SHOULD AUSTRALIAN LAW GRANT GREATER PROTECTION TO WELL-KNOWN AND FAMOUS MARKS AND IF SO, DO THE CURRENT AUSTRALIAN LAWS ACHIEVE THIS IN THE MOST EFFICIENT WAY POSSIBLE?

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CHAPTER I.

INTRODUCTION

A. The Problem

This paper is concerned with a topic which has received much attention recently: what ought to be done at a national\(^1\) and international\(^2\) level to protect well-known and famous marks?

The owners of well-known and famous marks often experience one or other of the following problems:

1. counterfeiting,
2. dilution, and
3. appropriation by other traders in overseas countries.

\(^1\)Possible Changes To The Australian Trade Marks Legislation - A Discussion Paper, July 1991 published by the Working Party consisting of members of the Law Council of Australia, the Institute of Patent Attorneys of Australia and members of the Trade Marks Office who, in March 1989, were requested by the Registrar of Trade Marks (acting on instructions from the then Minister for Science, Customs and Small Business, the Honourable Barry Jones M.P.) to review and streamline the trade marks legislation. The Working Party submitted its formal report Recommended changes to the Australian Trade Marks Legislation, to the Hon. Ross Free M.P., Minister for Science and Technology, in July 1992. See also the recommendations made in the United Kingdom: Reform of Trade Marks Law - A White Paper presented to the Parliament of the United Kingdom by the Secretary of State for Trade and Industry September 1990.

Counterfeiting is a well-known practice and most Australian traders and consumers would be aware that it occurs when the marks and the appearance of the goods on which the mark is usually applied are both imitated.³

Well-known and famous marks not only serve the traditional function of assuring quality but also the additional function, so far as consumers are concerned, of demonstrating to others that they are consumers of particularly prestigious or fashionable goods.⁴ It has been said that:

'This change in motives for consumption would have increased the amount of counterfeiting of trademarks. The additional value of trademarking would have simply created an additional value for counterfeit goods and thus additional profits from counterfeiting. ...in markets in which the purpose of the trademark is to impress observers rather than to guarantee quality to consumers, there is less effort at detection and avoidance of counterfeit goods and therefore a relatively greater return from counterfeiting.'⁵

Simply stated, the value to be gained by counterfeiters and the consumers who buy from them is greater if the trade marks are well-known or famous 'snob' marks such as Cartier or Chanel.

Dilution is a less well-recognised problem, even amongst lawyers in this country. It occurs when such marks are used by other traders with respect to different goods or services in respect of which they have been registered and used in Australia by their original owners.

The damage caused by the use of well-known or famous marks on related or non-related goods and services, namely that it reduces the uniqueness and


⁵Ibid. at 212
therefore the selling power of those marks, has been recognised, at least in the United States, for many years. 6

It was on the basis of that principle that the 'anti-dilution' theory developed in the United States of America and the notion has been incorporated into various international agreements. 7

There is also evidence of increased awareness of the problems caused when marks which are well-known or famous in one country with respect to particular goods or services are 'stolen' or appropriated by another trader in another country and used with respect to the same class of goods which are not the same in appearance as the overseas proprietor's goods. 8

It is argued that because of the trend towards a global economy, traditional, national restrictions of trade mark rights are no longer appropriate:

'...limiting relief to already well-known trademarks ignores the market dynamics at play in an age of jet travel, instantaneous satellite communications and multinational business ventures'.

In the case of counterfeiting and dilution it is often the case that there is no consumer confusion. A consumer confronted with 'Cartier' watches being sold at a market for $20 would be under no illusions as to the source of such


7 See the E.C. Directive, op. cit., and the A.I.P.P.I. Resolution, infra, note 14 of this Chapter. See also the draft T.R.I.P.P.S. Agreement, infra, note 185 of Chapter III.


9 Ibid. at 56
watches. The only consumer confusion which may exist in relation to counterfeits would be in the minds of those who observe the purchasers of the counterfeit goods (usually clothing or jewellery) using such goods. Also, a consumer who sees the mark 'Rolls Royce' used on packets of sausages is unlikely to assume that the well-known car maker was associated, in any way, with the manufacture of the sausages. Likewise with appropriation of well-known and famous overseas marks. Consumers may not be confused when an unrelated trader uses a well-known or famous overseas mark because of lack of familiarity with such marks in the local jurisdiction.

The difficulty is that, without consumer confusion, one of the traditional justifications for protection of trade marks, namely confusion with respect to source, is not present.

However, the original trade mark owner is likely to suffer damage.

B. The Damage Caused

The damage suffered by a trade mark owner when its mark is used on counterfeit goods is a loss of sales in the short term. In the long term, however, the damage is more serious. If counterfeits are widely available the trade mark owner is likely to lose sales and the value of its productive asset, namely its trade mark, as its genuine goods will no longer have the same exclusivity, a factor which is valued by purchasers of the genuine goods.

Unfortunately, the scale of counterfeiting is such that it is now a significant problem. It has been said that:

'...counterfeiting activities have become increasing industrialised; what once was a small-scale manufacture of counterfeit goods is now on the road to becoming a multinational counterfeiting organisation equipped with support structures and distribution networks. Counterfeited goods are estimated to
account for ten percent of world trade, which may be equivalent to an annual volume of $60-70 billion'.

Such counterfeiting obviously injures world trade in lawfully produced goods. In fact, counterfeiting has been described as the '...economic plague of our time...'.

It is clear from recent articles in the press that the Australian economy is not free of the economic distortions caused by the activities of counterfeiters and that Australian manufacturers, as well as the proprietors of overseas marks, are suffering.

The damage suffered by a trade mark owner when its well-known or famous mark is used on or in relation to goods or services which are different to those for which the mark was previously registered and used is subtle but nonetheless real. The damage has been referred to as dilution of the distinctiveness of the mark. That is, a well-known or famous mark is valuable because it is so distinctive and one of the reasons for its distinctiveness is that it is not used by other traders in relation to other goods and services. The distinctive nature of a well-known or famous mark gives it selling power. That is, the mark itself helps to sell the goods or services in respect of which it is used. It is that selling power which is diminished when a well-known or famous mark is adopted by another trader and it is the selling power of the

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11 Ibid.

12 Ibid.

mark which the other trader seeks to appropriate to itself, albeit in respect of
different goods or services.

The damage suffered by the owner of a well-known or famous overseas mark
which is appropriated by a local trader is that the owner may be deprived of
licensing its mark in Australia or selling its goods or services here under the
mark. Also, because tourists visiting Australia and those reading Australian
magazines published overseas may see the well-known or famous overseas mark
used by another trader, the mark may be diluted as described above.

Counterfeiters and traders who adopt well-known or famous marks for their
goods or services obtain something for nothing. So too do the purchasers of
counterfeit goods. Without having to pay, the manufacturers and sellers obtain
sales they would not have had without the benefit of the mark in question and
the purchasers of counterfeit goods obtain the satisfaction of owning what
appear to be prestigious goods at a fraction of the price.

Meanwhile the trade mark owners suffer damage.

It is not surprising to find then that broadly speaking, the policy
recommendations made in relation to such marks have been to increase the
protection afforded to their owners 14 although the method of achieving that aim
has varied from country to country. 15

14 Abnett, R.C., 'AIPPI: Famous Trademarks Require a New Legal

15 These methods will be discussed further in Chapters II and VII

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C. Analysis to be undertaken

In Chapter II I will discuss the definition of 'well-known' and 'famous' trade marks, in so far as it is possible to do so, with references to the alternative methods for determining whether a particular mark is well-known or famous in Australia and various overseas countries. It will be my contention that there is a difference between the two and that because of that difference, they ought to be granted differing amounts of protection. This accords with the recent resolution of the Association Internationale Pour La Protection de la Propriété Industriel ('A.I.P.P.I.').

In his article on the recent resolution of the A.I.P.P.I. in relation to well-known and famous trade marks,\(^{16}\) Richard Abnett reported that, surprisingly, experienced trade mark attorneys and other practitioners from 40 countries agreed on an internationally acceptable regime for the protection of such marks.\(^{17}\) It was the aim of those practitioners:

'...to provide a compromise which recognised the inherent territoriality of the law of trademarks and...' reconcile '...this with the increasing internationalisation of trade itself.'\(^{18}\)

The recommendations were that:

(i) Article 6 bis of the Paris Convention of 1883 should apply to any mark which has acquired an international reputation for certain goods, and

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\(^{16}\) Op. cit.

\(^{17}\) Ibid. at 23

\(^{18}\) Ibid. at 24
protection should be granted in any country where the mark has become
well-known to manufacturers or other producers of that type (knowledge
by the public at large is not necessary).

Article 6 bis provides:

'(1) The countries of the Union undertake ... to cancel the
registration, and to prohibit the use, of a trade mark which
consists of a reproduction... liable to create confusion, of a mark
considered... to be well-known in that country as being already
the mark of a person entitled to the benefit of this Convention and
used for identical or similar goods'.

(ii) No actual use of the mark should be required in that country.

(iii) No registration should be required in that country. 19

(iv) Article 5(2) of the EC Directive should apply to registered trade marks
so that they are given 'elastic sides', that is, so that the protection of
those marks extends beyond the range of 'similar' goods. 20

Article 5(2) of the EC Directive provides that:

'Any member state may also provide that the proprietor shall be entitled
to prevent all third parties not having his consent from using in the
course of trade any sign which is identical with, or similar to, the trade
mark in relation to goods or services which are not similar to those for
which the trade mark is registered, where the later has a reputation in
the Member State and where the use of that sign without due cause
takes unfair advantage of, or is detrimental to, the distinctive character
or repute of the trade mark'. 21

(v) In respect of 'truly world-famous marks', envisaged to be relatively small
in number (between two or three dozen):

- 'Protection should be given in any country to any marks which
have acquired a high reputation in that country, such that the
marks have acquired "an autonomous attractive power in
themselves"'.

19 Ibid.
20 Ibid. at 23
Such a mark must be known to a large part of the public in general, and be of such a nature and repute that there is no justification for use or registration by others.

...it is not necessary to prove the actual use in the country where the high reputation exists.

No registration is required in the country where the high reputation exists.

The protection should extend to all goods and services.

The trade mark owner should not have to prove any damage or undue advantage (such as required under EC Directive Art. 5(2) as noted above).

...the protection thus granted should not extend to all marks which might normally be regarded as similar, but only to marks which would be seen clearly to have been derived from the mark concerned'.

However, it has been recommended that although the owners of famous trade marks should be able to register their marks in respect of all goods and services, such registration would be open to cancellation on the ground of non-use in the normal way. This was because if it were not possible to cancel those marks for non-use they would be given protection in perpetuity even though the degree of reputation may substantially reduce over time and because such registrations were seen to unreasonably inhibit the registration of subsequent 'similar' marks.

It will be my contention that cancellation for non-use would unreasonably reduce the protection afforded to the owners of famous marks and that Australia should not follow this part of the A.I.P.P.I. resolution. This will be discussed further in Chapter VII.

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22 Ibid. at 24-25
23 Ibid. at 25

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In Chapter III, I will consider the economic, legal and other reasons for granting protection to trade marks generally and the reasons why I submit that well-known and famous marks ought to be given greater protection than ordinary trade marks.

All trade marks have an important role to play in the efficient operation of the Australian, and indeed the world-wide, economy. However, the role of well-known and famous marks is even more important. It has been argued that marks can actually contribute to the development of the economy.

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24 In a pamphlet published in 1990 by the United States Trademark Association ('U.S.T.A.'), it was argued that there were three very important functions performed by trade marks in the modern economy and that 'strong' marks are particularly important. Two of the roles trade marks were said to perform were:

a. **The encouragement of manufacturers and service providers to produce and develop new and better products.**

   It was explained that as trade marks indicate the source of goods and services this meant that even if the identity of the producer of the product or service was not known by name it would be held accountable in the market place by consumer rejection.

   Accordingly it was argued that producers are less likely to make a shoddy or defective item or to provide an inferior service. In fact it was argued that trade marks encouraged innovation because the trade mark owner could expect that its superior products or services would be recognised and purchased.

b. **Assisting consumers to make informed choices.**

   It was argued that trade marks allowed consumers to readily identify and distinguish between products and services which allowed them to select superior goods and services and avoid buying goods or services that failed to live up to claims or expectations.

   Therefore, consumers could spend less time researching a product or service and more time enjoying their purchases.

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25 *Ibid.* where it was argued that the third role performed by trade marks was:

Promoting economic growth and competitiveness.

It was argued that in the highly competitive international marketplace, quality (Footnote Continued)
As the level of trade within each country, and trade between countries, has increased, that contribution has grown. As one commentator has recently said in relation to the negotiations concerning the General Agreement on Tariff and Trade (G.A.T.T.):

'The economic importance of intellectual property has grown and continues to become more prevalent with the development of the "information society".'

On a similar line, it was predicted that:

'Trademarks will become the common currency and language of the global economy to come. McDonald's restaurants and PEPSI soft drinks will be the symbols of Western culture in the Soviet Union and the Eastern block countries. As consumers become removed from the producer of goods by oceans and continents, the origin, guarantee and advertising functions of trade marks will become ever more important.'

Although the economic importance of trade marks and the fact that they do not constitute an impediment to free world trade has been widely acknowledged, it has not yet been possible to obtain general agreement, particularly between developed and undeveloped nations, with respect to the appropriate protection to be given to intellectual property rights, including trade marks. However, it is

(Footnote Continued)
trade marks helped countries compete on a global scale.

Also, because of the ability of 'well-known' trade marks to become both a symbol of quality and a standard against which others are measured trade marks have the capacity to be recognised throughout the world. As 'quality' products and services from particular countries become sought after, those countries would become more competitive and improve their trade balances.

