Australia Ltd v Rohm and Haas Co* (1949) 78 CLR 601 at 627. These requirements conform both with s 40 and with the definition of a trademark in s 6(1) of the *Trade Marks Act* 1955 as "a mark used or proposed to be used in relation to goods or services for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the goods or services and a person who has the right, either as proprietor or as registered user, to use the mark, whether with or without an indication of the identity of that person".

²⁷ (1947) 75 CLR 203.

²⁸ A claim to proprietorship of a trademark will be defeated if the application is based on fraud, in the form of a wilful misrepresentation, or a failure to disclose a material fact. This is so whether it is perpetrated on the Registrar, or on another trader, although in most cases a registration obtained in fraud of the rights of another trader would also involve a fraud on the Registrar: *Farley (Aust) Pty Ltd v J R Alexander & Sons Pty Ltd* (1946) 75 CLR 487 per Williams J. In that case the respondent had proceeded to apply for registration after promising the applicant for rectification that it was discontinuing use of the mark.

²⁹ (1947) 75 CLR 203 at 211 per Williams J.

³⁰ *Ibid.*

³¹ *Ibid.*

³² *Re Registered Trade Mark "Yanx": Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199 at 204 per Williams J.

³³ As D R Shanahan observes, in those cases where there has been present a purposeful appropriation of the foreign mark, the High Court has ordered rectification on the ground of prior use: *Australian Law of Trade Marks and Passing Off* (2nd ed. The Law Book Co Ltd, 1990), p 157. In such cases the parties have enjoyed a pre-existing commercial and/or legal relationship. Thus, in *Blackadder v Good Roads Machinery Co Ltd* (1926) 38 CLR 332, the respondent was a former employee of the importer of the foreign goods; in *Re Registered Trade Mark "Yanx": Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199 the parties were competitors and the registration was designed to prevent the foreign owner from entering the Australian market; and in *Re Registered Trade Mark "Thunderbird"* (1974) 48 ALJR 456 the respondent had been under licence to the foreign owner to manufacture the product.

dealing as circumscribed by the court. Thus, in the case of *Seven Up* the evidence tendered by the American Seven Up Co was insufficient to satisfy the criteria for use within Australia. The court rejected affidavit evidence tendered by the president of the company that it had started negotiating for entry into the Australian market in December 1939, given the respondent's earlier date of application. Similarly, in respect of an invitation to the public to treat, the applicant's reliance on advertisements in the three trade journals containing representations of bottles of beverages with "7UP" on them was unsuccessful since they were said not to be directly advertising the Seven Up product.

Forty years after *Seven Up* failed to convince the court of an appropriate offer or business arrangement the requirement was still good law when a British company, J Hepworth & Sons Plc, opposed registration of the mark "Next" in respect of women's clothing by Riviera Leisurewear Pty Ltd of Victoria.³⁴ Given the High Court's indorsement of the territorial principle in the *Seven Up* case, the Registrar gave no weight to the fact that the mark was used extensively overseas.³⁵ According to the minimum requirement for use set down by the court, that is, an offer for sale of the goods directed expressly to the Australian public, the Registrar found that Hepworth had no proprietorship in the mark in Australia at the date of Riviera's application. Although women's clothing bearing the company's trademark "Next" had been advertised in magazines circulating in Australia, the Registrar determined that J Hepworth had not offered the goods for sale in Australia. In contrast with the *Seven Up* case where the mark had appeared in a small number of trade magazines in advertisements not directed to the product in question, the advertisements were specifically for women's clothing and the mark "Next" had been the subject of extensive advertising in the United Kingdom press and in fashion magazines such as *Vogue*, *She* and *Cosmopolitan* which the tribunal heard, in the year prior to the application date, had a total circulation in Australia of well over 12,000 copies. The advertisements contained illustrations of the clothing available under the mark and informed the public as to its availability by listing the names and addresses of retail outlets in the United Kingdom. Nevertheless, Hepworth failed to establish prior use since the advertisements were said not to be directed to the Australian public but to potential customers in the United Kingdom.³⁶ In having the opposition dismissed, the local trader argued that the law had consistently rejected advertisements in foreign magazines as evidence of trademark use in Australia at least where the advertisements do not constitute an invitation to treat made to the Australian public.³⁷

The failure of Hepworth to restrain use of the mark "Next" in Australia serves to confirm the contention that an applicant will be regarded as the author of the mark in Australia, even if he or she has copied or selected it from a foreign mark which enjoys considerable reputation in respect of the same goods in the foreign country. In the absence of fraud,³⁸ the fact that Hepworth had used the mark extensively throughout the United Kingdom, having established 120 outlets dealing exclusively in "Next" clothing, carried no weight. Outside of fraud, a strictly territorial view of trademark ownership makes no allowance for the applicant who seeks to take advantage of the international reputation of another. In affirmation of the territorial

³⁴ *Riviera Leisurewear Pty Ltd v J Hepworth & Son Plc* (1987), 9 IPR 305; see also *Flagstaff Investment Pty Ltd v Guess? Inc* (1989) 16 IPR 311.

³⁵ See F K Beier, "Territoriality of Trade Mark Law and International Trade" (1970) 1 *International Review of Industrial Property and Copyright* 48.

³⁶ Similarly, in *ConAgra Inc v McCain Foods (Aust) Pty Ltd* [1991] ALPC 90-820, an action for passing off, Hill J found that "the advertising in question was not directed to a non-United States audience": at 37,794.

³⁷ Shanahan, *op cit* n 33, was cited concerning "the consistent rejection as trademark use, of advertisements in foreign publications circulating in this country": p 30.

³⁸ The concept of fraud within the statutory action is imported from the tort of passing off, so that it is significant in two respects: fraud, either in the sense of a deliberate intent to steal a plaintiff's business, goodwill or reputation; or fraud in the sense of "digging a commercial pit in advance of the plaintiff who is proposing to commence business in the jurisdiction": *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 at 351 per Lockhart J.

delimitation, the words of Fullagar J in *Aston v Harlee Manufacturing Co (Tastee Freez case)*³⁹ are unequivocal:

“When once it is conceded, as a matter of law, that a person may apply for and obtain in Australia a valid registration of a trade mark registered and used in a foreign country but not used in Australia, I do not think that exceptions and qualifications should be introduced which are based merely on conceptions of commercial ethics.”⁴⁰

Consequently, in *Riviera Leisurewear v J Hepworth & Son Plc* the Registrar was constrained to make no exception or qualification in respect of the territorial principle despite the opponent’s submission that the local trader’s conduct evinced a practice of taking over the marks and names of foreign companies.⁴¹

Intention to Use the Mark

Alternatively, if the international trader fails to demonstrate prior local use of the mark, it may be able to show that the applicant lacks the required intention to use the mark in conformity with the definition of a trademark in s 6(1). In *Shell Co of Australia Ltd v Rohm and Haas Co*,⁴² Dixon J identified an intention to use the mark upon or in connection with the goods, as one of the bases of a claim to proprietorship.⁴³ This requirement was described by Fullagar J in the *Tastee Freez case*⁴⁴ as a real intention, but not of too limited a time frame. In *Michael Sharwood and Partners Pty Ltd v Fuddrucker Inc*,⁴⁵ the mark would have gone to registration had the opponent not established that a sufficient doubt existed as to the real intention of the applicants to use the mark in the course of trade. Evidence tendered in the form of records of the Corporate Affairs Commission, showing that the principal business of the four applicants was as trustee and investment companies, was sufficient to impugn their bona fides in connection with the provision of restaurant services. Further, the directors of the applicant companies were shown to be without the means of providing fast-food services. Similarly, in *Daimaru Pty Ltd v Kabushiki Kaisha Daimaru*,⁴⁶ the opponent was successful in raising a significant doubt over the applicant’s intention to use the mark, relying on nil financial returns to the Corporate Affairs Commission and private reports to show that the company was inoperative.⁴⁷

However, failing the possibility of impugning the local trader’s intention to use the mark, the registration will be sustained. Such was the case in *R E Jamieson v American Dairy Queen Corporation*,⁴⁸ in which the narrow interpretation of prior use reached its nadir. In opposing registration, American Dairy Queen relied not only upon the existence of several franchisees in two Australian States, but also on four prior Australian trademark registrations. With respect to the franchise arrangements, the Registrar considered that it was not possible to attribute use of the mark by the franchisees to the opponent, since on the evidence provided it had failed to assert the required degree of control over the use of its marks. With respect to the previous registrations, the opponent’s Australian marks had indeed been registered prior to the applicant’s but were removed from the register in 1979 for non-payment of renewal fees. The Registrar determined that the existence of prior-registered Australian trademarks did not suffice to establish proprietorship when the critical question was

³⁹ (1960) 103 CLR 391.

⁴⁰ *Ibid* at 404.

⁴¹ (1987) 9 IPR 305 at 310 and 311. Riviera had not only adopted the mark but also its format and colours, as there was such a close similarity between the applicant’s choice of format of the mark in running the “x” and “t” together, and the maroon colour scheme with which the mark was habitually presented.