26 Uchtenhagen, U., op. cit. at 770 para. a


28 Uchtenhagen, U., op. cit. at 768 and reference to Art. XX, para. (d) of the G.A.T.T. treaty.

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hoped that general agreement will be possible in the context of the G.A.T.T. negotiations, 29 providing those negotiations do not break down. 30

It will be my contention that Australia should not be a nation which lags behind the other industrialised nations in the protection it affords well-known and famous marks.

In Chapters IV, V and VI I will analyse whether Australian law does give adequate protection to well-known and famous trade marks.

Chapter IV will deal with the protection afforded by Part D registration. I will first discuss the reasons why Part D registration was introduced into the Trade Marks Act 1958 (Commonwealth) ("the Act"). I will then analyse the statutory provisions, the cases which have interpreted those provisions and the

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29 *Ibid.* at 771 para. c where the author states:

'Because the developing countries constitute a majority in the Paris Convention, no further developments have occurred in that forum with respect to the protection of industrial property. The G.A.T.T. negotiations offer a better platform for this purpose, since the difference of opinion between North and South is a less important factor there'. He then quotes an article by Audreas Christians, 'Immaterialgüterrechte und G.A.T.T. Die Initiative zur Fortentwicklung des internationalen Schutzes geistigen Eigentums im Rahmen der Uruguay-Runde' 55 (Europäische Hochschulschriften, Peter Lang, Bern, 1989) at 284 where it was said that:

'The efforts to extend the treaties have been unsuccessful for more than three decades because of the unbridgeable difference of opinion between the developed and the underdeveloped nations... The initiative in trade policy for adopting provisions in G.A.T.T. to protect intellectual property represents an attempt to find a way out of this stagnation in the development of international law. The dependence of the developing countries on access to the markets of the industrialised countries should serve as a means of political pressure and the broad scope of G.A.T.T.'s application should be used to achieve an overlapping balance of interests'.

30 'Rap for EC over GATT collapse,' *The Age* (Melbourne), 24 October 1992 'GATT Plot May Yet Be Exciting', *The Age* (Melbourne), 27 October 1992
criticisms made of them. Finally, I will analyse the actual Part D Register to determine whether Part D, in fact, is achieving its objectives.

In Chapter V I will analyse the other avenues of protection available to an owner of a well-known or famous mark under the Act and in Chapter VI I will analyse the avenues available to such owners under Sections 52 and 53 of the Trade Practices Act ("the TPA") and the common law action of passing off.

My contention will be that although Australian law certainly offers some additional protection to such marks, the protection is not adequate and that the cost effectiveness of the current methods of protection could be improved.

Finally, in Chapter VII I will make recommendations in relation to the reform of Australian law so that it offers adequate and efficient protection to well-known and famous marks.
CHAPTER II

DEFINITION OF WELL-KNOW AND FAMOUS TRADE MARKS

Before embarking on an analysis of the role of trade marks generally, and of well-known and famous marks in particular, to determine whether there is any economic, legal or other reasons for affording greater protection to well-known and famous marks, it is necessary to first define what is meant by such terms. This Chapter will consider the natural or dictionary definition of those terms as well as describing the meanings given to those terms in statutory provisions and case law, both in Australia, and in certain overseas countries. A brief discussion of the type of protection given in those countries to such marks as well as several current proposals for reform will also be discussed.

A. THE NATURAL MEANING OF 'FAMOUS', 'WELL-KNOW' AND OTHER TRADE MARKS.

The first question to be answered is 'what is a famous mark and how does it differ from well-known or other marks?'. A logical starting point is the natural meaning of the words in question.

The word famous, according to the Compact Oxford English Dictionary, has several meanings including:

1. Celebrated in fame or public report; much talked about, renowned.
2. Of good repute, reputable.
3a. In a bad or neutral sense, notorious.
4. That is a matter of common talk; common, ordinary, usual.'
The word *notorious*, according to the same dictionary, has several similar meanings including:

1. Of facts; well-known; commonly or generally known; forming a matter of common knowledge.
2. Of places, persons etc; well or widely known (now rare); famous.'

Finally, the same dictionary defines the word *well-known* to mean:

'Known to many, widely or generally known.'

In addition, according to the author of the Third Edition of Roget's Thesaurus the words famous, notorious and well-known are synonyms or associated words.

The dictionary definitions of the words 'famous' and 'well-known' indicate a large degree of overlap. However, when used in relation to trade marks 'famous' and 'notorious' are often used interchangeably. In contrast, the word 'well-known' is often used to denote a mark which has less recognition amongst consumers.

As will be discussed later in this Chapter, the difference between famous marks, well-known marks and other marks is considered to be one of degree; that is, they represent different points on the spectrum of consumers' knowledge or recognition of various marks.

As one author put it, albeit using different terminology;

'... the big trademarks are distinguished in increasing order, as follows: reputed trademarks, famous trade marks and trademarks that can be called glorious ...'

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1Da Silva Carvalho, A., 'The Trade Mark of Exceptional Reputation or "de haute renommée" August 1990 *Trademark World* 26 quoting Mathély in *Le Droit Français des Signes Distinctifs* (citation not given).
Whilst all marks convey information to consumers with respect to such things as styling, fashionability, quality of raw materials, quality of workmanship, and the extent and type of after sales service, well-known and famous marks convey that information to a much wider audience than marks which are neither famous or well-known.

The characteristics of the goods or services in question are not determinative of fame, although they may assist a mark to become famous. What is generally accepted is that what is relevant is the degree of knowledge or recognition of the mark amongst consumers. The methods used to measure the level of consumers' knowledge or recognition of a mark vary however.

B. APPROACHES ADOPTED IN AUSTRALIA AND VARIOUS OVERSEAS COUNTRIES WITH RESPECT TO THE DEFINITION AND PROTECTION OF WELL-KNOWN AND FAMOUS MARKS

1. AUSTRALIA (including proposals for reform)

(a) Present Law

There is no definition of a 'famous' or 'notorious' mark in the Act and nor is there any definition of a 'well-known' mark in the Act.

However, the heading of Section 93 of the Act refers to 'Defensive Registration of well-known trade marks' and provides that where a mark:

'...registered in Part A of the Register, has been used to such an extent in relation to all or any of the goods or services in respect of which it is registered that use of the trade mark in relation to other goods or services would be likely to be taken as indicating a connection between those other goods or services and the registered proprietor, the trade mark may, upon the application of the registered proprietor of the trade mark, be registered as a defensive trade mark in Part D of the Register...' (emphasis added) in respect of all or any of those other goods even though
the Applicant does not use or propose to use the mark in relation to such goods.

It is clear that not all 'well-known' marks are registrable under the Section and the test of 'likelihood of indication of a connection' is not a definition of what a 'well-known' mark is because even if a mark is 'well-known' it may not be likely that consumers will make the required assumption. That is, that there is a connection between the registered proprietor and the other goods or services in question.

Rather, the test of 'likelihood of indication of a connection' merely points to one of the features of a well-known or famous mark. That is, such marks are more likely to give rise to the assumption, by consumers, of a connection between the original user and the new goods or services on which (or in relation to which) they are being (or are proposed to be) used.

However, the judgement of Evershed J. In The Matter of An Application By Ferodo Ltd\(^2\) (as he then was) (which considered the English version of Section 93 which is worded slightly differently\(^3\)) and the Australian Trade Mark Examiners' Manual, give some guidance in identifying well-known or famous marks.

Rather than conducting consumer surveys, the English and Australian approach has been to adopt a short hand method of determining the notoriety of a mark. If a mark is being used on goods or services

\(^2\)(1945) 62 RPC III at 123

\(^3\)Section 27(1) Trade Marks Act, 1938 (United Kingdom) which applies only to invented words that are so well-known that a connection in the course of trade between the registered proprietor and the goods in question would be assumed.
which have enjoyed a high level of sales throughout the jurisdiction in question over a relatively long period and have been widely advertised in many different types of media, then it is assumed by the Examiners and/or the Courts that consumers' knowledge and recognition of the mark will be high and hence the mark well-known or, in some cases, famous.

As was stated by Evershed J. *Ferodo's* case, the evidence of the Appellants themselves, which evidence consisted of details of:

'... the nature and extent of their business, the various kinds of goods manufactured by them in relation to which the mark has been registered and used, and the character and volume of advertisement of their goods and mark ... over a period of years ... the annual value of the Appellant's sales ... the average annual expenditure ... upon advertising ...'\(^4\) established the notoriety of the mark in question.

Evershed J. also stated that:

'...the production of a sheaf of affidavits sworn by members of the public ... would ... be of negligible value. Twenty-five such statements might appear impressive in weight of paper but would represent so slight a fraction of the whole population as to be no guide to popular opinion and no reliable measure of the notoriety of the mark.'\(^5\)

He left open the question of whether a properly conducted survey of consumers could be used as evidence of reputation and it has not been the practice in English or Australian jurisdictions to make use of such surveys for that purpose.

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\(^4\) *Supra.* note 2 of this Chapter

\(^5\) *Ibid.* at p.124
Those requirements are reflected in the Australian Trade Mark Examiners' Manual\(^6\) which requires evidence of the duration and amount of use of the mark in relation to specific goods or services, the areas in which the mark has been used and the type of advertising of the mark and the amount spent on such advertising.

Presumably therefore, there is an amount of use which will satisfy the Registrar that the mark enjoys a sufficient reputation to be classified as 'well-known' although no quantitative amount of use is specified. The amount of use sufficient to create a 'well-known' mark for the purpose of the Act will therefore vary over time and from Examiner to Examiner.

Thus, it is not possible to extract a useful definition of what a 'famous' or a 'well-known' mark is from the Act, the authorities or the Trade Mark Examiners' Manual.

(b) **Proposals for Reform**

The Report published by the Working Party in July 1992\(^7\) does not propose that a definition of famous or well-known marks be inserted into the Act. Rather, it has merely been recommended that Part D be retained for well-known marks and that the grounds for opposition and expungement be clarified. A wider test for infringement of well-known marks has also been recommended. This proposal will be discussed further in Chapter VII.

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\(^6\)At paragraph 7.13

\(^7\)Op. cit. at pps. 9-10, 53-56
In the absence of any proper survey of consumers, some practitioners have suggested that certain guidelines be introduced for use by Examiners and Courts to enable them to determine whether a particular trade mark had a 'high reputation'. In doing so however, they recognised that any consideration by a single individual would be based on that person's own subjective views which would necessarily be a less than perfect system due to the fact that no Examiner or Court could be perfectly informed or free from bias.

The guidelines suggested were similar to those referred to by Evershed J. in Ferodo's case and were in the form of criteria which ought to be considered in determining whether a particular mark was of high repute. Those criteria were:

(i) the degree to which the mark is known by a large range of socio economic groups in the community (that is, the mark cannot simply have a high reputation within a particular segment of the community or within a particular geographical area);

(ii) the range of goods or services in respect of which the mark is known in the jurisdiction;

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8Stern, S., Kewley, B. and Barker, M., in their reply to questions posed for consideration by the Executive Committee Meeting of A.I.P.P.I. in Barcelona in 1990. The suggested guidelines were substantially adapted by the Committee responsible for Australia’s reply to the questions posed: AIPPI - Annuaire 1990/IV - Réunion de Comité exécutif Barcelone - 1990 (September 30 - October 5, 1990) - Rapports des Groupes Q100 - Protection des marques notoires non enregistrées (Art 6 bis Convention Union de Paris) et protection des marques de haute renommée at 34.

9Supra, note 2 of this Chapter
(iii) the range of goods or services in respect of which the mark is used in the jurisdiction;

(iv) the number of countries in which the mark is used or known;

(v) the sales revenue or (in the case of goods) the number of units of the goods sold in the jurisdiction under or by reference to the mark;

(vi) the extent of advertising of the mark and the extent to which it was effective in bringing the mark to the attention of consumers; and

(vii) the period over which the mark has been used.

They also recommended that satisfaction of all of the above criteria should not be necessary in every case before the mark is considered to be one of high repute. Marks such as 'Cartier' and 'Dunhill' would probably satisfy all of the criteria whereas marks such as 'Rolls-Royce' and 'Ferrari' which they (subjectively) considered to be of high repute, might not.

The difficulty with the above criteria however is that they do not provide a clear definition of famous or well-known marks. They are at best, a short-hand method of determining whether a particular mark is likely to be of high repute.

In summary, there is no clear definition of famous or well-known marks in existing or proposed legislation in Australia.
2. INTERNATIONAL TREATIES

(a) **The Paris Convention** \(^{10}\) for the Protection of Industrial Property, Stockholm, 1967 ("the Paris Convention")

Australia, as one of the signatories to the Paris Convention, undertook to ensure that its legislation provides for the refusal or cancellation of registration, and for the prohibition of:

'... the use of a trade mark which is a reproduction, imitation or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods': Article 6 bis. \(^{11}\) (emphasis added).

The Article also provides that the protection is to be extended to the use of an essential part of the mark which is a reproduction of a well-known mark or an imitation liable to create confusion with such a mark.

Therefore, although the Paris Convention requires protection for well-known (and by implication, famous) marks, it is left to each Member state to determine the criteria to be used to determine whether a particular mark is well-known and there is no requirement that any additional protection be given in respect of services.

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\(^{11}\) Article 6 bis (1)
The purpose of the E.C. Directive was to harmonise, so far as is possible, the national trade mark laws of EEC Member States so as to remove unnecessary impediments to free trade between those States and impediments to competition within the EEC. The E.C. Directive was designed to be consistent with the Paris Convention and contains an Article which could be utilised by the owner of a well-known or famous mark.

This is Article 5(1) which requires that protection be given to registered marks in respect of the use of a mark which is identical or similar to such marks on goods or services which are the same as, or similar to, the goods or services in relation to which such marks are registered, in circumstances where such use would lead to confusion.

Article 5(2) goes even further and has even more importance for well-known and famous marks. It provides that Member States may provide protection to proprietors of marks from unauthorised use by others of identical or similar trade marks, on goods or services which are not similar to those for which the mark has been registered where the mark enjoys a reputation in the Member State in question and such use would take unfair advantage of, or be detrimental to, the distinctive character or repute of the mark.

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13 Ibid. at 2
14 Ibid. at 4
However, the E.C. Directive does not include a definition of a famous or well-known mark.

3. **FRANCE**

In order to comply with its obligations under the European Communities Council Directive of 21 December 1988, the French Government passed a new law on Trademarks and Service Marks\(^{15}\) which came into force on 28 December 1992.

Unfortunately, however, that law does not incorporate a definition of a famous or well-known mark but, provision is made in Section 4 (a)\(^{16}\) for the protection of well-known marks

'... within the meaning of Article 6 bis of the Paris Convention ...'.

The same reference back to the definition of a well-known mark contained in the Paris Convention was also made in the previous Statute of 1964.\(^{17}\)

Section 16 of the new Law provides that:

'Any person who uses a mark enjoying repute for goods or services that are not similar to those designated in the registration shall be liable under civil law if such use is likely to cause a prejudice to the owner of the mark or if such use constitutes unjustified exploitation of the mark.'

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\(^{15}\) Law No. 91-7 of January 4, 1991

\(^{16}\) *Ibid.* at Part 1, 'The Constituent Elements of Marks'

\(^{17}\) Law No. 64-1360 of December 31, 1964 as amended to Law No. 75-536 of June 30, 1975
4. GERMANY

According to Geert Wolfgang Seelig\textsuperscript{23} there is no express statutory recognition of famous marks in the Trade Marks Act\textsuperscript{24}, the Law against Unfair Competition\textsuperscript{25} or the German Civil Code.\textsuperscript{26} Rather, since the days of the Supreme Court of the German Reich a definition of, and protection for, famous marks has developed in the case law. The protection has been given to famous marks even when the infringing use has been on dissimilar goods and where there has been no risk of confusion. In Germany, confusion in the minds of the public will not be held to exist unless the businesses of the trade mark proprietor and infringer are sufficiently similar, that is, where there is a competitive relationship between the two. The case law relating to famous marks continues to be applied by the Federal High Court of Justice.

The requirements for establishing that a mark is famous in Germany are as follows:

(a) **Outstanding Reputation**

The mark must have an outstanding reputation. A normal reputation is not enough.

'...It is not sufficient that the mark is known only within a particular market - it must have become known outside the market

\textsuperscript{23} Protecting "Famous Brands" in Germany' [1989] 5 European Intellectual Property Review 158

\textsuperscript{24} 'Warenzeichengesetz'

\textsuperscript{25} 'Gesetz Gegen unlauteren Wettbewerb'

\textsuperscript{26} 'Bürgerliches Gesetzbuch'
for the original goods and indeed throughout the country, as the mark of a certain firm and its goods. This reputation is proved by evidence of public opinion research from institutes specialising in the subject, which personally interview about 2,000 people out of the whole adult population over the age of 16 in the Federal Republic of Germany...within the scope of a representative multi-subject opinion poll. The people to be questioned are found by random selection...Holders of well-known trade marks...conduct such trade surveys at regular intervals...In legal proceedings, trade investigations of this type are carried out as part of evidence gathering...

The minimum degree of knowledge of the mark that is necessary is also important, albeit not entirely clear.

It has been acknowledged that one hundred percent awareness cannot:

'...practically ever be achieved, because some purchasers have little or no interest in what is happening in the market or are not concerned about the identifiability of a product's origin. These purchasers can, according to the experience of opinion researchers, amount to about 20 per cent of people interviewed. Seventy to eighty per cent awareness is therefore generally adequate to acquire an outstanding reputation' 28

It has also been held that there is:

'...no justification for speaking about outstanding reputation where the degree of familiarity established...' does '...not "quite clearly lie, at least over 70 - 80 per cent - and preferably even higher"'. 29

In addition, it has been held that less than 50 per cent is clearly insufficient. 30

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27 Seelig, G.W., op. cit. at 159
(b) Non-recurrence

The mark cannot be used by another trader but must retain its 'independent status' as the mark of only one trader if it is to be considered famous.31

However if the mark is used by another trader in an isolated way in some 'special field of activity' it may still maintain its 'independent status'.32

(c) Originality

The '... description must be striking and distinctive...',33 and its distinguishing effect must extend to other types of goods. There must therefore be a certain amount of originality, and if there is not, the mark holder must accept a risk of dilution, determined by the nature of the mark chosen.34

(d) Esteem

The mark must have esteem in the public mind. However, this is not based on the quality of the goods themselves:

'...on the contrary, it is sufficient that the mark enjoys a general

31 Ibid., quoting the decision of Asbacher Landbrot, supra, note 28 of this Chapter
32 Ibid.
33 Ibid., quoting the decision of Krupferberg Baumach - Hefermehl, published in G.R.U.R. 1966
34 Ibid.
esteem by reason of the age, technical merit or size of the business'.

(e) **Real Risk of Damage**

The misuse of the famous mark must detrimentally affect its 'acquired competitive status':

'... The mere loss of "independent status" cannot alone be regarded as impairment; there must be consideration of all of the surrounding circumstances in relation to both the type and scale of the risk of impairment'.  

6. **UNITED KINGDOM ("UK") (including proposals for reform)**

(a) **Present Law**

The Trade Marks Act 1938 does not contain a definition of a well-known or famous mark. However, it does provide for the protection of well-known invented marks by way of defensive registration, and, as discussed above, whether a mark will be considered to be sufficiently well-known or famous to obtain registration is determined essentially by the extent of its use.

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37 *Supra.* note 3 of this Chapter
(b) **Proposals for Reform**

The White Paper on the Reform of Trade Marks Law published in September 1990[^38], which was intended to bring U.K. trade mark law into line with the E.C. Directive, does not recommend the addition of a definition of a well-known mark into the United Kingdom Act. Rather, it recommends abolishing defensive registrations altogether on the basis that they are inconsistent with Articles 10 and 12 of the E.C. Directive which deal with revocation for non-use for five years.[^39]

However, protection for well-known marks is not to be withdrawn. In fact, the White Paper recommends that the protection be wider, albeit that it take a different form. That is, well-known marks will, under the new law, gain greater protection via the wider definition given to infringing use and the greater protection given to both registered marks and unregistered well-known marks at the registration stage.

[^38]: Op. cit. The U.K. Parliament has until 31 December 1992 to pass legislation giving effect to the recommendations in the White Paper which are intended to bring U.K. trade mark law into line with the E.C. Directive. According to the editors of Intellectual Property Newsletter (Sept. 1991 at 3) the Secretary of State for Trade and Industry was asked in Parliament what plans he had for amending the Trade Marks Act 1938. He was said to have replied that the Government's proposals for updating the law on trade marks were set out in the White Paper published in September 1990. Mark Princely, an intellectual property solicitor practising at Rowen Maw in London, informed me in later September this year that although a draft Trade Marks Bill has been prepared, it was not referred to in the Queen's speech for this parliamentary session and hence it is unclear when it will be introduced.

[^39]: Reform of Trade Marks Law - A White Paper, op. cit. at 14, para 3.19. However, marks that are currently registered in Part D are to be protected from non-use provisions for five years after the passing of the new law.
Specifically, the changes recommended are as follows:

(a) **Wider test for infringement:**

The definition of trade mark infringement will be amended to encompass use of the mark in relation to similar goods and services in circumstances where '... there exists a likelihood of confusion on the part of the public.'\(^{40}\) This is in line with Article 5(1)(b) of the E.C. Directive.

In addition, the Section which defines an infringing use will be amended to prohibit use of an identical or similar mark in connection with goods or services which are not similar to those for which the mark is registered, where the reputation of the mark is such that the use of the mark would take unfair advantage of that reputation, or would be detrimental to that reputation or to the distinctive character of the trade mark. This accords with Article 5(2) of the E.C. Directive \(^{41}\) and could be expected to have particular application in relation to well-known and famous marks.

In fact, at least one commentator thought that this amendment would:

'... open the gate to actions for dilution somewhat similar to the current State law of many of the States of the United States.'\(^{42}\)

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\(^{40}\) *Ibid.* at 13 and 14, para. 3.16

\(^{41}\) *Ibid.* at 14, para. 3.19

(b) Increased protection for registered marks at the registration stage:

Where the use of a mark on similar goods or services to those with respect to which the identical or similar mark is registered, would lead to confusion on the part of the public, registration of the mark in respect of those similar goods and services will be denied. 43 This of course, is no different from the present system.

However, unlike the present system, it has been recommended that where the use of a mark on non similar goods or services to those with respect to which the identical or similar mark is registered, would take unfair advantage of the reputation of the registered mark, or would be detrimental to that reputation or to the distinctive character of the trade mark, the mark will not be registered in respect of those non similar goods.

This amendment is in line with Article 4(4)(a) of the E.C. Directive. 44 The latter amendment could also be expected to have particular relevance in relation to well-known and famous marks given their somewhat greater reputation.

43 Ibid. at para. 3.16
44 Ibid. at para. 3.19
(c) Increased protection for all unregistered marks at the registration stage:

The Section dealing with the grounds for registration will be amended to provide that confusion or deception will exist if the mark sought to be registered is:

'... identical or similar to an unregistered mark where the unregistered mark confers on its proprietor the right to prohibit unauthorised use'.

(d) Increased protection for well-known unregistered marks against unauthorised registration and use:

Protection for well-known marks '... within the meaning of Article 6 bis of the Paris Convention ... generally ... marks originating overseas which have become well-known in ...' the United Kingdom which have not been registered there, are to be protected under the new law. Even if such marks have not been used extensively, or at all, in the United Kingdom, the new law will prohibit the unauthorised registration or use of such marks provided the trade mark owner requests such action within five years.

Therefore, although well-known and famous marks are to continue to be protected, the exact width of the protection and the definition of such marks will be left to the case law, as before.

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45 Ibid. at 15, para. 3.21
46 Ibid. para. 3.22
47 Ibid.
7. United States of America ('America') (including proposals for reform)

(a) Present Law

Neither Section 43(a) of the Lanham Trademark Act 1946 48 nor the various State Anti-Dilution Statutes 49, such as the New York General

48 Section 43(a) provides that:
'Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation' (emphasis added)

49 Alabama, Ala. Code S. 8-12-17 (Supp. 1983);
California, Cal. Bus & Prof. Code S.14330 (West Supp. 1984);
Delaware, Del. Code Ann. tit. 6, S. 3313 (Supp. 1982);
Georgia, GA Code S. 106-115 (1984);
Idaho, Code S. 48-512 (1977);
Illinois, ILL. Rev. Stat. Ch.140, S 22 (Supp 1984);
Missouri, Mo. Ann. Stat. S. 417.061(1) (Vernon 1979);
Nebraska, Neb. Rev. Stat. S.87 - 122 (1981);
New Mexico, NM. Stat. Ann. S. 57-3-10 (1987);
New York, N.Y. Gen. Bus. Law S.368-d (McKinney 1984);
Business Law Section 368-d, contain a definition of a well-known or famous mark even though they have been used as a basis of protecting such marks. In addition, the case law does not generally use that terminology. Rather, the cases refer to the spectrum of distinctiveness of marks as being from strong marks, at one end of the spectrum, and weak marks at the other.

The courts in America have used the spectrum or continuum below to determine whether a particular mark is strong or weak.

<table>
<thead>
<tr>
<th>No Secondary Meaning Required</th>
<th>Secondary Meaning Required</th>
<th>No Trademark Significance</th>
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<tbody>
<tr>
<td>Arbitrary and Fanciful</td>
<td>Suggestive</td>
<td>Descriptive</td>
</tr>
<tr>
<td>(Inherently Distinctive)</td>
<td></td>
<td>Generic</td>
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</table>

(Footnote Continued)


50 That Section provides: 'Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services'.

51 McCarthy, J. T., Trademarks and Unfair Competition Vol. 1. (1973) at 346

52 Ibid. at 346 and 398
According to Professor McCarthy, the Courts have held that purely fanciful, coined marks are more likely to be classified as strong whereas descriptive marks are more likely to be classified as weak. Only descriptive marks which can be shown to have acquired a secondary meaning in the minds of purchasers will, by virtue of their use and promotion over a period of time, be classified as having gained the new status of a stronger mark.

Examples of weak marks given by McCarthy were Acme, National, Royal, Blue Ribbon, Gold Medal, Premium, Champion, Eureka, Ideal, Jewel, Premier and Star which he described as commonly used by many traders and as being highly suggestive. In contrast, examples of strong marks were Polaroid and Kodak.

However, quoting Judge Learned Hand, McCarthy states that '...the whole simplistic notion of a distinction between "strong" coined marks and "weak" descriptive marks...' ought to be rejected.

Three criteria, including the mark's inherent distinctiveness, were suggested by Thomas McCarthy for determining whether a particular mark ought to be classified as strong or weak namely:

53 Ibid. at 398 quoting primarily Tisch Hotels, Inc. v Americana Inn, Inc. (1965, CA7) 350 F2d 609 which actually set out a range of strength of marks.
54 Ibid. at 400-401
55 Ibid. at 401-402
56 Ibid. at 402
57 From his decision in Landes, Frary and Clark -v- Universal Cooler Corp. (1936, CA2) 85F2d 46
58 Ibid. at 401
'(1) If the mark requires secondary meaning, what is the strength of the evidence of consumer association? Is it overwhelming evidence or is it merely "just enough"?