⁴² (1949) 78 CLR 601.

⁴³ “[I]t is clear enough from the course of legislation and of decision that an application to register a trade mark so far unused must, equally with a trade mark the title to which depends on prior user, be founded on proprietorship.”: *ibid* at 627.

⁴⁴ (1960) 103 CLR 391 at 401.

⁴⁵ (1989) 15 IPR 188 at 196.

⁴⁶ (1990) 19 IPR 129.

⁴⁷ *Ibid* at 132.

⁴⁸ (1989) 18 IPR 101.

whether the opponent had any proprietary rights in the marks at the date of the applicant's application for registration.

In *Sizzler Restaurants International Inc v Sabra International Pty Ltd*,⁴⁹ the Sizzler trademarks had also been removed from the register for non-payment of fees. However, signalling a change in approach to the local adoption of famous overseas marks, the Registrar ruled that there was no abandonment of the mark. In this case, the Registrar took the view that the opponent's failure to pay the required fee was not a relevant factor in considering the question of prior use. As a foreign company, it gave Sizzler the benefit of the doubt in considering whether its failure to renew the trademark constituted evidence that it had lost interest in developing its restaurants in Australia. Although American Dairy Queen's abandonment of its marks turned on the fact that it had allowed 10 years to elapse without renewal, in *Sizzler* the time differential was not significantly less.⁵⁰ Moreover, both American Dairy Queen and Sizzler were in the business of providing restaurant services, yet in *Sizzler's* case the Registrar was prepared to allow that not all foreign companies were immediately aware of the fact that in 1978 it was possible to register a service trademark; and this was despite the fact that when service marks became available the opponent had made no move to protect the mark in respect of its restaurant services.

The decision of the Registrar in *Sizzler* provides the strongest indication of the increasing role reputation is to play over that of business activity within the jurisdiction in claiming prior use. In *Jamieson v American Dairy Queen*, overseas use of the mark was considered small, and in any case dismissed as immaterial, whereas in *Sizzler* the sheer extent of its overseas use clearly influenced the decision to refuse the local applicant registration. Furthermore, local reputation in *Jamieson v American Dairy Queen* was interpreted literally, and evidence of local use in the form of four prior Australian trademark registrations and franchisee arrangements⁵¹ was discounted as hearsay.⁵² On the other hand, in *Sizzler* the Registrar accepted the opponent's evidence that in the 15 years prior to the applicant's registration of the mark, public awareness of the mark in Australia had been gained by the company's market research, by Australians travelling to the United States, by high Australian turnover figures, by a substantial outlay in advertising and by newspaper articles.⁵³ Although, on the count of hearsay, the Registrar conceded that the declarations of the opponent suffered serious shortcomings,⁵⁴ it nevertheless considered that this did not render the evidence altogether worthless.⁵⁵ The different outcomes in *Jamieson v American Dairy Queen* and *Sizzler* show how little weight marketing strategies in the form of either advertising or newspaper articles may carry in the absence of a substantial international reputation and evidence of local business activity indicative of a real intention to trade within the jurisdiction.

While recent decisions of the Registrar reveal the need for a judicial reformulation of the concept of proprietorship in the light of the international basis of modern business, that need had yet to be met when Michael Sharwood Pty Ltd and three other trustee companies applied to register the word "Fudrukks" in respect of restaurant services, adapting it from the opponent's American mark.⁵⁶ When Fudrukks Inc of Texas opposed the application on the ground of their proprietorship of the mark, they were unable to establish prior

⁴⁹ (1990) 20 IPR 331.

⁵⁰ Sizzler had allowed its mark to lapse seven years before the opposition was heard in 1990: *Ibid* at 339.

⁵¹ In opposition there was also submitted evidence, albeit slight, of public awareness through an article in an American newspaper, the *St Louis Times* of June 1961, and an unidentified article entitled "The Dairy Queen Story": *Jamieson v American Dairy Queen* (1989) 18 IPR 101 at 103.

⁵² There were several outlets, three in NSW, but only Parramatta came into being before the applicant's application (the outlet at Bondi, also opened prior to application, had closed after 12 months). Even if the words "with the curl on top" had been in use in Dairy Queen restaurants in Queensland or at Bondi, it would still, said the Tribunal, in total have amounted to insufficient evidence to find that this was use: *ibid* at 108.

⁵³ Although the evidence was subsequent to the Sabra's application date of 14 February 1984, in giving weight to its evidence of use, Sizzler was able to show high Australian turnover figures for the years 1986-1988, a substantial outlay in advertising and copies of newspaper articles: *Sizzler* (1990) 20 IPR 331 at 336.

⁵⁴ *Ibid* at 337.

⁵⁵ Although both opponents were able to indicate use of their marks in the years preceding the application, Sizzler's evidence had the advantage of being sourced by company records: *ibid* at 335.

⁵⁶ Only the omission of the double "d" and the "ck" distinguished the contesting marks.

local use to the satisfaction of the Registrar. The opponents conceded that there had been no use in Australia in terms of trade or business, but sought to rely instead on public awareness of their reputation in the United States. It was therefore submitted that, prior to the date of application, there had not only been exposure of the mark to the financial and business sector via three articles in the *Wall Street Journal*, but also in terms of the significant number of Australians travelling to the United States. In rejecting the contention that awareness of the opponent's international reputation among the Australian public was sufficient to displace the applicant's claim to proprietorship, the Registrar had no choice but to adhere to the minimum requirement of prior use as determined by the High Court in the case of the "Yanx" trademark: that is, an offer to sell to the Australian public.⁵⁷ Consequently, in the absence of the articles in the *Wall Street Journal* containing an offer to provide Fuddrucker's restaurant services in Australia, there was insufficient local use of the mark.

Fuddrucker's Inc submitted that the definition of use is too narrow when the same assessment is made in respect of the export of services. It asked the Registrar to take into account factors involved in setting up a restaurant chain in Australia, such as the considerable financial outlay, the market research and the selection of appropriate franchisees.⁵⁸ While the submission was rejected in this instance, in *Sizzler* the Registrar was prepared to acknowledge it as a factor in the decision-making process. The difficulty in broadening the definition of use centred on the High Court's interpretation of prior use. In *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)*⁵⁹ the court affirmed the need for a public use of the mark in Australia, in the form of actual trade or an offer to trade in the goods bearing the mark.⁶⁰ Nevertheless, with respect to Sizzler's claim to proprietorship, the Registrar contrasted the differing requirements in the export of a service industry:

"The establishment of a service industry in Australia, is clearly a different matter to the development of a trade in goods. A foreign manufacturer can achieve sales by the relatively simple procedure of local advertisement and direct dispatch to customers, or by the appointment of a local distributor. The transportation of a foreign service industry to a local site, however, will in many cases call for sophisticated infrastructures to be in place before any facet of that service can be put on the market."⁶¹

Although the Registrar did not find that services had been offered under the mark, it nevertheless accepted a public use of the mark in Australia in terms of a fixed and existing intention to use the mark, a continuing programme of market research and negotiations in preparation for the setting up of the restaurants and the associated franchise network⁶². The added weight given by the Registrar to the existence of an international reputation further reveals the artificiality of having to require business activity within the jurisdiction as the modern basis of proprietorship. In *Daimaru Pty Ltd v Kabushiki Kaisha Daimaru*⁶³ for example, a purchase of Daimaru product by the Australian retailer Myer, transacted 26 years before the critical date of application, was accepted as satisfying the "very small amount of use" applicable to cases of foreign borrowings.⁶⁴ Nonetheless, in accepting the opponent's contention that a significant number of the Australian public, through

⁵⁷ The minimal requirement for use has been said to be where the "goods [are] put upon the Australian market whether they are in Australia awaiting delivery upon sale or ... have to be imported for delivery after sale": *Re Registered Trade Mark "Yanx"*; *Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199 at 204-205 per Williams J.

⁵⁸ *Michael Sharwood v Fuddrucker's Inc* (1989) 15 IPR 188 at 193.

⁵⁹ (1984) 156 CLR 414 at 432.

⁶⁰ *Ibid* at 432 et seq.

⁶¹ *Sizzler Restaurants International Inc v Sabra International Pty Ltd* (1990) 20 IPR 331 at 338.

⁶² *Ibid* at 339.

⁶³ (1990) 19 IPR 129.

⁶⁴ *Ibid* at 133, following *Seven Up Co v OT Ltd* (1947) 75 CLR 203 at 211; *Aston v Harlee Manufacturing Co* (1960) 103 CLR 391 at 400.

overseas travel, would have become aware of the mark,⁶⁵ the Registrar also took into account factors attributable to reputation such as the fact that Daimaru had been trading since 1717 in Japan, possessed retail outlets in nine other countries, including a store which was shortly to open in Melbourne, and enjoyed a substantial annual turnover.