(2) What is the inherent degree of suggestiveness or descriptiveness of the word or symbol? That is, where does it fall on the continuum of trademarks?

(3) How great is the amount of third party usage of the word as a mark or a descriptive term on similar goods, and perhaps even on totally non-related goods? It (sic) the mark distinctive in this sense?\(^59\)

In relation to the third criterion McCarthy said that 'The probative value of third-party usage of the mark on wholly unrelated products is quite small',\(^60\) as it '... may have little, if any, psychological effect upon buyers, and is therefore not a proper basis from which to infer that the mark must be "weak" or "non-distinctive"'.\(^61\) Even less helpful was proof of earlier registrations of the mark without proof of use.\(^62\)

The most important criterion was the first 'Everything hinges upon the mental association and recognition of the buyer ... The Fundamental factual issue of consumer association must first be seriously considered.'\(^63\)

In relation to proving 'the mental association and recognition of the buyer', it is important to note that survey evidence is commonly used in

\(^59\) *Ibid.* at 401

\(^60\) *Ibid.* at 403 quoting *Fleischmann Distilling Corp. -v- Maier Brewing Co.* (1963, CA9) 314 F2d 149 and various other cases.

\(^61\) *Ibid.* at 403


\(^63\) *Ibid.* at 403
America although, unlike the German Courts, no attempts have been made by the American Courts to require a particular quantitative amount of consumer recognition in order to establish the relative strength of the mark in question.

(b) Proposals for Reform

The U.S.T.A. Trade Mark Review Commission also considered the factors to be referred to when determining a particular mark's strength in its 1987 report. The Commission did not however refer to 'strong' marks but rather to 'well-known' and 'famous' marks.

It recommended that Section 43 of the Lanham Act be amended so as to incorporate a new sub-section (c) giving protection against dilution to 'famous' registered marks, even where there was no likely confusion, mistake or deception and no competition between the parties.

The Commission also recommended that 'famous' marks not be defined in the Lanham Act but rather that the courts consider fame on a case by case basis. That method, it was thought, would maintain flexibility. However, the Commission did set out some of the factors to which a court should have regard when determining fame which were similar to those set out by McCarthy. They were as follows:

'...
(a) the degree of inherent or acquired distinctiveness of the mark;
(b) the duration and its extent of use of the mark in connection with the goods and services;

64 See the discussion of the use of such evidence at Vol. 2 Chapter 32 paras. 32. 46-55 of McCarthy's book, op. cit.

65 Op. cit. at 458-461

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(c) the duration and extent of advertising and publicity of the mark;  
(d) the geographical extent of the trading area in which the mark is used;  
(e) the channels of trade for the goods or services with which the registrant's mark is used;  
(f) the degree of recognition of the registrant's mark in its and the other's trading areas and channels of trade;  
(g) the nature and extent of use of the fame or similar mark by third parties.66

Because of the flexible definition given to dilution by the Commission,67 it would be possible for a trade mark which was famous only at the industrial level, or only at the consumer level, to obtain protection.68 Also, it was envisaged by the Commission that a mark which was only famous with respect to a 'substantial portion' of the relevant purchasers of the goods or services in question rather than to a 'substantial majority' of those purchasers would be eligible for relief against dilution.69

The Commission also recommended that the method of proving the mark was known to the requisite number of purchasers throughout a substantial portion of the United States could be by inference from factors (a) to (e) and (g) above rather than by way of formal proof (presumably by way of survey evidence).70

Although the Commission's recommendations have not yet resulted in an amendment to the Lanham Act, the recently enacted anti-dilution statute

66Ibid. at 458 - 459  
67Ibid. at 459  
68Ibid. at 461  
69Ibid.  
70Ibid.
In Washington incorporates the list of factors above which are to be considered in determining whether a particular mark is famous. 71

The proposals for reform would therefore give even greater protection to famous marks in America than is conferred on those marks in Germany as it would be easier to prove 'fame' in America.

C. SUGGESTED WORKING DEFINITIONS

Whilst the laws and Conventions surveyed in this Chapter shy away from attempting any specific definition of well-known or famous marks, all of the laws and Conventions recognise the importance of the degree of consumer recognition of the mark in determining how a particular mark ought to be classified. In at least two of the countries, survey evidence together with other supporting evidence (essentially relating to the distinctiveness of the mark in question) are accepted indicators used to determine whether a particular mark is well-known or famous.

Accordingly, whilst recognising that it is difficult to construct the perfect definition, I suggest that the appropriate working definitions for 'well-known' and 'famous' marks be as follows:

1. **Well-known marks**

Well-known marks should be considered as being stronger than ordinary marks but weaker than famous marks.

71 Brownlee, L. M., 'Mead Data Central -v- Toyota And Other Contemporary Dilution Cases: High Noon For Trademark Law's Misfit Doctrine?' (July/August 1989) 79 The Trademark Reporter 471 at 475
Where it can be shown that:

(a) a mark is recognised by 60% to 75% of consumers by way of survey evidence gathered by sampling the views of a representative portion of the whole of the adult population, in the area in question; or

(b) a mark is either inherently distinctive or in fact distinctive due to the extent of its use, and the degree of such distinctiveness, estimated by reference to:

(i) the area in which the mark is used

(ii) the number and types of goods or services in relation to which the mark is used

(iii) the sales revenue from goods or services sold under or by reference to the mark

(iv) the type and cost of promotion or advertising of the mark

(v) the number of other traders who use the mark in relation to other goods or services or have registered the mark in relation to other goods and services

is so great that the use of the mark by another trader on or in relation to any other goods or services would lead some consumers to assume that the mark's owner and the unauthorised goods or services were associated in any way,
then the mark ought to be regarded as well-known

2. Famous Marks

Famous marks ought to be regarded as the strongest of all marks.

Where it can be shown that:

(a) a mark is recognised by 76% or more of consumers by way of survey evidence gathered by sampling the views of a representative portion of the whole of the adult population in the area in question, or

(b) a mark is either inherently distinctive or in fact distinctive due to the extent of its use, and the degree of such distinctiveness (estimated by reference to the factors referred to in (a)(ii) above) is so great that the unauthorised use of the mark on any other goods or services would be detrimental to the reputation of the mark or to the distinctive or unique character of the mark,

then the mark ought to be regarded as famous.

As I will discuss in Chapters III and VII, the degree of protection given to well-known and famous marks should be different; essentially in recognition of the greater asset value and economic importance of a famous mark as compared with a well-known mark.
CHAPTER III

POLICY CONSIDERATIONS

This Chapter will be concerned with the question of whether trade marks should be legally protected and whether well-known and famous trade marks should be given any specific protection. This will involve a consideration of whether well-known and famous marks ought to be exempted from two of the rules or requirements which apply in relation to ordinary marks namely:

1. the rule with respect to specificity of registration and protection, that is, trade marks are only registered and protected in relation to specific goods and services,

2. the rule requiring use of the mark, that is, a trade mark is liable to be expunged and may be used by another trader if the proprietor does not make sufficient use of the mark on, or in relation to, the specific goods and/or services in question.

It will also involve a consideration of what the appropriate justification or basis for the protection of well-known and famous marks should be. That is, should such protection be based solely on the need to protect a trade mark owners' proprietary rights or should it be based on the need to prevent consumer confusion?

It will be my contention that well-known ought to be exempted from the second rule and that and famous marks ought to be exempted from the above two rules. In addition, protection of such marks should be based primarily on the need to protect the trade mark owners' proprietary rights, because they are valuable productive assets. If well-known and famous trade marks are
misappropriated, the owners will be prevented from maximising profits and consumers will be prevented from making optimal choices. This in turn would reduce the overall level of economic welfare in society.

I will also argue that the authors who contend that such marks should not be given wider protection due to concerns about monopoly power, wasted resources and consumer deception are wrong.

Finally, I will argue that the authors who contend that such marks should not be given greater protection on the grounds that consumers are not misled or deceived by the misuse of those marks have ignored the economic function of such marks.

A. Economic Considerations

1. When trade marks are protected as private property, economic efficiency is enhanced

No study has been conducted in Australia with respect to the economic impact of trade marks like that conducted in relation to patents.¹

However, there is overseas material with respect to the topic, which, although theoretical in nature, may be considered in order to determine whether the statement in the above heading is correct.

¹Economic Effects of the Australian Patent System, Department of Economics, University of Queensland, April 1982 - a study commissioned by the Intellectual Property Advisory Committee (I.P.A.C.)
To start with the basics. It is first necessary to understand the working of markets in our economy, what conditions are necessary for economic efficiency in such an economy and what economic function trade marks play in the operation of markets. We can then analyse the various overseas articles with respect to the economic impact of trade marks and the question of whether they do lead to economic efficiency and thus are worthy of protection.

The economic system operating in democratic, capitalist countries (such as Australia) may be described as one of contemporary capitalism. This differs from competitive capitalism in that some of the markets in the economic system are not purely competitive. That is, in some markets there are structural features which cause particular businesses and groups of employees (such as trade unions) to possess market power. Market power is evidenced by the ability to charge more than the competitive price. Obviously, market power is not a phenomenon which exists in a purely competitive economic system.²

In such a contemporary capitalist economic system there is some involvement by the State in economic affairs but private ownership of property predominates.³

Due to the problem of scarcity, that is, the resources required to produce goods and services are limited, it is not possible for an economic system to provide businesses and consumers with everything

³Op. cit. at 127

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they desire. Instead, it is necessary to allocate or distribute those scarce resources amongst competing businesses and consumers.

Ignoring State intervention, the way in which this allocation is achieved in a contemporary capitalist economic system, is by use of the price mechanism. That is, businesses indicate the prices at which they are prepared to sell particular quantities of goods and services and consumers indicate the prices at which they are prepared to purchase particular quantities of those goods and services until a point of equilibrium is achieved at which a price and quantity will be agreed. In the same way, when businesses seek to purchase resources such as raw materials or labour, they bargain with the suppliers of those resources using the price mechanism.

In making offers or bids, businesses and consumers are assumed to be motivated by self-interest: that is, businesses are assumed to be seeking to maximise profit from their sales and consumers are assumed to be seeking to maximise satisfaction from their purchases.

When businesses and consumers have achieved the maximisation of their profits and satisfaction respectively, and there are no externalities, the economic system is said to have allocated its scarce resources in the most efficient manner. Such a situation is described as pareto optimal.

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4 Ibid. at 43
5 Ibid. at 31. See also Hirshleifer, J., Price Theory And Applications (1988) (4th ed.) at 462 where the following definition of pareto optimality was given:

(Footnote Continued)
If such a solution is found, it is not possible to increase the social welfare of the community by changing the allocation of resources. If resources are allocated in a different way, the benefit to one economic unit (that is a business or consumer) will not equal or outweigh the detriment to another economic unit.

2. **How private property leads to allocative efficiency**

As stated above, in a contemporary capitalist economic system, private property predominates.

A private property system has been defined as one involving individuals having:

'... control over the use to which scarce resources (including ideas) can be put,...' which right '...is saleable or transferable. A private property right system requires the prior consent of "owners" before the property can be affected by others. The role of the body politic in this system is two-fold. Firstly, the government or courts must help decide which individuals possess what property rights and, therefore, who has the power to claim that his rights are affected by others. Secondly, property rights so assigned must be protected by the police power of the State or the owners must be allowed to protect property rights themselves'.

It is said that in a system where private property predominates allocative efficiency or pareto optimality is more easily achieved.

For example, it has been said that it is:

(Footnote Continued)

'One allocation of goods in an economy is said to be Pareto-preferred; in comparison with another, if in the first arrangement all parties concerned are at least as well off and one or more of the parties is actually better off.'


7 Ibid.
"...the standard proposition of economics..."\(^8\) that "...in the absence of exchange and police costs property rights will always be used where they assume their maximum value".\(^9\)

The explanation for this phenomenon is simple. A system which allows individuals to own property, to exclude others (often called free riders) from using such property without payment and to transfer the property to others who value it more highly, leads to the optimum use of resources.

This is because the owners of such property can keep for themselves whatever is produced from the property. This then gives them the incentive to develop and/or use the property and to incur costs for such things as labour and materials, so that the property produces maximum profits. As was stated by an eminent economist:

"The creation of exclusive..." property "... rights ... is a necessary condition for efficient resource use...".\(^10\)

Alternatively, property owners are able to sell the property to others who may value it more highly because they are able to make even more profit from such property. Through a succession of such sales:

"...resources are shifted to their most valuable uses and efficiency in the use of economic resources is thereby maximised".\(^11\)

To summarise, a private property system performs two functions necessary for the efficient allocation of resources.

\(^8\)Ibid. at 63

\(^9\)Ibid.


\(^11\)Ibid. at 29
First, it provides an incentive to use property in such a way that profit (and therefore wealth) is maximised, or, to put it another way, it provides an incentive to work and incur costs.

Secondly, it provides accurate information about the value of particular property which will indicate its most valuable alternative use. 12 It has been said that the valuation power of the institution of property is most effective when it is most private. 13 If the system of private property can exclude non purchasers from the use of that which others have purchased, 14 it is easier to determine how much such property is valued which then allows a more accurate allocation of scarce resources.

As another writer put it:

'Creating and protecting property rights which are exclusive rights, freely transferable, has the economic effect that the profit-maximizing owner of these rights behaves exactly in the manner which is best for the whole economy'. 15

However, the cost of excluding others (that is, the enforcement or police costs) must not outweigh the increase in the value of the property gained by having it privately owned. 16

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13 Ibid. at 19

14 Ibid. at 18

15 Lehmann, M., 'Property and Intellectual Property - Property Rights as Restrictions on Competition in Furtherance of Competition' (1/1989) 20 IIC 1 at 6

16 Demsetz, H., op. cit. at 19. See also Hirshleifer J., op. cit. at 482-483 where Coase's Theorem was discussed. Coase argues that markets will always lead to efficient allocation of resources where property rights are well defined. That is where all resources are appropriated to someone (legally belong to someone) and are perfectly and costlessly enforced. Economic inefficiency is not as a result of the existence of property rights but rather is a consequence of imperfections in their assignment or enforcement.
3. **How do trade marks fit into the private property system?**

The answer to this question involves the consideration of whether trade marks are 'private' or 'public' goods.

The public good character of intellectual property (of which trade marks are, of course, a subset) has often been referred to.  

As was explained above, the ability to accurately value the alternative uses of property provided by a system of private property when applied to private goods leads to allocative efficiency.

However, such a system is also argued to produce greater allocative efficiency when applied to 'public goods' provided the additional information obtained from consumers with respect to their preferences is worth more than the exchange and police costs associated with the system.

Public goods are those goods which can:

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17 Ward, I.D.S., and Wright, J.C.G. *op. cit.* at 114 and Landes, W.M., and Posner, R.A., *op. cit.* at 267 and Lehman, M., *op. cit.* at 14 where he argued that concurrent use of patentable inventions and copyright works would not damage or reduce their economic exploitability. Thus, he said, they could be productively used by all without the disadvantage associated with protected goods, namely, the hindrance of others in their productive activity. He also said that intellectual property could be reproduced to any extent desired and be employed everywhere without causing deficiencies elsewhere.

18 Ibid. at 11 and 20
... confer benefits on additional persons without thereby reducing the benefits conferred on others' 19.

It is my contention that trade marks should not be characterised as public goods because their value depends on distinctiveness. The distinctiveness of a mark in turn requires that it is only used by its owner or his licensees. This view is also held by Landes and Posner who state that:

'A proper trademark is not a public good; it has social value only when used to designate a single brand.' 20

If others are allowed to use the trade mark without the owner's consent, the distinctiveness, and hence the intrinsic value of the mark, will be destroyed.

The owner of the mark will lose his sunk costs in developing the mark and the ability to make extra profits if free riders are allowed to use the mark.

In addition, the trade mark owner would also suffer the loss of the intrinsic value of the mark itself as a device which attracts custom.

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19 Ibid., at 19. See also Hirshleifer, J., op. cit., at 478-481 where it is explained that ordinary (or private) goods are those which are used exclusively (by those who pay for them) and public goods are those that can be used concurrently by many people without reducing the amount available to others and without increasing the cost of providing such goods. The classic example of a public good is a lighthouse. If one ship receives a signal others are not deprived from receiving signals also. However, it was pointed out that even with a lighthouse there are some costs of supply (that is, manning the lighthouse and purchasing receiving sets) and so it is not a 'pure' public good. It was also stated that many goods lie in the intermediate range of the spectrum between wholly private and wholly public.

20 Op. cit. at 274
Whether one characterises the nature of trade marks as 'public goods' or 'private goods' however, it is clear that protecting trade marks as private property should, with one proviso, lead to allocative efficiency.

The proviso mentioned above is that transfer (or exchange) costs as well as enforcement (or police) costs must not outweigh the increase in wealth achieved by protecting trade marks as private property.

As was explained by one writer in the context of a discussion on the economic impact of private property rights, without prices or royalties:

'... a certain amount of consumption was not taken into account economically, i.e. although a scarce resource was consumed, this was never explicitly expressed, so that the parties involved could neither notice nor evaluate this consumption process. But if members of the economy are able to compare the costs of their respective activities, as profit-maximisers they will behave according to the laws of price theory.'

Thus if public goods are treated as private goods allocative efficiency is improved because we then have better information about allocative alternatives.

In addition, treating trade marks as private goods leads to the encouragement of competition on a higher economic level.

Competition on a higher economic level was defined as that level of competition which provides sufficient incentive to initiate and maintain innovation in relation to production. Without private property rights,

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21 Lehman, M., op. cit. at 6-7
22 Ibid. at 12
sufficient incentive to incur the costs associated with innovation would not exist. 23

Thus it was stated that:

'At least from an economic point of view, the property rights theory confirms the necessity and utility of highly developed legal protection for intellectual and industrial property in a modern economic society 24.'

What then is the innovation encouraged by protecting trade marks? If businesses know that the money they spend on creating and advertising trade marks will be protected by the legal system they will be encouraged to develop novel and effective words. An example of such a word is the trade mark Exxon.

4. Why well-known or famous marks require greater legal protection in order to promote economic efficiency

It has been argued above that treating a productive asset such as a trade mark as private property, and protecting it as such, will lead to greater allocative efficiency.

The difficulty with most intellectual property, including trade marks, is that it is relatively easy to steal or misappropriate. One does not need to break into a factory in the dead of night in order to steal a trade mark, for example. All one needs to do is to observe the use of a trade mark by another trader and appropriate it.

In addition, there is a special problem in relation to well-known and famous marks. Free riders have a far greater incentive to make

23 ibid.
24 ibid. at 15
unauthorised use of such marks because they attract greater sales and therefore larger profits. This is particularly so where trade mark owners have engaged in 'image advertising' of the mark, that is, where they have used advertising to develop an association between the mark and a desirable status or social posture in the consumer's mind. In such a situation, some consumers will purchase the trade marked product regardless of the quality of that product, and such marks commonly become targets of unauthorised use on a wide variety of products and services.

Such unauthorised use results in the owner of the asset (that is the trade mark) being unable to maximise his profit from the asset.

This in turn, according to economic theory, will cause an inefficient allocation of resources.

As one writer put it, a competitive market ensures that scarce resources are not employed in an unprofitable way because profit maximisers will invest only as long as the marginal costs necessary to obtain a property right correspond to the economic marginal revenue which can be expected from that right. If intellectual property rights had not been created in the 19th century "intellectual theft" would have remained an externality, since copyright piracy and imitation were practically cost free, and intellectual and industrial property was therefore not used to

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26 Ibid.

27 Ibid. at 489
its optimal economic potential. Therefore, if one wishes that particular goods are economically employed as efficiently as possible in a competitive market economy, property rights should be created for these goods which should be turned over to someone who will economically maximise profits.

Accordingly because of the relative ease of stealing or misappropriating intellectual property such as trade marks, and the greater incentive to steal or misappropriate well-known or famous trade marks, greater legal protection is needed to ensure that such marks retain their private property status which is in turn required to achieve allocative efficiency.

In order for there to be no incentive for profit maximising firms to misappropriate such marks, the monetary penalties must be greater than or equal to the profit obtained from such misappropriation. Thus, there should be a graduating level of monetary penalties which depend on the value of the profit gained from the sale or supply of goods or services using such marks. Put simply, the disincentive should equal or outweigh the incentive. The effectiveness of such an approach is supported by a study conducted in the United States in 1973 where it was observed that the crime rate tended to be lower, the more effective the punishment, thus suggesting that criminals are economically rational.

28 Lehmann, M., *op. cit.* at 10
29 *Ibid.* at 11
30 Hirshleifer, J., *op. cit.* at 11, Example 1.5
5. The use of trade marks by businesses also assists in achieving allocative efficiency because trade marks provide valuable information to consumers which not only facilitates consumer sovereignty but also promotes an overall maintenance and/or improvement in the quality of goods and services.

It is an assumption of economic theory that consumers will bid comparatively higher prices for the goods and services that will most increase their level of satisfaction and comparatively lower prices for those that will least increase their level of satisfaction.

Because businesses will want to maximise profit, they will be encouraged by such bids to produce the goods and services that consumers most want. In this way, scarce resources will be directed towards the production of what consumers want to purchase rather than to what businesses want to sell. This is known as consumer sovereignty. 31

However, before a contemporary capitalist system can achieve the pareto optimal solution, there needs to be optimal generation of information with respect to the alternative goods and services available. 32 Trade marks facilitate consumer sovereignty (and hence allocative efficiency) by improving the information available to consumers.

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31 Ward, I.D.S. and Wright, J.C.G., op. cit. at 55
32 Ibid. at 101 and Hirshleifer, J., op. cit. at 403-404, 407 and 421. See especially Example 13.4. Perfect information is not necessary. Instead, the market for information needs to be competitive in that there are no artificial impediments which prevent access to information at a competitive price. The imperfections could be due to the activities of the State or due to the existence of market power, for example, as in a market in which there is only one seller.
In a report by the Economic Council of Canada on intellectual and industrial property it was said that:

'To the degree that trade marks add to buyer information by indicating the manufacturer or seller who "vouches for" a product, they open the way to more efficient purchasing decisions. The risk of unsatisfactory purchases is reduced, and expenditures of any given amount are likely to yield greater satisfaction. The time spent in searching for satisfactory products may also be reduced, time that must be regarded as a hidden, but nevertheless real, economic cost.

The improvement in market information provided by trademark information effects spending patterns. These, in turn, affect the subsequent composition of output. This improvement in information also may increase the value of final output. Even without an increase in available productive resources, the value of final output will be greater than it otherwise would be if consumers wants and the pattern of output are more closely matched. It is this improvement in decision-making as fewer wasteful and disappointing expenditures are made ... improvement ultimately reflected in improvements in the composition of output ... which is the basic economic argument for a strong and effective trade mark system' 33.

As businesses and consumers become more distanced from each other, the role of the trade mark in providing information to consumers increases.

As one writer recently put it:

'In a world which has ceased to trade face-to-face - a complex and impersonal marketplace - might not a mark become the only medium "through which the benefits that flow from [the manufacturer's] good repute can be realised"? A trade mark is therefore a "creative silent salesman through which direct contact between the owner of the mark and the consumer is obtained and maintained".' 34


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What sort of information is provided to consumer's by marks and what sorts of marks are most valued by consumers?

It is trite to say that the information which is provided by trade marks concerns the characteristics of goods and services and/or their source. 35 The product characteristics might be:

'...the category to which the goods belong, their function, their mode of operation or use, their ingredients or qualities, and their effects' 36

The information may be transferred either directly or indirectly37.

Information is conveyed directly by trade marks by virtue of their natural meaning or descriptiveness whereas information is conveyed indirectly by trade marks because purchasers are able to link the trade marked goods with previous purchasing experiences. 38 For example, a mark such as 'Prego Plus Veal and Mushroom' provides direct information about the ingredients of the product. 39 However, a mark such as 'Kodak' provides no direct information about the cameras on which it is used because it has no natural meaning. The mark does however provide considerable indirect information. Purchasers have, on the basis of their past consumption or otherwise, learned to associate 'Kodak' with certain quality and performance characteristics of cameras. 40

35 Naresh, S., 'Incontestability and Rights in Descriptive Trade Marks' [1986] The University of Chicago Law Review 953 at 957
36 Ibid. at 959
37 Ibid.
38 Ibid.
39 Ibid.
40 Ibid. at 960
S. Naresh argues that there is an inverse relationship between the capacity of a mark to convey direct and indirect information. The more descriptive the mark, it is argued, the less likely it is that purchasers will only associate it with a small range of products coming from a single source and therefore associate it with specific information from which strong inferences can be drawn. Conversely, Naresh argues that, the greater a mark's distinctiveness, the more likely it is that purchasers will only associate it with a small range of products coming from a single source and therefore associate it with specific information from which strong inferences can be drawn 41.

It is important to understand the types of information conveyed by a mark, that is direct and indirect, if one is to understand how different types of marks are used by businesses and consumers. Economic theory posits that sellers convey the information that buyers demand and buyers demand the most reliable information 42. Buyers are more likely to find direct, descriptive information more unreliable than indirect information and therefore only seek direct information when they can independently verify its truth 43. Accordingly, distinctive marks are more valuable to consumers because they require less independent verification. Because of their extra value to consumers, distinctive marks should be protected from a loss of distinctiveness.

41 Ibid. at 961
43 Ibid. at 963
Once the information value of a trade mark from a consumer's point of view is understood it is possible to see how businesses respond to consumer's reliance on marks which in turn leads to further consumer benefit.

The benefit of a trade mark to a consumer has been described as analogous to that of designating individuals by last as well as first names. 44

However, before that benefit can be realised the trade mark cannot be duplicated. Allowing more than one trader to use the same trade mark in respect of the same goods would destroy the benefit of the mark in identifying a product made by a specific trader. 45

Assuming that trade marks are not duplicated and therefore perform their function in reducing consumer search costs, economic theory posits that a business which produces products under a trade mark will maintain consistent quality over time. If a trade mark is protected from duplication by other traders, this will encourage expenditure on quality. 46

If the trade marked goods do exhibit consistent quality over time the consumer can then say to himself:

'I need not investigate the attributes of the brand I am about to


45 Ibid.

46 Ibid.
purchase because the trademark is a short hand way of telling me that the attributes are the same as that of the brand I enjoyed earlier'.