The tensions which have been evident in decisions of the Registrar between the requirement for business activity within the jurisdiction and the increasing significance of international reputation were resolved by the Federal Court in *Anheuser-Busch Inc.*⁶⁶ The applicant was the registered proprietor in the United States of the character and the name "Spuds MacKenzie, the Original Party Animal", and had lodged an application to register the mark in Australia. The respondent had become the registered proprietor in Australia of two very similar marks three years before the case was heard in 1987. "Spuds MacKenzie" was primarily adopted by the applicant in order to market Bud Light beer, but the character was also used in the merchandising of clothing and luggage. Although the applicant's Budweiser brand beer was sold extensively both in Australia and internationally, there was no express evidence that Bud Light beer was sold in Australia. Nevertheless the Federal Court ordered the respondent's marks to be expunged from the register since they were held to be incapable of distinguishing the goods in Australia as those with which Castlebrae was connected.

In *Anheuser-Busch* the court formulated an enhanced test for proprietorship which allowed for prior use in terms of marketing activity within the jurisdiction by the foreign proprietor. Given the reality of modern commercial practice the court considered that the classic application of proprietorship strictly delimited by territory no longer served as a means of adjudicating competing claims to the mark. The narrow requirement of business activity as indicative of prior use, in the form of an offer made under the mark to the Australian public was rejected in favour of marketing activity within the jurisdiction. The increasing role to be given reputation was addressed by the Federal Court when it observed that

"factual circumstances do not stand still. Since those cases were determined, there have been some developments of fact which necessarily have influenced the knowledge and perception of the Australian public with respect to trademarks and, therefore, the effect which overseas marks may have in Australia."⁶⁷

Having distinguished former case-law on the facts, the court proceeded to identify those developments as first, a great increase in travel both to and from Australia, and secondly, the increasingly international role of the print and broadcast media, in particular within the United States, in disseminating commercial information worldwide. This worldwide dissemination of promotional material provides the means by which public awareness is increased to the extent that a trademark may be said to be in use when the evidence indicates that the product is being actively marketed in Australia. In keeping with the function of the mark as a badge of origin, active marketing requires that the public recognise the connection between the product and its manufacturer.⁶⁸ In *Anheuser-Busch* an extensive promotional campaign in the United States in newspapers and magazines and on television of the character "Spuds MacKenzie", combined with the high volume of sales worldwide, constituted sufficient local use to have the applicant's

⁶⁵ Daimaru argued on the authority of *Re Hick's Trade Mark* (1897) 22 VLR 636 that it had acquired the common law right to use the mark prior to the date of application. However, the common law principle of proprietorship is based on the notion of the first person to use the trademark locally: *Re Registered Trade Mark "Yanx"*; *Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199 at 203.

⁶⁶ (1991) 32 FCR 64.

⁶⁷ *Ibid* at 68.

⁶⁸ Similarly, in *Carnival Cruise Lines Inc v Simar Cruises Ltd* [1994] AIPC 91-049 at 38,111-38,112, for the purposes of establishing proprietorship under s 6(1) of the *Trade Marks Act*, the Federal Court adopted a broad interpretation of use, according to which it is not necessary for the whole of the course of trade, with which there is a connection in Australia between the goods or services and the proprietor, to be confined to Australia. Carnival Cruise Lines, a company incorporated in Panama, was successful in claiming proprietorship as first user of the mark "Funship" in Australia, despite the fact that, unlike Simar, a UK company, it did not operate cruise ships from Australian ports. Justice Gummow found that although the course of trade involved a service provided outside Australia, "crucial integers" in that course of trade, in particular the marketing activity and the acceptance of bookings, took place within Australia, sufficient to establish Carnival as proprietor.

registration expunged from the register. The proprietorship of Anheuser-Busch was upheld despite the fact that it did not use the "Spuds MacKenzie" mark in connection with the sale of Bud Light beer in Australia. Admittedly, the significance of the decision may be diminished in light of the fact that Anheuser-Busch was selling its Budweiser brand beer in Australia at the date of the respondent's application for registration, and that "Spuds MacKenzie" had also become a valuable character mark potentially exploitable on many items of clothing. However, to confine the decision by its particular facts or context is to ignore a parallel broadening of the role of reputation observable within the tort of passing off.⁶⁹

In *ConAgra Inc v McCain Foods (Aust) Pty Ltd*,⁷⁰ the applicant sued in passing off because the respondent, a manufacturer of frozen foods in Australia, had adopted the wording and packaging for a line of product called "Healthy Choice" which had been developed by the appellant in the United States. Since ConAgra did not carry on business in Australia, the essential question was whether ConAgra could satisfy the test of local connection. Although Lockhart J acknowledged that the preponderance of case-law requires the existence of business activity, however slight, within the jurisdiction, he preferred the "softer" line of cases which require only that the applicant should possess a reputation within the jurisdiction in respect of the business in question. The court's rationale for broadening the basis of the action in passing off was attributed to changes which had taken place with respect to the advent of mass communications, and the extent of international business and travel.⁷¹ Thus, given an intention to do business within the forum, it is now possible to establish local reputation by means of advertising sourced in another jurisdiction but extended internationally by means of modern communication or contact through travel. However, while the Federal Court was prepared to broaden the basis of protection in both the actions for passing off and under the registered trademark system, it did not go so far as to entertain the notion that an international trader may protect its reputation within the forum without an intention of doing business within Australia.

Establishing Public Deception and Confusion Under Section 28

As an alternative ground, an international trader may oppose registration on the basis of s 28(a) if its reputation in the local marketplace is such that use of the mark by the applicant would be likely to deceive or cause confusion.⁷² While it is not necessary for the opponent to prove an actual probability of deception leading to passing off, a mere possibility of confusion is not enough. According to the test formulated by the High Court in *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd*⁷³ and *Kendall Co v Mulsyn Paint and Chemicals*⁷⁴ it is sufficient if, at the date of registration, there is a real risk that the result of the use of the mark will be that a substantial number of prospective purchasers of the goods would infer, or at least would be caused to wonder whether it might not be the case, that the two products come from the same source.⁷⁵ The nature of the test, framed as it is in terms of public awareness and knowledge of the trademark, indicates that s 28(a) is primarily concerned with the

⁶⁹ F. Martin, "Protection of International Business Reputation in Australia" (1993) 21 ABLR 317.

⁷⁰ (1992) 33 FCR 302.

⁷¹ *Ibid* at 340.

⁷² The full text of s 28 of the *Trade Marks Act* provides as follows: "A mark: (a) the use of which would be likely to deceive or cause confusion; (b) the use of which would be contrary to law; (c) which comprises or contains scandalous matter; or (d) which would otherwise be not entitled to protection in a court of justice, shall not be registered as a trademark."

⁷³ (1954) 91 CLR 592 at 595 per Kitto J.

⁷⁴ (1963) 109 CLR 300 at 305 per Kitto J.

⁷⁵ The test formulated by the High Court follows that enunciated by Evershed J in *Smith Hayden's Application* (1946) 63 RPC 97 at 101.

protection of the public interest in avoiding the use of deceptive or confusing marks.⁷⁶

Given the predominantly public purpose of s 28(a), in contrast with s 40, the provision is not concerned with the prior use of the earlier trademark in terms of actual business activity within Australia, but with its reputation in the marketplace to the extent of the public's knowledge or awareness of the mark. Thus the High Court stated in *Seven Up* that evidence of an association in the minds of the Australian public with the goods in question through extensive advertising in Australia, is sufficient to prevent the local trader's registration of the mark, even though the foreign mark has not been used in Australia at the date of registration.⁷⁷ Where the opponent shows that there is a case to answer, the burden of proof is on the applicant for registration to satisfy the Registrar (or the court) that there is no reasonable probability of confusion. Consequently, with respect to the necessary extent of advertising, the opponent bears an initial onus of proving reputation to the extent that, at the date of the application, its advertising has been sufficient to indicate that concurrent use of the mark might cause a substantial number of the prospective purchasers to infer that the goods or services came from the same source.⁷⁸ Thus, in *Re Remfry's Trade Mark*,⁷⁹ the Supreme Court of Victoria denied the local trader, a Melbourne baker, registration of the mark "Hovis" in respect of bread and flour, on the basis that the English company had established a prior reputation of the mark through extensive advertising in publications, periodicals and public prints circulating in Victoria. Obviously, advertisements alone will be insufficient to establish reputation where the evidence shows circulation to be limited. In *Kendall v Muslyn Paint*,⁸⁰ five copies of magazines published in the United States, each containing an advertisement for the opponent's product, available for public inspection only in the Public Library of Sydney, was properly considered by the High Court to be of too limited distribution to have become associated in the minds of the Australian public with the product. More equivocal was the decision of the Registrar in *Riviera Leisurewear v J Hepworth*⁸¹ that circulation of several well-known fashion magazines within a six-month period prior to the date of application was not sufficiently extensive to be convincing of an awareness of the mark among the broad sector of Australian clothes-buying women.⁸²

Reputation and Market Definition

In some cases, despite relatively limited advertising, the opponent may nevertheless succeed in establishing a reputation if the industry is defined as international in character, or the market for the product is defined as a specialised one. In *Vitamins Ltd's Application*⁸³ the Assistant-Comptroller found the American opponent's contention of reputation based on extensive advertising in medical journals in the United Kingdom to be entirely conjectural and unsupported. Nonetheless, on appeal Lloyd-Jacob J considered that having regard to the international character which medicine and the allied sciences had assumed, it was not in the public interest to allow competing pharmaceutical substances of different origin to be advertised and sold locally and abroad under the same trademark. If the medical profession can be considered as an internationally close-knit community, it may

⁷⁶ *Re Dunn's Trade Mark* (1890) 7 RPC 311 at 318 per Lord Macnaghten; followed in *Radio Corporation Pty Ltd v Disney* (1937) 57 CLR 448 at 453 and 458.

⁷⁷ *Seven Up Co v OT Ltd* (1947) 75 CLR 203 at 211 per Williams J.

⁷⁸ *Pioneer Hi-Bred Corn Co v Hy-Line Chicks Pty Ltd* [1978] 2 NZLR 50 at 56; *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 594.

⁷⁹ (1897) 23 VLR 44.

⁸⁰ (1963) 109 CLR 300.

⁸¹ (1987) 9 IPR 305.

⁸² Concerning the extent of advertising sufficient to establish reputation, see also *Notox Ltd's Application* (1930) 48 RPC 168; *Gaines Animal Foods Ltd's Application* (1951) 68 RPC 178; *Vitamins Ltd's Application* [1956] RPC 1.

⁸³ *Ibid.*

also be the case that where local traders form part of a specialised market, they may be considered to be aware of international developments in similarly specialised markets overseas. In *Pioneer Hi-Bred Corn*⁸⁴ the court took the view that the specialised market of New Zealand's larger poultry breeders might be expected to be concerned with overseas developments in breeding and the association of marks with particular breeds, and therefore may have gained an awareness of the American opponent's mark.⁸⁵

The court's definition of the market as general or specialised may be a crucial factor in the opponent successfully establishing a reputation in the local market. The test for s 28(a) stipulates that a substantial number of persons must be likely to be deceived or confused,⁸⁶ however what may be considered a substantial number or significant proportion must depend on the nature and size of the market, and be relative both to the number of persons involved and to their impact on the market.⁸⁷ The circumstances in which a market will be defined as specialised will depend on the evidence adduced by the competing parties. In *Pioneer Hi-Bred Corn*, the court considered the number of larger poultry farmers in New Zealand surveyed by the parties, 113 in all, and concluded that the industry could be described as a specialised market. Given the nature and size of this specialised market, the court accepted the specific evidence of nine poultry breeders that they, and by inference a significant number of other breeders, had become aware of the opponent's mark either through advertisements in overseas poultry periodicals circulating in New Zealand or exhibits at international conferences.⁸⁸ Clearly, the definition of the market will also depend on the nature of the goods or services concerned. In *Michael Sharwood v Fuddrucker's Inc*⁸⁹ the opponent failed to establish a reputation in respect of its restaurant services, based on a public offering of shares in the *Wall Street Journal*, within the Australian business and entrepreneurial community. The Principal Assistant Registrar determined that where fast food services are concerned, the relevant sector to be considered is the majority of the Australian public, including the business community.

International Communications and Travel

The contemporary ease and extent of foreign travel and the efficiency of communications are two factors which are increasingly serving to establish international business reputations. Before the advent of modern tourism, the opponent who offered proof of local reputation by adducing evidence of an interchange of travellers between the two countries in question, was likely to have such evidence rejected as pure speculation.⁹⁰ However, in *BM Auto Sales Pty Ltd v Budget Rent a Car System Pty Ltd*,⁹¹ a passing off action, the High Court held that the respondent established reputation by showing that a considerable number of prospective customers in Darwin were travellers from other parts of Australia where the respondent's business was established. In the cases of *Daimaru* and *Sizzler*, given that the opponents had established international reputation, and in the light of the rapid changes in communications acknowledged by the courts, the Registrar was able to take into account the modern phenomenon of large numbers of tourists crossing and recrossing national boundaries in concluding that

⁸⁴ [1978] 2 NZLR 50.

⁸⁵ In *Freighter (Australia) Pty Ltd v Freightliner Corporation* [1992] AIPC 90-862 at 38,223, the Registrar followed the reasoning of the New Zealand Court of Appeal in taking account of evidence that fleet operators in having control of the buying and selling of millions of dollars worth of semi-trailers must have been aware of the American opponent's mark.

⁸⁶ *Smith Hayden Ltd's Application* (1946) 63 RPC 97 at 101.

⁸⁷ In the case of the "*Bali*" Trade Mark [1969] RPC 472 at 496, Lord Upjohn cautioned that "substantial" should be "properly and sensibly applied", depending on the nature of the market in question. Similarly, in *Pioneer Hi Bred Corn* [1978] 2 NZLR 50 at 75, Richardson J reasoned that the term "substantial" depends on the nature and size of the market.

⁸⁸ *Pioneer Hi Bred Corn*, *ibid* per Richardson J.

⁸⁹ (1989) 15 IPR 188 at 194.

⁹⁰ *Brown Shoe Co Inc's Application* [1959] RPC 29 at 32.

⁹¹ (1976) 51 ALJR 254.

a substantial number of Australian tourists would have gained an awareness of the marks.⁹²

It is not only the mobility of the world's population, but also the speed with which images can be conveyed across national borders that makes it possible for the trademark owner in one country to establish an international reputation for goods and services. In 1937, in *Radio Corporation v Disney*,⁹³ the High Court recognised the capacity of audio-visual media to create a worldwide association of ideas in connection with a trademark in refusing the local applicant registration of the names "Mickey Mouse" and "Minnie Mouse" for use on radio sets. As cinema characters the names and distinctive figures enjoyed such universal familiarity that the use of either the names or the figures in connection with any goods suggested that the goods were in some way or other connected with Walt Disney, whatever the nature of the goods to which the names were attached.⁹⁴ Although the court in *Radio Corporation v Disney* noted that it was very rare for a mark to enjoy a universal familiarity, since that time the advent of mass international communications has greatly increased the likelihood of establishing reputation. In seeking to establish an awareness of the mark among the Australian public for the purposes of s 28(a), the Federal Court in *Anheuser-Busch*⁹⁵ took into account the fact that "Spuds MacKenzie" had been actively promoted in the United States in newspapers and magazines and on television, two years prior to the local trader's registration of the mark, to conclude in the light of evidence from several Australian residents that the mark would have been known worldwide. In the context of the action for passing off, the Federal Court in *ConAgra Inc v McCain Foods (Aust) Pty Ltd* recognised that the plaintiff may have a protectable reputation through advertisements within the forum on television, radio, and in newspapers and magazines. The court acknowledged that it is no longer valid to speak of a business having reputation only where the business is carried on, when international traders are able to utilise sophisticated electronic and print media in order to reach consumers within a single global marketplace.⁹⁶

Section 28 in an Application for Rectification of the Register

Alternatively, in the event an international trader has registered the mark in Australia but given the mark little use and/or delayed in asserting its rights against a local user, it may find itself having to defend its reputation from an attack by the local trader under s 28(a). Although the literal terms of s 28, in providing that "a mark ... the use of which would be likely to deceive or cause confusion ... shall not be registered as a trade mark", appear to be directed exclusively to the act of registration, the High Court has interpreted the section as having a secondary operation in relation to the continuance in the Register of a trademark after its initial registration.⁹⁷ Consequently, although registered as proprietor of the mark in Australia, the foreign trader who is not vigilant in asserting her or his rights under the Act may be placed in the position of having to rebut the claim by the local user of the mark that use of its mark in Australia would be likely to confuse the public. When Settef SpA brought an action for infringement of its trademark against Riv-Oland Marble Co of Victoria, the defendant argued that Settef's registration was invalid by the terms of

⁹² *Daimaru* (1990) 19 IPR 129 at 136; *Sizzler* (1990) 20 IPR 331 at 340. In coming to the decision in *Daimaru* the Assistant Registrar noted with approval a recent decision of the Supreme Court of Hong Kong in *Tan-ichi Co v Jancar* [1990] FSR 151 at 154, a passing off action against a Hong Kong company which had adopted the name of a successful Japanese restaurant chain. Granting the applicant interlocutory relief Sears J said that a court must respond to the changes which have occurred in international communications: the large number of tourists crossing and re-crossing national boundaries; the speed and efficiency of modern technology which cause business reputation to be more widely spread and recognised than in the past.

⁹³ (1937) 57 CLR 448.

⁹⁴ *Ibid* at 452 and 453.

⁹⁵ [1991] AIPC 90-840 at 37,961.

⁹⁶ (1992) 33 FCR 302 at 339-344.