Trade marks are only valuable to consumers if they denote consistent information about quality over time and therefore a business has an incentive to develop a trade mark only if it is able to maintain such quality. Where quality is not maintained consumers will not be able to rely on the trade mark as a guarantee that their future consumption experiences will be the same as their past consumption experiences of the trade marked product. Hence, they will be unwilling to pay more for the trade marked product than for the product without a trade mark. This in turn means that the business will not earn a sufficient return on the monies expended to advertise the trade mark to justify continued expenditure on advertising. Conversely, a business with a valuable trade mark may be reluctant to lower the quality of its trade marked products because it would suffer a capital loss on its investment in advertising the trade mark. If a business does not have an exclusive right to use its own trade mark a competitor producing a lower quality product might attempt to free ride marks in the hope that consumers would be mislead into believing that the products are the same. Such activity would make it more costly for consumers to distinguish between high quality and low quality products and would lower the incentive for a business to incur the added cost of producing the higher quality product. Therefore, the average quality of the goods and services

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47 Ibid.
available on the market would be lower than with legally enforceable trade marks.\textsuperscript{49}

According to economic theory, the stronger a business' trade mark, the greater will be the price per unit of quality and therefore the higher the quality of the business' product. Also, the higher the quality is, the greater will be the benefits of strengthening the trade mark. If a trade mark is strong, the business' investment in advertising the trade mark will be greater. The result being that trade mark protection facilitates the production of higher quality products.\textsuperscript{50}

6. \textbf{Counterfeiting}

In a paper concerning the economic effects of counterfeiting of 'snob' goods\textsuperscript{51} (that is, goods in which the value of the trade mark is not to assure quality but rather to demonstrate that the consumer has certain preferences or a certain level of income), Higgins and Rubin concluded that if consumers did not expect counterfeits to be sold, the sale of counterfeits would reduce consumer welfare.\textsuperscript{52}

In contrast, they argued that where some counterfeiting was expected by consumers and there were some consumers who could not afford to purchase genuine goods (and were therefore better off when counterfeits were available), the only effect would be to reduce the value of the

\textsuperscript{49}Ibid. at 280

\textsuperscript{50}Ibid. 14

\textsuperscript{51}Higgins, R.S., and Rubin, P.H., \textit{op. cit.} at 230

\textsuperscript{52}Ibid.
counterfeited trade marks. If the legal system gives a higher priority to the maximisation of consumer satisfaction than it does to the maximisation of profit by trade mark owners, then those owners will be restricted in their ability to maximise the profit earned from the use of their trade marks.

Accordingly, if consumers are better off because of the availability of counterfeits but trade mark owners are worse off, allowing counterfeiting is not pareto optimal. That is, it is not consistent with the economically efficient allocation of resources because although some consumers are better off, trade mark owners are worse off.

7. Businesses view trade marks as valuable productive assets in their own right which, if not adequately protected, will result in a significant loss.

As well as the justification given by economic theory for the protection of trade marks as private property, it is useful to look at how businesses classify trade marks and what importance is given to them.

A practice has developed amongst businessmen and accountants of treating trade marks as assets which are separate from goodwill and, to value trade marks and include them as non-tangible assets on the balance sheet.

53 Ibid.
54 Ibid.
The Australian Accounting Research Foundation issued an Exposure Draft No. 49 in August 1989 in which it was suggested that goodwill and trade marks (or brand names) be given separate accounting treatment. 55

'Goodwill' was defined in the Exposure Draft as the future benefits from 'Unidentifiable Assets' whereas 'Identifiable' 'Intangible Assets' were defined as those assets which are capable of being both individually identified and specifically brought into account including brand names and trade marks.

In addition, the importance, asset value and techniques for valuing trade marks has been the subject of several recent journal articles 56, reports published by accounting firms and firms which specialise in the creation and valuation of trade marks 57 and newspaper and magazine articles 58.

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55. Ibid. Goodwill continuing to be dealt with under the Statement of Accounting Standards AAS18 "Accounting for Goodwill", and Approved Accounting Standard ASRB1013 'Accounting for Goodwill', and trade marks being treated as identifiable intangible assets under the new standard proposed in the Exposure Draft. The policy behind valuing trade marks and incorporating them into balance sheets as a separate item was to provide balance sheet users with a more complete presentation of the financial position of the reporting entity in question. That is, the policy was to increase the information available to investors and lenders which in turn enabled them to make better decisions. The Exposure Draft was withdrawn in February 1992 in order to allow the Accounting Standards Review Board an opportunity to incorporate any internationally published Exposure Draft. The topic is currently being debated by accountants at an international level, particularly with respect of the appropriate methods to be adopted for the valuation of such intangible assets and the issue of whether their balance sheet value should be amortised over time (many practitioners argue that as their value does not necessarily reduce over time, they should not be amortised).


The authors of those articles confirm the prevailing notion in the marketplace that trade marks are separable from goodwill and cite in support of that contention the fact that many well-known brands (such as Foster's Lager and Pierre Cardin) have been licensed and franchised around the world and others, such as Tetley, Billy Tea, Clayton's, Sunbeam, Daffodil and Spreadwell (which are all Australian trade marks) have been sold. 59

They also note that managers and those who deal with companies, such as shareholders and financiers, benefit from the separate valuation of trade marks because of the extra information it gives them about the real worth of the assets of the company. 60

Of course, trade marks are not new assets. However, the idea of valuing them separately and recording them on the balance sheet is relatively new. 61

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(Footnote Continued)


59 Hall, J. op. cit. at 13 and Ferris, P. & Hall, J. op. cit.

60 Op. cit. at 31

61 The practice of valuing trade marks and showing them as a separate
Because of the separate accounting treatment being given to trade marks, shareholders and financiers are becoming increasingly aware of the high relative value of trade marks. For example, Coca-Cola is said to have a recorded book value of $US25 million (although it has been estimated to be worth $US4-$US6 billion), Marlborough is said to be worth $US10 billion and Rank Hovis McDougall valued its trade marks (such as Mr Kipling, Saxa and Mothers Pride) at £678 million. 62

Arthur Young’s initial report 63 on the issue of brand valuation noted that although separate valuation and reporting of trade marks was not universal amongst Australian companies (37 of the top 150 Australian companies incorporated some amount for ‘brand names or intellectual property’) the trend was growing, and would continue to do so as companies realised the advantages. 64

(Footnote Continued)

asset on the balance sheet became fashionable in the 1980’s when corporate takeovers were common. The practice increased net asset backing and shareholders funds whilst reducing gearing ratios (that is the ratio of debt to equity) which defending directors hoped would make it more costly for acquiring companies to buy shares in target companies. However, it is doubtful whether this in fact happened as information regarding the value of a business’ trade marks and other intellectual property ought to be reflected in its share price. Increasing the value of a company’s assets by incorporating a value for trade marks can also make it easier for companies to obtain additional loan funds because the apparent security available to a lender is greater.

62 Shoebridge, N., op. cit. in which it is stated that some of the Australian companies which are dependent on their brands are Pacific Brands (with marks such as Chesty Bond, Red Robin, Grosby, Dunlop and Slazenger) and Carlton and United Breweries (with brands such as Fosters and Bundaberg rum).


64 Ibid. at 26. In particular, Nestlé is said to have paid more than five times Roundtree’s book value to gain control of various brands such as Kit-Kat, Quality Street and After Eight. Also, RJR Nabisco was attractive as a target company because of some of its well established breakfast cereal brands. See also Shoebridge, N., op. cit in which it is stated that the Australian companies
The high prices paid in the mega mergers of the 1980's were partly attributable to the desire to obtain the 'strong' trade marks owned by the target companies. 65 The 'brand driven' take-overs in 1988, for example, were said to include those of RJR Nabisco, Roundtree Pty Ltd, Pillsbury and Kraft Inc. 66

Why would companies be willing to pay so much for well-known or famous marks?

It must be recognised that at least part of the incredibly high prices paid in the take-overs referred to above is to be attributed to the over inflated price of most assets in the 1980's. Even after the stock market crash in 1987, it took some time for asset values to subside to a more realistic value. However, it must also be recognised that part of the reason for the high prices was the fact that the investors appreciated the advantages of acquiring well-known or famous trade marks, especially in consumer products industries.

First, it is recognised that such trade marks attract greater sales and therefore profit. 67 The techniques of valuing trade marks 68 implicitly

(Footnote Continued)
which have valued their trade marks and included them in financial reports are News Corporation, Mayne Nickless, Quintex, Palmer Corporation and Sunbeam/Victor.

65 Smith, G.V., op. cit at 160
66 Shoebridge, N., op. cit
67 Hall, J., op. cit. at 14
68 Ferris, P. and Hall, J. op. cit.
recognise that well-known and famous marks are more valuable than other marks; marks are given a higher value if their expected benefit, in the form of a royalty or notional royalty stream, premium profits or profitability is high. Well-known and famous marks of course attract higher royalties and/or profits.

Secondly, because well-known and famous marks attract greater sales, economies of scale in production can be more readily achieved. 69 This is important to any producer in any country. However, it is even more important to an Australian producer and to the Australian economy, because of our relatively low level of domestic demand. The relatively low level of domestic demand is of course, a function of our relatively small population and our inability, thus far, to increase exports sufficiently to overcome this demographic disadvantage.

In addition, many investors realise that there are numerous advantages to buying an established and well-known or famous mark compared with creating one from scratch. It is said that the increase in marketing and distribution costs make it more difficult to develop a brand name and that product parity in many industries has made it hard to maintain a clear physical or functional advantage thereby making the product's brand more important. 70 It has even been claimed that new brands are

69 Ibid.
70 Shoebridge, N., op. cit.
a dying breed (at least in the United States of America) and that this is one reason why established brands are becoming stronger, although this has been widely disputed on the grounds that new technology and new products require new brands and that consumers demand a wide range of brands as well as 'fresh' brands.

Trade marks (and indeed other intellectual property rights) are assuming greater importance to businesses compared with other productive assets such as plant, machinery and raw products. In fact, in some cases a business's well-known or famous marks make up the greater proportion of the business's assets by value. Accordingly, they are immensely important to shareholders and financiers.

As was recognised by the authors of the White Paper on 'Reform of Trade Mark Law':

'Companies, particularly those which sell goods or services direct to the public regard their trade marks ... as being among their most valuable assets. It is important therefore for a trading nation ... to have a legal framework for the protection of trade marks which fully serves the needs of industry and commerce'.

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72 'Are New Brands Dead? The Name Creators Reply' (Oct. 1989) *Trademark World*, 16

73 *The Arthur Young Report on Brand Valuations*, op. cit. at 9 where it was said that Rank Hovis McDougall's largest single asset was its brands.

74 *Supra*. note 2 of Chapter I

75 Ibid. at 1

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8. **Summary of economic considerations**

The conclusions that can be drawn from the above discussion are as follows:

(a) Economic theory posits that if assets, including trade marks are protected as private property, allocative efficiency will be enhanced by the profit maximising activities of businesses.

(b) Well-known and famous marks require greater protection because of the ease with which all trade marks can be misappropriated and the extra incentive to misappropriate well-known and famous trade marks.

(c) Economic theory also posits that if trade marks are protected as private property the information value of trade marks will be maintained thereby enhancing consumer sovereignty and encouraging businesses to maintain and/or improve quality standards.

(d) Well-known and famous marks have greater information value; they provide information with respect to goods and services to a larger number of consumers and they do not require the same verification as other marks. However, if they are not adequately protected and free riders are allowed to misappropriate such marks, their information value will reduce and/or producers will not be encouraged to maintain quality standards.

(e) Counterfeiting has been shown to lead to a reduction of the value of trade marks and a less than efficient allocation of resources.
(f) The legal system should therefore, from an economic viewpoint, aim to give greater protection to well-known and famous marks on the basis that they are valuable and productive private property.

(g) Such protection should be provided in the most cost effective way in order to ensure that the enforcement or police costs do not outweigh the economic benefits associated with increased protection.

(h) The above is in accordance with the view taken by businesses of the importance of trade marks generally, and of well-known and famous marks in particular.

B. Legal Considerations

1. Such valuable property should be protected on the same basis as other property is protected and the form and width of such protection should be determined by its nature. In particular it should include adequate protection against counterfeiting, dilution and misappropriation.

(a) Protection should be based on the need to protect private property

Allowing counterfeits to be sold (or well-known or famous marks to be diluted or misappropriated) is the economic equivalent of allowing shoplifting or allowing anyone to come onto, for example, a privately owned wheat farm and steal the farmer's wheat or even use his land to produce their own wheat. Of course the shoplifter/crop thief is better off but the shopkeeper/farmer is worse off.
Just as the legal protection afforded to the shopkeeper/farmer does not depend on anything other than the existence of private property rights, so too should the legal protection afforded to the owners of well-known or famous trade marks depend only on their proprietary rights. The lack of consumer confusion and the fact that some poorer consumers or other traders might be better off ought not to be reasons for denying protection to such trade marks. Trade marks law is not concerned with income or asset re-distribution and, I submit, should be primarily based on traders' proprietary rights rather than consumer' rights (or the rights of consumers to be protected from confusion).

It has been argued above that economists and businessmen view trade marks as forms of private property which should be protected as such. However, it is also useful to analyse how lawyers' have approached the problem.

After concluding that trade marks were property, Schechter, in his book on the history of the law of trade marks, 76 argued that as the owner of a trade mark spent large sums of money on ensuring that consumers recognised his mark as a guarantee of the 'excellence of the quality of his products' he should receive the same protection in relation to such expenditure as he did for his investment in plant and materials. 77

For my part, I find it difficult to see how anyone could disagree with him.

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76 Schechter, F.I., The Historical Foundations of the Law Relating to Trade-Marks (1925)
77 Ibid. at 171
However, Professor Kaufman argues that trade marks are not property or even quasi-property.

He relied on an article written by Vanzetti in support of his conclusion that two American authors Schechter and Callmann, were wrong when they suggested that the modern development in trade marks law in Europe was to protect marks as economic assets and to recognise that trade mark owners had an 'absolute right' to protect 'the goodwill in the property of the mark'.