⁹⁷ *Berlei Hestia Industries Ltd v Bali Co Inc* (1973) 129 CLR 353 at 360; *NSW Dairy Corporation v Murray Goulburn Co-operative Co Ltd* (1990) 171 CLR 363 at 371-372.

s 28(a) since use of the mark would be likely to deceive or cause confusion and should be expunged from the Register under s 22(1)(b).⁹⁸ In *Riv-Oland Marble Co (Vic) Pty Ltd v Settef SpA*⁹⁹ the plaintiff, an Italian manufacturer of a granular marble wall finish which was sold under the trademark "Riv-Oland", agreed to give the Riv-Oland Marble Co of Victoria (the Marble Co) sole agency in Australia and New Zealand. During the ensuing 10 years the Marble Co built a considerable reputation, based largely on its misappropriation of the mark for use in connection with its own product, since its sole agency had ceased after only two years. In contrast to the reputation established by the local trader, Settef's attempts to enter the Australian market had been unsuccessful, as instanced by several agreements with agents in New South Wales, the Australian Capital Territory and Victoria which, like that with the Marble Co, had ended in termination. In the circumstances, the court found that at the date of registration a substantial number of prospective purchasers of wall coverings in Australia would be likely to infer that the two products came from the same source. Prima facie the Marble Co had succeeded in establishing that the plaintiff's use of its mark on the Australian market at the time of registration and at all times to the commencement of proceedings would have been likely to cause confusion.

However, despite the likelihood of confusion, on appeal the registered proprietor prevailed since the Full Federal Court rejected the literal reading of the operation of s 28(a) in favour of the qualified interpretation as expounded by Lord Diplock in the case of the *GE Trade Mark*.¹⁰⁰ Thus, subsection (a) is to be read conjunctively with par (d), to the effect that: first, the mark should not be disentitled to the protection of the court; and secondly, that the likelihood of deception should not be brought about by some blameworthy act of the proprietor of the mark, the term blameworthy act or conduct being synonymous with all those circumstances which might disentitle an applicant to relief in a court of equity.¹⁰¹ In the circumstances to do otherwise than require blameworthy conduct on the part of the proprietor would have resulted in the invalidation of the original registration by condoning the defendant's misappropriation of the mark. However, on the qualified construction of s 28(a) the plaintiff did not lose its entitlement to an injunction and relief in respect of the infringement, since it was the first user of the mark and no blameworthy conduct by it had brought about the likelihood of confusion which was attributed to the defendant's later use of the identical trademark.

Since the decision of the Federal Court in *Settef*, the qualified view of the operation of s 28(a) has been approved by the High Court in *NSW Dairy Corporation v Murray Goulburn Co-operative Co Ltd*.¹⁰² In that case the plaintiff had registered the mark "Moove" in 1978 and had achieved in the ensuing 10 years a substantial reputation for flavoured milk. At this time the defendant decided to adopt the mark "Moo", which had been registered by its original proprietor in 1966 and acquired by the co-operative by assignment in 1988. That same year the co-operative began to sell flavoured milk under the "Moo" mark in New South Wales, in competition with the milk sold under the "Moove" mark, and the plaintiff commenced proceedings with an application under s 22 to have the co-operative's mark expunged from the Register. At first instance Gummow J found that the "Moo" mark should be expunged from the Register to the extent that it covered milk.

⁹⁸ S 22(1)(b) provides that "subject to this Act, a prescribed court may, on the application of a person aggrieved or of the Registrar, order the rectification of the Register—by the expunging or amendment of an entry wrongly made in or remaining in the Register".

⁹⁹ (1987) 10 IPR 402 (SC of Vic); (1988) 12 IPR 321 (Full FC).

¹⁰⁰ [1973] RPC 297 at 334 and 335. In that case Lord Diplock was speaking in respect of s 11 of the *Trade Marks Act 1938* (UK) which differs in construction from its Australian equivalent in providing as follows: "It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would, by reason of its being likely to deceive or cause confusion or otherwise, be disentitled to protection in a court of justice, or would be contrary to law or morality, or any scandalous design."

¹⁰¹ In Australia the view expressed by Lord Diplock in the *GE Trade Mark* case has been generally adopted by the High Court in *Murray Goulburn* (1990) 171 CLR 363 and by the Federal Court in *Riv-Oland Marble Co (Vic) Pty Ltd v Settef SpA* (1988) 12 IPR 321.

¹⁰² (1990) 171 CLR 363.

However the Full Federal Court allowed an appeal by the co-operative but limited the registration of the mark to cheese and flavoured milk. An appeal to the High Court by the New South Wales Dairy Corporation was dismissed by a spare majority of four. Apart from the actual decision in this particular case, with respect to the interpretation of s 28(a), five of the seven justices preferred the view that a trademark is only liable to be expunged from the Register if its use becomes likely to deceive or cause confusion and that likelihood is due to the fault or blameworthy conduct of the registered proprietor. The majority adopted the qualified interpretation of s 28 either as a result of reading par 28(a) conjunctively with par 28(d), or of construing 28(a) in the context of the Act as a whole together with general policy considerations.¹⁰³

As a matter of policy it was argued that although s 28(a) operates to protect the public as consumers prior to registration, once the mark has been registered the competing interest of the proprietor under the Act must also be taken into account.¹⁰⁴ Consequently, within the context of the Act the public interest is to be considered in the light of private rights such as the right of the registered proprietor to exclusive use of the trademark and to obtain relief in respect of its infringement, the right of the concurrent user to obtain registration of identical or similar marks, and not least the right of the trademark owner to assign marks without goodwill.¹⁰⁵ The presence of such provisions in the Act is seen as inconsistent with the existence of a statutory intention that likelihood of deception or confusion ipso facto leads to the mark's disentanglement to protection in a court of justice and to its expungement under s 22. As a result, a majority of the High Court in *Murray Goulburn* considered it "legitimate to lean against the literal construction of s 28(a) on the ground that it would not protect the registered proprietor from 'the assiduous efforts of a misappropriating user' ".¹⁰⁶

The Effect of Delay

Although the statutory rights of the proprietor were held to prevail in the absence of his or her blameworthy conduct, a substantial failure to prevent the use of a deceptive or confusing mark may possibly disentitle the mark to protection. After the termination of the Marble Co's sole agency in 1970, Settef took no steps until 1978 to seek registration of the mark in Australia nor had it engaged in any substantial use of the mark during that time. Northrop J, in his dissenting judgment, determined that since Settef had permitted the misappropriation by the defendant to continue for more than eight years, and to the extent that the defendant was able to establish a considerable local reputation in connection with its use of the mark, the circumstances were not sufficient to justify the court exercising its discretion to nullify the prohibition contained in s 28(a) of the Act. Taking into account Settef's delay and acquiescence in protecting its mark his Honour concluded that the entry should be expunged from the Register.¹⁰⁷ Similarly, in *Murray Goulburn* Gummow J at first instance took into account the fact that the registered proprietor of the trademark "Moo" had permitted the New South Wales Dairy Corporation to establish a reputation in the marketplace for flavoured milk without taking action to prevent or restrain continued registration of the "Moove" mark. Gummow J thus found that the "Moo" mark should be expunged from the Register to the extent that it covered milk.

¹⁰³ Of the justices who adopted the qualified interpretation of s 28, Dawson and Toohey JJ favoured the former ground, Mason CJ and Brennan J the latter; Gaudron J expressed her agreement with the approach taken by Dawson and Toohey JJ: *ibid* at 385 per Mason CJ; at 390 per Brennan J; at 403-406 per Dawson and Toohey JJ and at 414-415 per Gaudron J.

¹⁰⁴ *Ibid* at 379-383 per Mason CJ; at 390 per Brennan J; at 407-408 per Dawson and Toohey JJ.

¹⁰⁵ The qualified interpretation of s 28 is said to be supported by those provisions of the Act which protect the private interests of traders, such as: s 34(1) (honest concurrent use of marks which are substantially identical or deceptively similar); s 34(2) (concurrent registration); s 58(3) giving proprietors of identical or deceptively similar registered marks rights against others but not against each other); s 82 (assignments without goodwill); Part IX (registered users). See further (1990) 171 CLR 363 at 380-383 per Mason CJ; at 390 per Brennan J; at 398-399 per Deane J; at 405-408 per Dawson and Toohey JJ.

¹⁰⁶ *Ibid* at 384 per Mason CJ, echoing the words of Windeyer J in *Re Bali Brassiere Co Inc's Trade Mark; Re Berlei Ltd's Application* (1968) 118 CLR 128 at 133; for similar reasoning see also at 390 per Brennan J; at 406 per Dawson and Toohey JJ. See further *Riv-Oland v Settef* (1988) 12 IPR 321 at 327 per Bowen CJ.

¹⁰⁷ According to Lord Diplock's approach in the *GE Trade Mark* case, the court has a residual discretion whether or not to expunge the mark: *GE Trade Mark* [1973] RPC 297 at 335.