He preferred Vanzetti's view which was that most of the Common Market countries did not recognise the property right nature of trade marks but preferred the idea that trade marks were only an 'instrument' to prevent consumer confusion in instances where a mark was used on similar goods.

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78 An Associate Professor of Competition Law at Erasmus University in Rotterdam


80 Vanzetti, A., 'Funktion Und Rechtsnatur der Marke', (1965) GRUR Int.

81 Schechter, F.I., 'The Rational Basis of Trade Mark Protection' op. cit.


83 Kaufman, P.J., op. cit. at 152
Kaufman also argued that both the English and American Courts protected trade marks purely in order to prevent fraud and refused to recognise the rights of trade mark owners.  

However, it would appear that Vanzetti had a somewhat old fashioned view of the function of trade marks as he thought that they were accessory goods which could not be separated from the products to which they were affixed. He also thought that the function of a trade mark was not to distinguish the person of the producer but to distinguish the products as to source.

However, trade marks were initially treated as personal property in the Equity Courts in the 19th century.

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84 Ibid. at 157-158
85 Ibid. at 155
86 Ibid.
87 Motley -v- Downman (1837) 3 Myl. and Cr.1 at 14; Millington -v- Fox (1838) 3 Myl. and Cr.338 where the Lord Cahncellor, Lord Cotteham held that Equity would injunction a trade mark infringer even where the infringer had no intent to defraud and was in fact ingnorant of the plaintiff's mark. He said, at 352, that:

'...there was sufficient in the case to show that the Plaintiff's had a title to the trade marks in question; and they undoubtedly had a right to the assistance of a Court of Equity to enforce that title.... That circumstance however, does not deprive the Plaintiff of the exclusive use of those names...';

Farina -v- Silvercock (1856) 39 Eng. L. and Eq. R. 514 at 516; Edelsten -v- Edeisen (1863) 1 De G. J. and S. 124, 199-200; 46 ER 72 per Lord Westbury L.C. where he said that:

'...this Court will act on the principal of protecting property alone, and it is not necessary for the injunction to prove fraud in the defendant...';

Hall v Burrows (1863) 4 De G. & J. 150;

(Footnote Continued)
At Common Law however, the courts were more concerned with preventing the fraudulent use by one trader of another trader's mark on his goods and therefore the action was analogised as an action for deceit. 88

(Footnote Continued)

and Leather Cloth Co. Ltd -v- American Leather Cloth Co. Ltd (1863) 4 De G J & S 137; 46 ER 868 per Lord Westbury L.C., at 142 where it was said that:

'...if the plaintiff has an exclusive right so to use any particular mark ... it becomes his property ... and the act of the defendant...' that is, in using the plaintiff's mark on his own goods '...is a violation of such a right of property ... I cannot therefore assent to the dictum that there is no property in a trade mark ... the jurisdiction of the court in the protection given to trade marks rests upon property, and ... the court interferes by injunction, because that is the only mode by which property of this description can be effectually protected.' (emphasis added).

However, see Waldlow, C., The Law of Passing Off (1990) at 15-18, paras. 1.07 - 1.08 where he states that Lord Westbury's view that trade marks were property was controversial and later fell from favour. However, after 1875 when the Trade-Marks Registration Act was passed in the United Kingdom, registered trade marks were treated as property whereas unregistered trade marks were treated as part of goodwill and not as forms of property in their own right.

88 Singleton -v- Bolton (1783) 3 Doug.293 where Lord Mansfield said that:

'...if the Defendants had sold a medicine of his own under the Plaintiff's name or mark, it would be fraud for which action would lie.,'

Sykes -v- Sykes (1824) 3 B.C. 541; Crawshay -v- Thompson (1842) 4 Man. + G.357; Leather Cloth Co. Ltd. -v- American Leather Cloth Co. Ltd. supra. note 87 of this Chapter where Lord Westbury, L.C., said, at 139-140:

'At law, the remedy for the piracy of a trade mark is by an action on the case in the nature of a writ of deceit. This remedy is founded on fraud, and originally it seems that an action was given not only to the trader whose mark has been pirated but also to the buyer in the market if he had been induced by the fraud to buy goods of an inferior quality'; and Spalding v Gamage, infra. note 92 of this Chapter.

(Footnote Continued)
Confusion subsequently arose as to the proper basis for protecting trade marks and as to whether they were correctly classified as property rights. Some Common Law courts insisted that it was settled law that trade marks were not property, whilst others recognised that the Common Law's insistence on basing relief at Common Law solely on deceit as opposed to protection of the plaintiff's property rights had gradually reversed. Further, some judges in the Equity courts doubted whether trade marks were property.

Common law trade marks (that is, non-registered trade marks) were viewed by the courts as being non-severable from the goodwill of the business of which they were the embodiment, and it was the goodwill of the business rather than the trade mark which was protected in a

(Footnote Continued)

89 Redaway -v- Bannam [1986] A.C. 199; 13 RPC 218

90 London, General Omnibus Co. -v- Lavell [1899] 70 L.J. Ch 17 where Vaughan Williams, L.J., said, at 20:

'These actions which in their origin undoubtedly are actions of deceit, actions based upon an allegation of deceit by the defendants, have in course of time come to be treated very much as actions brought against defendants for having trenched upon the private rights of the plaintiffs'.

91 Perry Truefit [1842] 6 Beav.66 at 73. In that case Lord Langdale, the Master of the Rolls, said:

'...this does not seem to me that a man can acquire a property merely in a name or mark; but whether he has or has not a property in the name or mark, I have no doubt that another person has not a right to use that name or mark for the purposes of deception, and in order to attract to himself that course of trade or that custom, which, without that improper act, would have flowed to the person who first used, or was alone in the habit of using the particular name or mark'.
passing-off action. It would therefore seem that Kaufman is not entirely correct.

What then is the position in Australia?

It has been said that categorising trade marks as a right of property is difficult because they lack some of the indicia of other forms of personal property, for example, rights in trade marks are acquired through use and may be lost or abandoned through non-use. In addition, because of the requirement of distinctiveness, they can be lost when they become generic. However, it has also been said that it is a non-sequitur to say that a trade mark is anything other than a proprietary right, and the High Court in Attorney-General for New

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92 Spalding -v- Gamage (1915) 84 L.J. 449; 32 R.P.C. 273: Angelides -v- James Stedman Henderson Sweets Ltd (1927) 40 C.L.R. 43 per Isaacs J. at 60-61 where he said that the law in relation to actions for passing off had been established in Spalding -v- Gamage and was that:

'The suit or action "passing off"... is really a proceeding for false representation by the Defendant that his goods are the plaintiff's goods, whereby the plaintiff's right of property in his ... goodwill has been invaded. If the plaintiff's right is rested on a common law trade mark, the right exists only if and so long as the mark is distinctive of his goods in the eyes of the public, or a class of the public. The representation must be shown to be false, but in equity not necessarily fraudulent, since it is the plaintiff's property that is to be protected. At common law the remedy is sometimes called an action for deceit. But at even at common law that statement is not accurate, the only resemblance to an action for deceit being that the representation, besides being false, must be fraudulent'.


94 Meagher, R.P., Gummow, W.M.C., and Lehane, J.R.F. Equity - Doctrines and Remedies (1975) 463, para. 2126 where the authors argue strongly in favour of classifying intellectual property such as 'registered trade marks' and 'goodwill' as being in the nature of proprietary rights because they can be assigned and inherited.
South Wales -v- Brewery Employees Union of N.S.W. 95 referred to trade marks being in the nature of property. In order to settle the matter in Australia once and for all, The Trade Marks Working Party has recommended that a section be incorporated into the Act which provides '...trade marks are personal property...'. 96

Why is there a reluctance to classify trade marks as private property?

In 1925, Professor Schechter in his book on the history of the law of trade marks 97, commented on the apparent confusion in both the courts of England and America 98 over whether trade marks were in the nature of property rights and hence what the proper basis of protection was.

He thought that the courts in both countries were reluctant to classify trade marks as property and to protect them as such for several reasons including the fact that:

(a) they were not economically significant prior to the middle of the 19th Century, that is, when producers and consumers were still relatively close. 99

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95 (1908) 6 C.L.R. 469. See especially Griffith C.J. at 512-513 where he said that a trade mark was a particular kind of incorporeal or industrial property.

96 Recommended Changes To The Australian Trade Marks Legislation - op. cit. at 3, 37 - 38


98 Ibid. at 153

99 Ibid at 129
(b) the courts feared monopolies of any sort, 100

(c) the courts' refusal to acknowledge the changing role of trade marks from that of indicating source or origin to that of guaranteeing consistent quality, 101 and

(d) the courts' inability to keep pace with the changing concepts of property. 102

He concluded that, according to the modern definition of property, namely a right having a monetary value which will be legally protected, rights in or pertaining to trade marks may be classified as property. 103

(b) **Lack of consumer confusion should be irrelevant**

Writers, both in Australia 104 and overseas 105 have argued that:

(i) trade marks are not property, and

(ii) protecting trade marks where there is no consumer confusion is going too far.

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100 *Ibid.* at 141 and 158

101 *Ibid.* at 150

102 *Ibid.* at 156

103 *Ibid.* at 171

104 Stuckey-Claire, J., 'Current Proposals for Reform of the Trade Marks Act' a paper presented on 12.11.91 at the Faculty of Law at the University of Sydney.

105 Kaufman, P.J., *op. cit.* at 153-161
I have already commented on Kaufman's argument that trade marks are not recognised as property and that the focus of English, American and Common Market countries has been on the protection of competition 'through preventing confusion of consumers'. Suffice it to say, an analysis of the English cases (on which American and Australian trade mark law is based) reveals that he is not entirely correct, at least in so far as the courts in Equity were concerned.

However, some Australian writers continue to stress the importance of protection on the basis of preventing consumer confusion rather than on the basis of protecting property rights.

For example, Jennifer Stuckey - Clarke, commenting on an article written by Professor Pendleton in which he emphasises that trade marks are valuable property, stated that:

'... the law cannot turn its back upon history so radically. The public interest in preventing consumer deception and in facilitating informed consumer choice lies at the heart of Anglo-Australian trade mark law ... The test for infringement turns upon the existence of ... deception.'

She relies on comments made by Brennan and McHugh J.J. in N.S.W. Dairy Corporation - v- Murray Goulburn Co-Operative Company Ltd

106 Ibid. at 160
107 Pendleton, M.D., 'Balancing access to badges of consumer recognition with the prevention of cashing in on others' investments - the dilemma of the registrability of trade marks' a paper also presented on 12.11.91 at the Faculty of Law at the University of Sydney.
108 Stuckey-Clarke, J., op. cit. at 5
109 (1990) 97 ALR 73 at 93 and 121

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in support of her contention. Brennan J. stated that the Act:

'... strikes a balance between the public interest in avoiding deception or confusion and the private interests of the person entitled to use the trade mark.'\textsuperscript{110}

McHugh J. stated that:

'... while the Act has the purpose of protecting the public by indicating the origin or nature of goods or services, it also has the purpose of protecting the valuable rights which a proprietor acquires in relation to a trade mark'.\textsuperscript{111}

However, both judges were concerned with the construction of Section 28 of the Act in the context of a dispute between rival traders over the use of an ordinary mark on very similar goods. They did not consider the question of the misuse of well-known or famous marks where there was no consumer confusion or the 'appropriate balance' to be struck in such a situation.

In such a case, the balance should, I submit, be tilted in favour of the trade mark owner and, it is interesting to note that McHugh J. thought that after registration, the interest of traders were preferred to the interests of consumers in being protected from the use of marks which were likely to deceive or confuse.\textsuperscript{112}

After referring to the undesirable monopoly in language granted to trade mark owners Stuckey-Clarke states that:

\textsuperscript{110} Ibid. at 93
\textsuperscript{111} Ibid. at 116
\textsuperscript{112} Ibid.
'Ownership of a trade mark gives an owner significant intimidatory power as we all know.'\textsuperscript{113}

However, she appears to be over stating the case somewhat. Whilst the owners' of trade marks, and particularly the owners of well-known and famous trade marks, achieve a considerable commercial advantage over their competitors, that advantage is achieved because of their own efforts in advertising their marks and ensuring consistent quality. Moreover, as will be discussed in the next section, the argument that trade mark owners obtain monopolistic rights (in the economic rather than legal sense of that term) has now been discredited.

Perhaps because her comments do not take into account the economic literature on the topic, she goes on to argue that Australia does not need a dilution action:

'... because all a trade mark owner ought to be considered to get on registration is a monopoly which he will and should lose if he fails to exploit it in a successful commercial manner and if he fails to protect his mark from infringement in the courts. Healthy competition demands that trade marks not be treated as indefeasible property rights'.\textsuperscript{114}

Whilst I agree that the type of protection ought to depend on the trade mark owner's successful commercial exploitation of his mark (and hence the degree of notoriety or fame of the mark) I do not agree that all trade marks should not be treated as indefeasible property rights.

\textsuperscript{113}Stuckey-Clarke, J. \textit{op. cit.} at 5-6

\textsuperscript{114}Ibid. at 7
Stuckey-Clarke's argument appears to have been based on comments in the judgement of McHugh J. in the *N.S.W. Dairy Corporation* case where he said:

'... the registered proprietor of a mark which is consistently infringed by the assiduous efforts of an infringer is, to some extent, also guilty of blameworthy conduct. Registered proprietors have a duty to be vigilant in protecting their rights.'

Whilst I would not quarrel with what McHugh J. had to say, from an economic viewpoint, it would be better if the Act did not require the owners of well-known or famous trade marks to waste so many resources on enforcement costs.