Moreover, on appeal to the High Court McHugh J was of the opinion that the registered proprietor of a mark which is constantly infringed by the assiduous efforts of an infringer is to some extent also guilty of blameworthy conduct, since he or she has a duty to be vigilant in protecting her or his rights.¹⁰⁸

Against these dissenting judgments, however, in both *Riv-Oland Marble* and *Murray Goulburn* the majority accepted evidence that the original proprietors had not acquiesced in the infringement of their marks. In upholding the plaintiff's right to registration, the Federal Court majority in *Riv-Oland Marble* did not consider that the evidence established any laches on the part of the plaintiff since Settef had been unaware of the defendant's activities and its use of the trademark during the eight years from the end of its agency to the date of registration.¹⁰⁹ In *Murray Goulburn*, Deane J, one of the four majority justices, took the view that since the respondent had not acted with fraud in adopting the "Moo" mark, and since the New South Wales Dairy Corporation had not succeeded in making out its claim for expungement for non-use under s 23, the fact that the co-operative did not attempt to prevent use of the "Moove" mark did not amount to blameworthy conduct.¹¹⁰

Nevertheless, for the purposes of s 28, the finding in *Murray Goulburn* that inactivity did not amount to blameworthy conduct is not an invariable principle, but a finding of fact. Delay in coming to the protection of the mark on the part of the foreign trader, even if the mark is not removed under s 22 or s 23,¹¹¹ may result in the Registrar's deciding that, on the balance of convenience, the local trader is entitled to the benefit of either concurrent use or special circumstances permitted under s 34 of the Act. In *Trepper v Miss Selfridge Ltd*¹¹² the local trader Trepper had used the marks "Selfridge" and "Miss Selfridge" for women's clothing continuously from 1977, to the extent that he had built up a considerable reputation. Although Miss Selfridge London (MSL) had registered the mark "Miss Selfridge" for clothing and cosmetics in 1977, by comparison with Trepper its use of the mark had been negligible. For seven years MSL permitted Trepper's use of the mark without taking any steps to prevent the infringement. In order to protect its mark should Trepper be successful in having it removed, MSL lodged an application in 1986 to register the mark "Miss Selfridge" once again in respect of the perfumes and cosmetics. In the event, however, Trepper failed to establish non-use, was permitted to register the mark, and was successful in opposing MSL's second application for registration under s 28. The Hearing Officer found that MSL's inactivity during the period from 1978 to the application for removal in 1984 had contributed to the growth of the business under the mark in suit and the reputation of Trepper to such a point that, as at the date of application, use by MSL of its registered mark would have been likely to cause deception and confusion among a substantial number of persons. It was determined therefore that MSL's conduct brought it within par 28(d) so that both para (a) and (d) of the section were satisfied.¹¹³ The decision in *Trepper* conforms with the view taken by D Shanahan that a likelihood of confusion brought about by a failure to prevent the use of a confusing or deceptive mark, even short of acquiescence, should in the public interest eventually compel expungement.¹¹⁴ While delay in itself is therefore no bar to the assertion of legal rights, international traders who intend to do business in Australia would be well advised to be vigilant in protecting their

¹⁰⁸ *Murray Goulburn* (1990) 171 CLR 363 at 430 per McHugh J.

¹⁰⁹ The evidence established that it was not until Settef was pursuing the application to register the mark that it became aware of the defendant's infringing conduct, and as soon as the mark was registered the respondent commenced proceedings. Under these circumstances McGarvie J, the primary judge, held that Settef had not acquiesced in the infringement of its mark: *Settef SpA v Riv-Oland Marble Co (Vic) Pty Ltd* (1987) 10 IPR 402 at 426.

¹¹⁰ *Murray Goulburn* (1990) 171 CLR 363 at 400 per Deane J.

¹¹¹ Under s 23(1) of the Act "a prescribed court or the Registrar may, on application by a person aggrieved, order a trade mark to be removed from the Register" where that trademark was registered without an intention on the part of the applicant to use the mark in good faith, or where there has been no use of the trademark for a continuous period of not less than three years since the mark was registered.

¹¹² [1992] AIPC 90-863.

¹¹³ *Ibid* at 38,239.

¹¹⁴ *Australian Law of Trade Marks and Passing Off*, op cit n 33, p 259.

trademarks, since in an action for expungement under s 22 or s 23 a fine line may separate questions of neglect, non-use or even abandonment of the mark.

The Requirement of Blameworthy Conduct

While the requirement of blameworthy conduct may work in favour of the registered proprietor who is faced with an application for expungement of the mark on the ground of s 28(a), the reverse appears to hold when an international trader opposes an application for registration of the mark under s 28(a). As the judgments in *Murray Goulburn* are, broadly speaking, expressed in general terms, the Registrar being bound by the decision has had little choice but to apply the qualified reading to both applications for registration as well as those for rectification of the register. In giving effect to the decision, the Registrar follows the practice as laid out by Hearing Officer Homann in *Titan Manufacturing Co Pty Ltd v Coyne*,¹¹⁵ according to which a finding in favour of par (a), that use of the mark is likely to cause deception and confusion, is not conclusive since it is also necessary to find that there has been blameworthy conduct on the part of the proprietor so as to disentitle the mark to protection in a court of law.¹¹⁶ Recent decisions of the Registrar since the *Murray Goulburn* case reveal that the High Court's holding that par 28(a) is limited by a requirement of blameworthy conduct on the part of the proprietor of the mark has considerably restricted the operation of s 28 as a successful ground of opposition. Indeed, these decisions show how difficult it is to ground an objection under s 28(a) even where the opponent is the registered proprietor of the mark, or the proprietor in law, and possesses a substantial reputation in Australia for goods of the same class. In *Serry (A'Asia) Pty Ltd v Mothercare UK Ltd*,¹¹⁷ Mothercare UK was the registered proprietor in Australia of the trademark "Mothercare" in connection with clothing, and in the time the opponent had been using the mark it had achieved a valuable and substantial reputation throughout Australia. Although there was no doubt of the likelihood of deception and confusion at the date of Serry's application for the mark "Mother Dear", in the absence of any evidence concerning blameworthy conduct by the applicant there was no ground for opposition under s 28(a).¹¹⁸ Again, in the case of *Freighter (Australia) Pty Ltd v Freightliner Corporation* the situation was similar to *Pioneer Hi-Bred Corn* since Freightliner, a United States Corporation enjoyed a considerable international reputation in respect of its trucks and trailers sold under the mark "Freightliner", to the extent that the operators of fleets of semi-trailers in Australia were aware of the mark. Further, articles in newspapers and industry magazines and the supply of test trucks in Australia constituted firm evidence of a local awareness of the mark at the date of registration. However, whereas the New Zealand Court of Appeal held that advertising had brought the American mark to the notice of a substantial number of persons sufficient to satisfy the court that use of the applicant's mark would be likely to cause deception and confusion, given the Registrar's position under s 28, the lack of any direct evidence of the local trader's motives in adopting the "Freightliner" mark meant that there was no ground on which blameworthy conduct could be established. Due to the added stringency of the requirement

¹¹⁵ [1991] AIPC 90-808.

¹¹⁶ *Ibid* at 37,668-37,671.

¹¹⁷ [1991] AIPC 90-812.

¹¹⁸ *Ibid* at 37,693.

of blameworthy conduct, in order to ground a successful objection under s 28(a) there must be evidence of misappropriating use either on the part of the registered proprietor or the proprietor at common law. In *Dimisis v Agricultural Dairy Industry Authority of Epirus, Dodoni SA*¹¹⁹ the evidence showed that the opponent had been the proprietor in law of the mark "Dodoni" in respect of dairy products for 11 years prior to the applicant's applying for registration of the same mark. Under these circumstances the opposition under s 28 was allowed, as there was not only the likelihood of confusion and deception, but it was also clear that that likelihood was due to the applicant's misappropriating use of the mark, which could not be allowed to defeat the rights of the opponent as proprietor of the mark at law.¹²⁰ Where there is no evidence of blameworthy conduct on the part of the proprietor, the opponent will have to rely on establishing proprietorship under s 40, as in *Freightliner*,¹²¹ or the deceptive similarity of the mark for the purposes of s 33 as in *Mothercare*.¹²²

Given the difficulty of grounding an objection under s 28, in recent opposition proceedings before the Registrar submissions on behalf of the opponent attempt to avoid the requirement for blameworthy conduct by distinguishing applications for registration from actions for rectification. In *Titan Manufacturing Co Pty Ltd v Coyne*¹²³ for example, argument for the opponent sought to distinguish *Riv-Oland* and *Murray Goulburn* on the ground that blameworthy conduct had been required in those cases by virtue of the fact that they related to the expungement of registered marks, and not to the initial registration of a mark, whereas in cases where the applicant's mark is not yet registered, it is wrong to proceed on the basis that it will be registered when in opposition proceedings the issue is whether the mark should be registered at all.¹²⁴ While the Hearing Officer rejected the submission in *Titan*, he nevertheless conceded two important points: first, that the earlier cases did indeed relate to applications for expungement of registered marks; and secondly, that in *Murray Goulburn* Brennan J distinguished applications for registration from those for expungement.¹²⁵ His Honour made this distinction on the basis that, subsequent to registration, policy requires the interest of the proprietor to be considered together with that of the public, in view of the statutory rights which the proprietor acquires upon registration. Consequently, in the regime in which s 28(a) operates after registration, to hold that a registered trademark is wrongly remaining whenever the use of the mark becomes likely to deceive would be to expose the registered proprietor's statutory rights to destruction at the hand of any person who creates the likelihood of deception or confusion. To that end, his Honour concluded, the operation of s 28(a) depends on whether it is applied to an application for original registration or to an application for expunction of an entry which is attacked in s 22 proceedings as wrongly remaining in the Register.¹²⁶

Nevertheless, in the absence of any specific indication in the *Murray Goulburn* judgments as to whether the requirement of blameworthy conduct is to also apply in proceedings taken at the time of registration, and lacking clarification as to how the operation of s 28(a) should differ in proceedings before registration from those after registration, the Registrar takes the view that blameworthy conduct is required in both instances. The Registrar bases this view on a reference by Bowen CJ in the Federal Court decision in *Murray Goulburn* to the necessity of

¹¹⁹ [1991] AIPC 90-831.

¹²⁰ *Ibid* at 37,916, 37,917 and 37,922.

¹²¹ *Freighter (Australia) Pty Ltd v Freightliner Corporation* [1992] AIPC 90-862 at 38,222-38,223.

¹²² *Serry (A'Asia) Pty Ltd v Mothercare UK Ltd* (1991) AIPC 90-812 at 37,693. What is inconsistent in *Mothercare* is that if, as the Registrar states, the *Murray Goulburn* case may be taken as deciding that s 28(a) must be read in conjunction with (d), why the finding for the opponent under s 33 was not sufficient to disentitle the applicant to protection in a court of justice and therefore sufficient to satisfy s 28. In fact, this was the finding in the more recent cases of *Forestell Securities (Aust) v BHP* [1992] AIPC 90-919 and *La Francaise d'Horlogerie v Krentz & Co* [1993] AIPC 90-940; if the mark offends against the provisions of s 33, par 28(d) is also satisfied.

¹²³ [1991] AIPC 90-808.

¹²⁴ *Ibid* at 37,668-37,671.

¹²⁵ *Ibid* at 37,668.

¹²⁶ *Murray Goulburn* (1990) 171 CLR 363 at 389.

protecting the applicant who is asserting proprietorship from the assiduous efforts of a misappropriating user in the period before registration.¹²⁷

Despite the view taken by the Registrar, there are nevertheless cogent reasons for limiting the requirement of blameworthy conduct to applications for expungement. First, there is the question of precedent since, as McHugh J observed, it cannot be said that prior to Lord Diplock's judgment in *GE Trade Mark* it was established doctrine that marks which became deceptive after registration would only be expunged if the registered proprietor was guilty of blameworthy conduct.¹²⁸ Secondly, as the decision of the New Zealand Court of Appeal in *Pioneer Hi-Bred Corn*¹²⁹ shows, the requirement of blameworthy conduct has not been accepted in all common law jurisdictions since the decision in the House of Lords. Thirdly, in the *GE Trade Mark* case Lord Diplock, in summarising the legal status under the *Trade Marks Act 1938* (UK), differentiates between the situation where the mark was likely to cause confusion when it was first registered and one where the likelihood of confusion was the result of events occurring between the date of original registration and the date of the application to expunge it. In the former case, the exclusion of deceptive and confusing marks must be considered in the light of the doctrine of honest, concurrent use, whereas in the latter case, "the mark may not be expunged from the register as an entry wrongly remaining on the register, unless the likelihood of causing deception resulted from some blameworthy act of the registered proprietor of the mark or of a predecessor in title". The idea that the proprietor of the allegedly offending mark should be accorded some degree of immunity in the absence of blameworthy conduct, is consistent with Lord Diplock's primary assertion that "the fact that the mark is entered upon the register is prime facie evidence of the validity of the original registration and of the right of the registered proprietor to the exclusive use of the mark".¹³⁰

Uncertainty Over the Qualified Interpretation

While the High Court has ruled in favour of s 28 being given a qualified interpretation so that in effect par (a) is governed by par (d), judicial opinion remains divided over whether the words of s 28 should be interpreted thus conjunctively, or as the literalists argue, disjunctively according to their plain and natural meaning. Deane and McHugh JJ preferred the literal interpretation, according to which the words of s 28 are directed only to the act of registering without any continuing operation after registration. The literalists argue, not without reason, that a construction of s 28 which requires its continuing operation, in the light of provisions for concurrent use and assignment of marks, gives rise to the need to confine the plain effect of par (a) by reference to par (d) in an artificial manner. They consider a literal reading of s 28 to be more in accord with the policy of the Act than a construction which extends the directive, so that a duly registered trademark may by reason of subsequent conduct or events be expunged from the Register. Finally, and most convincingly, the literalists argue that the desire not to reward the assiduous efforts of an infringer does not justify granting the registered proprietor who is found not at fault a presumptive immunity. According to their view, a registered

¹²⁷ *Murray Goulburn Co-operative Co Ltd v NSW Dairy Corporation* (1990) 16 IPR 289 at 327 per Bowen CJ. Emphasising this point, in *Keila Pty Ltd v Chanel Ltd* [1992] AIPC 90-885 at 38,375, the Hearing Officer said that "if the applicant is entitled to assert proprietorship it is not stopped by s 28 from registering its mark unless there is evidence that the applicant's use of the mark is blameworthy ... It is not open to me to conjure up a different action simply because the context is one of opposition rather than rectification."

¹²⁸ *Murray Goulburn* (1990) 171 CLR 363 at 426.

¹²⁹ [1978] 2 NZLR 50.

¹³⁰ *GE Trade Mark* [1973] RPC 297 at 334.

proprietor would only retain the mark where it had become deceptive as a result of an infringer's wrongful conduct.¹³¹ Alternatively, the New Zealand Court of Appeal in *Pioneer Hi-Bred Corn* based its preference for the literal interpretation on the legislative history of the equivalent New Zealand provision. The court took the view that the legislature, in enacting s 16 of the *Trade Marks Act* of 1953, had deliberately chosen to depart from the wording of s 11 of the United Kingdom Act of 1938, with the result that each "or" must be read disjunctively.¹³²

The real cause of the prevailing uncertainty over the interpretation of s 28 is the result of policy considerations which, as D Shanahan recognises,¹³³ have plagued attempts to deal in any logically consistent manner with its construction. In this respect, the judgments in *Murray Goulburn* reflect the conflicting considerations of private and public policies: on the one hand, the need to ensure that the statutory rights of the proprietor are upheld and, on the other, the need to secure the public interest in upholding the prohibition against confusing marks. Each judgment is characterised by its recognition that, after registration, private interests need to be balanced with those of the public:

"In previous legislation the emphasis may have been upon avoiding the deception of the public ... But now it is clear that, whilst the protection of the public no doubt remains an important purpose, it is not the only purpose. Plainly, since the Act permits some deceptively similar marks to remain on the register, the protection of the proprietary interest in a registered trade mark is another."¹³⁴

However, while the proprietary interest may provide a valid basis for requiring some degree of blameworthy conduct for the purposes of s 28, it is submitted, in deference to the public interest, that the requirement is only justified when the likelihood of deception and confusion arises after registration.

Statutory Protection of Well-known Marks

A review of cases concerning the local adoption of overseas trademarks shows that the criteria of prior use and reputation have proved malleable, as notions of competition and trade policy have changed with modern commercial practice. In 1947 Latham CJ in the *Seven Up* case could say:

"The desire to use in Australia a successful trade mark in competition in trade with a person who may come here and who uses that trade mark in another country cannot be described as fraud or as involving any breach of the law."¹³⁵

Although the trademark has traditionally found its rationale in competition, the line between what is competitive and anti-competitive behaviour has shifted with the globalisation of the economy.¹³⁶ At the base of recent decisions such as *Anheuser-Busch* and *ConAgra Inc v McCain Foods (Aust) Pty Ltd*, there is evidence of a trade off between the refusal to sanction an international monopoly and the willingness to protect reputation where the trader intends to establish business within the jurisdiction.¹³⁷ In any balancing of interests between competing claims to proprietorship, the Federal Court, in coming to these decisions, has recognised that the modern role of the trademark must be taken into consideration.¹³⁸ Although the trademark is often

¹³¹ *Ibid* at 37,051 per Deane J; at 37,067-37,070 per McHugh J.

¹³² *Pioneer Hi-Bred Corn* [1978] 2 NZLR 50 at 52 per Richmond P; at 72 per Richardson J.

¹³³ *Op cit* n 33, p 253.

¹³⁴ *Murray Goulburn* (1990) 171 CLR 363 at 408 per Dawson and Toohey JJ; see also at 382-383 per Mason CJ; at 390 per Brennan J. Those who take a literal view of s 28, such as Deane and McHugh JJ, also recognise that after registration at least equal, if not more, importance should be given the proprietor interest. In fact, McHugh J considered that "the registered user provisions, the assignment provisions and the limited indefeasibility given to registered proprietors tend to suggest that, after registration, the interests of traders are preferred to the competing interests of consumers in being protected from the use of marks which are likely to deceive or confuse": at 421; see also at 396-397 per Deane J.

¹³⁵ (1947) 75 CLR 203 at 216 per Williams J.

¹³⁶ R T Nimmer and P A Krauthaus examine the development of international commercial law within a complex and interactive world characterised by a global economy, in which all of the industrial and service sectors of developed countries are affected by and in turn affect commerce in other countries. Within this context, as the authors observe, the development of intellectual property law since the 1980s has been marked by the erosion of its traditionally territorial nature and by its alliance with trade and competitiveness policy: "Globalisation of Law in Intellectual Property and Related Commercial Contexts" (1992) 10 *Law in Context* 80 at 80 and 98-99.

¹³⁷ *ConAgra Inc v McCain Foods (Aust) Pty Ltd* [1991] AIPC 90-820 at 38,420.

¹³⁸ M R Hall applauds the decisions of the Federal Court in *Anheuser-Busch* and *ConAgra* as a welcome recognition of the realities of international reputation: "Protection of Famous Trademarks in Australia" (1993) 3 *Australian Corporate Lawyer* 43 at 46.

referred to as a badge of origin, in the light of modern manufacture and distribution the mark has largely ceased to be an indication of actual source. The role of the trademark lies increasingly in its quality and advertising functions; in short, in its reputation or the power the mark possesses to generate and retain custom.¹³⁹ The initiative taken by the Federal Court in *Anheuser-Busch* in protecting the mark "Spuds MacKenzie" against its adoption by a local trader, based on the extent to which public awareness in Australia had been increased through the promotion of the mark worldwide, foreshadows the approach taken to the protection of well-known marks by the Working Party to Review the Trade Marks Legislation.¹⁴⁰ Their recommendation that one of the grounds for opposing registration should provide for opposition based on the prior reputation of the mark in Australia, such that use of the mark by the applicant would be likely to lead to deception or confusion as at the application date, has been adopted in cl 62 of the Draft Trade Marks Bill 1994.¹⁴¹ Secondly, in the period after registration, cl 89(2)(a) provides that an application for rectification of the Register may also be made on the same ground. Thirdly, with respect to infringement of a well-known mark, cl 129(3) prohibits the unauthorised use of a trademark which is well known in Australia in relation to unrelated goods or services being either "goods or services in respect of which the mark is not registered", or "goods or services of the same description as, or closely related to, goods or services in respect of which the trade mark is registered". Notwithstanding the provisions of cl 129(3), under cl 193 of the Draft Bill defensive registration remains available for a

"registered trade mark [which] has been used so much in relation to all or any of the goods or services in respect of which it is registered, [that] it is likely that its use in relation to other goods or services will be taken to indicate that there is a connection between those other goods or services and the registered owner of the trade mark".¹⁴²

The combination of cll 62, 89 and 129 of the Draft Trade Marks Bill provides the level of protection necessary to meet Australia's obligations under Art 16 of the Agreement on TRIPS in respect of well-known marks used in connection with both goods and services.¹⁴³ In particular, the requirements of Art 16(3), which prohibits the unauthorised use of a well-known mark in relation to dissimilar goods or services, are met by provisions in cll 62 and 129.

Further, cll 42, 62 and 89 of the Draft Bill have the advantage of removing the difficulties and uncertainty over the reading of s 28. The questions of whether the requirement of blameworthy conduct should apply and, if so, when it should apply, are clarified by the terms of the new provisions which have been drafted to elaborate the common law, and organised according to the steps involved in the registration process.¹⁴⁴ As the foregoing analysis has indicated, currently under the *Trade Marks Act* in an action for rectification of the register it is necessary to read s 28(a) against its literal meaning in order to protect the interests of the proprietor and accommodate the rights of the concurrent user.¹⁴⁵ By contrast, under Pt 8, Div 2 of the Draft Bill, which sets out the grounds under which action may be taken by the court to amend or cancel registration,¹⁴⁶ cl 89(3) provides that the court may decide not to amend the register or cancel registration, "if the

¹³⁹ As C Golvan observes, there is now a strong view that a trademark possesses an independent existence apart from the notion of a trademark as an indicator of connection, in the course of trade, with goods or services of a registered proprietor: "Proposal to Revise Trade Marks Act" (1992) 5 *Australian Intellectual Property Law Bulletin* 46.

¹⁴⁰ In the light of the imminent Agreement on TRIPS, the Working Party to Review the Trade Marks Legislation published its report, *Recommended Changes to the Australian Trade Marks Legislation* in July 1992. The Draft Trade Marks Bill 1994 is largely based on their recommendations.

¹⁴¹ Cl 62 provides that "the registration of a trade mark may be opposed on the ground that: (a) it is substantially identical with, or deceptively similar to, a trade mark that, before the filing date in respect of the application for the registration of the first-mentioned mark, had acquired a reputation in Australia; and (b) because of the reputation of that other trade mark, the use of the first-mentioned mark would be likely to deceive or cause confusion". The clause follows Art 16 of the TRIPS Agreement which speaks in terms of a well-known mark being one which is known in the relevant public sector.

¹⁴² The Report of the Working Party records a difference of opinion between the Law Council and the Office members of the Working Party over the need to retain defensive registration given that the provisions in the Draft Bill protect well-known trademarks. Nevertheless, defensive registration is available in Pt 18, cll 192-198 of the Draft Bill: see "Recommended Changes", p 56.

¹⁴³ The definition of a trademark in cl 16 of the Draft Trade Marks Bill 1994 also includes "a sign used, or intended to be used, to distinguish ... services".

¹⁴⁴ Pt 4, Div 2, ss 37 to 44 sets out the grounds under which the Registrar may reject an application. Pt 5, Div 2, ss 58-63 sets out the grounds under which registration may be opposed, which includes the grounds for rejection (except the ground that the trademark cannot be represented in writing). Pt 8, Div 2, ss 86 to 90 sets out the grounds under which action may be taken by the court on the application of an aggrieved person for amendment or cancellation of registration, which includes the grounds for opposition.

¹⁴⁵ Equivalent rights of concurrent use are provided in cll 44(4), 100(5) and 131(1)(e).

¹⁴⁶ With respect to the removal or amendment of an entry wrongly made in the Register, cl 87 of the Draft Bill provides that "a prescribed court may, on the application of an aggrieved person, order that the Register be rectified by: (a) cancelling the registration of a trade mark; or (b) removing or amending any entry in the Register relating to the trade mark; on the ground that a condition or limitation entered in the Register in relation to the trade mark has been contravened".

registered owner of the trade mark satisfies the court that the ground relied on by the applicant has not arisen through any act or fault of the registered owner".¹⁴⁷ Moreover, under the Draft Bill the further question of whether the requirement of blameworthy conduct should also apply in proceedings taken at the time of registration has been resolved. Under Pt 5, Div 2 of the Draft Bill which sets out the grounds for opposing registration, neither cl 62 which protects the reputation of well-known marks, nor cl 42(2) which protects trademarks in general against use by an applicant trader that is likely to deceive the public or cause confusion, require blameworthy conduct on the part of the applicant. The construction of cl 42 leaves no doubt that cl 42(1)(b), the equivalent provision of s 28(e), is to be read as a separate and independent ground of opposition from cl 42(2).

In a changing commercial climate the need to protect well-known marks has seen the reputation of the mark assume a major role, not only in terms of the concept of "active marketing" for the purpose of establishing proprietorship, but also in terms of the level of public awareness necessary to show that the applicant's use of the mark would be likely to deceive or cause confusion. Too often the inability of the foreign owner to show prior use in terms of an offer for sale directed to the Australian public meant forfeiting local ownership of the trademark.¹⁴⁸ In the light of recent common law and statutory developments Australian trademark law now offers foreign traders the possibility of establishing proprietorship not only by proof of business activity within Australia, but also by showing that the mark has acquired a reputation in Australia based on its worldwide promotion. Consequently, as proof of reputation, advertisements in print or on electronic media within the forum, and/or a constant level of travel between other relevant countries and the forum, may be adduced as evidence that a significant number of consumers within Australia are aware of the trademark in question. The broader approach to proprietorship takes account of modern commercial realities such as the volume of international trade, the multinational nature of business, the efficiency of the communications media and the mobility of consumers. More broadly, the significance the reputation of the mark has assumed reflects a decided shift in government policy towards increasing the level of protection in order to ensure the conformity of Australian trademark law with the provisions of the Agreement on TRIPS. The Draft Trade Marks Bill 1994 represents the legislative response to that imperative since to do otherwise than provide trademark owners with effective protection would constitute a barrier to the detriment of foreign trade and investment in Australia.

¹⁴⁷ Under cl 89(4)(b) the court has an ultimate discretion whether or not to grant an application for rectification.

¹⁴⁸ See *ConAgra Inc v McCain Foods (Aust) Pty Ltd* [1991] AIPC 90-820; *Anheuser-Busch* [1991] AIPC 90-840.