As will be discussed in Chapters IV - VI, where there is no registration of the mark with respect to the specific goods or services in question (which is even required under Part D of the Act) and where there is no use or reputation in the mark with respect to those specific goods or services, even the most vigilant and deep pocketed owner is powerless to stop the damage to his valuable property.

Perhaps part of the confusion in this area stems from the fact that trade mark law is often considered together with laws which were intended to have a consumer focus such as Section 52 and 53 Trade Practices Act.

For example, Stuckey-Clark states that Australian 'unfair competition' law is strong because of the 'tension' between:

'... the policy of preventing consumer deception and of protecting

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115 Supra, note 111 of this Chapter

116 Ibid, at 122
a trader from the misappropriation of his goodwill by imitation of his mark'.

Likewise, R McLean in his recent article 118 on the subject of famous marks states that:

'The law in these areas aims to strike a balance between the monopoly rights of the owner and the rights of the other traders, including competitors of the owner, and the public'. 119

However, as was pointed out by Professor Pendleton, 120 historically, the system of registering trade marks was to protect traders not consumers, that is, registration was introduced in order to avoid the necessity of incurring the cost associated with proving reputation in the mark as required in order to succeed in an action for passing off. However, the test of infringement incorporated the concept of misrepresentation. That is, had the infringer's use mislead consumers? That in turn lead to an ascendancy of consumers' interests to the disadvantage of traders. The source or origin function of trade marks was emphasised in that the information value of a mark to consumers was recognised whilst the asset value or property value of a mark to traders was not.

Pendleton went on to argue, I think very persuasively, that the Trade Practices Act (and its state equivalents such as the Victorian Fair Trading Act) adequately protect consumers from misrepresentations and

117 Ibid. at 7
118 McLean, R.G., 'Australia: Crazy About Famous marks?' (28 Nov. 1991) IP Asia 2
119 Ibid. at 5
120 Pendleton, M.D., op. cit.
confusion and that the Act ought only be concerned with traders' interests and should ignore consumers' interests.

Of course, this is not exactly a new idea. Schechter argued along similar lines in 1925 when he said, in relation to America, that:

'From the standpoint of the public interest itself, there is perhaps no longer a need for regarding deception of the public as one of the bases for trade-mark protection. A large number of Federal and State Statutes for the repression of misbranding and other forms of commercial charlatantry may now be invoked, ... for the protection of the public interest'.

Of course, where there is consumer confusion, there is no clash between the policy objectives of protecting traders and consumers; both sets of interests require that the infringing use cease.

However, in some cases there is no consumer confusion.

As Higgins and Rubin pointed out on their article on counterfeiting 'snob' goods, there are some instances where consumers are not confused, deceived or mislead in relation to the origin of such goods but merely require that the 'article appears genuine to an outside observer'.

The example cited was a study of the purchasers of fake 'Rolex' watches in which it was found that no one who bought the replica thought that they were buying genuine Rolexes.

\[\text{\textsuperscript{121}}\text{Schechter, F.I., Historical Foundations of the Law Relating to Trade-Marks, op. cit. at 164-165}\]

\[\text{\textsuperscript{122}}\text{Higgins, R.S., and Rubin, P.H., op. cit}\]

\[\text{\textsuperscript{123}}\text{Ibid. at 212}\]

\[\text{\textsuperscript{124}}\text{Ibid.}\]
This was also referred to by Professor Pendleton when he stated that:

'Good quality, cheap counterfeit Rolex, Gucci, Andemar Piaget and the like now have to be sought out in Itaewon, Seoul or Zhongshan, China having virtually disappeared from Singapore and Hong Kong. The tourists are vocally disappointed, this being one of the main categories of complaint to the Hong Kong Tourist Association in 1984.'

Why should it be that consumers' interests are elevated to such an extent that the law allows such consumers to misrepresent their assets as being those with 'snob' appeal whilst failing to protect the legitimate interests of the traders who sell such products?

As Pendleton pointed out there is a need to reassess the primacy of interests in this particular area of intellectual property in favour of the proprietor over and above competitors and consumers.

In addition, as was pointed out by Lord Westbury, L.C.;

'Imposition on the public is indeed necessary for the plaintiff's title, but in this way only, that it is a test of the invasion by the Defendant of the Plaintiff's right of property ...'

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125 Pendleton, M.D., op. cit. at 17 f.n. 9
126 Ibid. at 17
127 Hall -v- Burrows, supra, note 87 of this Chapter
(c) Appropriate form of protection for well-known and famous marks

Most people would agree that well-known and famous marks ought to be protected from counterfeiting. As will be discussed in Chapter V the Act provides for the imposition of fines in respect of counterfeiting. From an economic viewpoint, those fines should be imposed on both profit maximisers (businesses) and satisfaction maximisers (consumers) who trade in or purchase counterfeits. Further, such fines should be calculated so that they outweigh or equal the financial incentive or financial gain obtained as a result of such activity.

It is also my contention however, that such marks should also be protected from dilution and misappropriation because, without those forms of protection, their value will not be preserved.

It has long been argued in America and Germany that well-known and famous marks, are more valuable assets than ordinary marks and, by their nature, require greater protection.

It was recognised in America as early as 1927\(^{128}\) and in Germany in 1924\(^{129}\) that very distinctive trade marks were extremely valuable productive assets and that if they were used indiscriminately by a number of traders on different goods, their value would be 'diluted'.


\(^{129}\)The 'Odol' case reported in Wertheimer, 'Broadened Protection of Names and Trade-Marks in the German Law' (1925) 20 Trade Mark Bulletin (N.S.) 76 and relied on by Schechter in his article
As Schechter put it the value of the modern trade mark lies in its selling power which depends for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own uniqueness and singularity. Such uniqueness or singularity, he argued is vitiated or impaired by the use upon either related or non-related goods. He also argued that the degree of a marks protection should depend upon the extent to which, through the efforts or ingenuity of its owner, it is actually unique and different from other marks. 130

A German court had earlier recognised the above principle in the Odol case 131 and it was from that case that Schechter obtained the concept of 'dilution'.

The conclusion of the German court was that the complainant had the utmost interest in seeing that its mark was not diluted and that it would lose its selling power if everyone used it. It was also recognised that the mark's owner's ability to compete with other manufacturers would be impaired if the significance of its mark was lessened. 132

Schechter concluded that trade marks ought, by law, to be protected from such dilution but recommended that such protection only extend to purely arbitrary, coined or fanciful marks. 133 As he saw it, the real

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130 Schechter, F.I., 'The Rational Basis of Trademark Protection', op. cit. at 831
131 Supra. note 129 of this Chapter
132 Ibid.
133 Schechter, F.I., 'The Rational Basis of Trade Mark Protection', op. cit. at 832

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injury caused by misappropriation of such marks was the gradual whittling away of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. 134

He argued that the risk of such injury increased as the mark became more distinctive or unique. The more distinctive or unique the mark:

'...the deeper its impression upon the public consciousness, and the greater is its need for protection against vitiation or dissociation from the particular product in connection with which it is being used.' 135

It was also argued by Schechter that, apart from the question of dilution, once a mark came:

'...to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for "the natural expansion of his trade" to other lines or fields of expertise'. 136

He thought that much of the difficulty in persuading others of the correctness of the expansion of trade mark protection to include protection against dilution arose from the 'archaic notion' that the function of a trade mark was merely to indicate source or origin. It was due to the concentration on that doctrine, he said, that people perceived that the only injury from trade mark infringement was confusion with respect to source and the consequent diversion of custom. 137

However, as he pointed out, that perception ignored the fact that the creation and retention of custom, rather than the designation of source, was the primary purpose of the trade mark, and that the preservation of

134 Ibid. at 828
135 Ibid. at 825
136 Ibid.
137 Ibid. at 823
the uniqueness or individuality of the trade mark was of paramount importance to its owner. 138

The arguments propounded by Schechter received judicial approval in America shortly thereafter in the **Tiffany** case 139 and led to the introduction of state anti-dilution statues 140 which prevent use by one trader of anothers' mark where such use would damage the distinctive quality of the mark even where there is no confusion. 141

In addition, there has been widespread support for the introduction of such a provision in the Federal Lanham Act. 142

However, the anti-dilution provision was deleted from the proposed bill in the House-Senate Conference Committee and was never enacted. 143

The anti-dilution doctrine has received approval from many authors in America, 144 and the 'mainstream' of American practitioners, 145

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139 **Tiffany & Co. v- Tiffany Productions Inc.** (1932) 147 Misc. 679, 264 N.Y.S. 459 (Sup. Ct.) and see also **Stork Restaurants Inc. v- The Sahiti** (1948) 166 F. 2d 348 (9th Cir.), **Alfred Dunhill of London v- London Shirt Shop Inc.** (1929) 3 F. Supp. 487 (S.D.N.Y.) and **Bulova Watch Co. v-Stolzberg** (1947) 69 F. Supp. 543

140 *Supra*. note 49 of Chapter II

141 *Supra*. note 50 of Chapter II

142 'USTA TRADEMARKS REVIEW COMMISSION - Report and Recommendations on the United States Trademark System and the Lanham Act', *supra*. note 49 of Chapter II at 455

143 Welkowitz, D.S., *op. cit.* at 537

144 Callmann, R., 'Unfair Competition Without Competition?' (1947) 95 *University of Pasadena Law Review* 443; Pattishall, B.W., 'The Case for (Footnote Continued)
especially in its application to famous marks.

The arguments made in support of the provision of protection from dilution since Schecter's 1927 article are that:

(i) trade marks ought to be regarded as forms of property and their owners should be able to exclude or prevent unauthorised use; 146

(ii) dilution protection ought not to be restricted to 'celebrated' or famous marks as a mark may acquire sufficient distinctiveness (because of its uniqueness or its owner's advertising efforts) to warrant protection; 147

(Footnote Continued)

145 Welkowitz, D.S., op. cit. at 537; Bovasso, L.J., 'Dilution Laws In The United States' (Feb. 1988) Trademark World 40 at 44 and 'United States Trademark Association Trademark Review Commission Report And Recommendations To U.S.T.A. President and Board of Directors', op. cit. at 455-456 where it was concluded that:

'...the unseen but dynamic pull of a famous mark, the essence of many a successful business, should be accorded maximum legal protection...', and that such protection carried '... with it no apparent social or economic detriment.'

146 Callmann, R., 'Unfair Competition Without Competiton', op. cit. at 465

147 Callman, R., Unfair Competition, Trademarks and Monopolies, op. cit. at para 21.12
(iii) the provision of protection from dilution to 'celebrated' marks would not import patent or copyright principles into the law of trade marks; 148

(iv) coined or fanciful marks which possess enough 'advertising value' should also be afforded protection from dilution; 149

(v) the dilution concept based on a quasi-property right, simply recognises legally, a value which the commercial market place has recognised for generations; 150

(vi) a mark's 'commercial magnetism' value should be protected from dilution and there is no reason why such protection should be limited to coined, unique, fanciful, invented or ordinary marks; 151

(vii) dilution protection is appropriate because the media dominated, national market, mass merchandising economy, results in trade marks becoming enormously valuable and also vulnerable to the skills of artful poachers who seek to appropriate commercial

148 Derenberg, W.J., op. cit. at 451

149 Comment: 'Dilution: Trademark Infringement or Will-o'-The-Wisp?' op. cit. at 530


151 Ibid. at 629 based on the decision in Mishawaka Rubber and Woollen Manufacturing Co. v S.S. Kresge and Co. (1942) 316 U.S. 203
magnetism of such marks which cost the first user so much to acquire; 152

(viii) most marketing businessmen are more concerned with the damage caused by dilution than by traditional trade mark infringement; 153

(ix) granting protection from dilution would not, of itself, lead to businesses obtaining profits which their goods or services do not deserve because, if the quality the mark represents is perceived by purchasers as sub-standard, it is the mark that guarantees that a competitor's goods and/or services are more desirable; 154

(x) famous marks 'bond' a greater number of businesses and purchasers and, because of their more important role, should be afforded protection from dilution; 155 and

(xi) protection from dilution would ensure that marks continue their role of informing the consumer and that the owner is benefited or chastised depending on how well quality is maintained. 156

152 *Ibid.* at 630
153 *Ibid.* at 632
154 Getzoff, S.M., *op. cit.* at 21
155 *Ibid.* at 22
156 *Ibid.* at 24
In 1989 Brownlee, \textsuperscript{157} summed up the arguments for protection against dilution when she said:

'Property interests in trademarks have now been long recognised by the courts; consumer protection is no longer the primary function of trademarks. Not only do marks identify a product's origin, but truly distinctive marks actually sell the product. Natural to this growing role of trademarks is a development of trademark law to protect those expanded interests. It has long been recognised that famous marks should be accorded more protection than that provided by the traditional infringement remedies. Marks that exhibit "commercial magnetism" should be protected against junior uses on both competing and non-competing goods.' \textsuperscript{158}

However, there are still those who argue that the dilution concept goes too far, \textsuperscript{159} usually because of fears of trade mark owners obtaining monopoly profits by virtue of the selling power of their trade marks, \textsuperscript{160}

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\textsuperscript{157} Brownlee, L. M., \textit{op. cit.}
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\textsuperscript{158} \textit{Ibid.} at 507
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\textsuperscript{159} Middleton, G., 'Some Reflections on Dilution' (1952) 42 \textit{The Trademark Reporter} 175 at 179, Handler, M., 'Are the State Anti-Dilution Laws Compatible with the National Protection of Trademarks?' (1985) 75 \textit{The Trademark Reporter} 269, Welkowicz, D.S., \textit{op. cit.} and Hanson, M.B., and Walls, W.C., \textit{op. cit.}
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\textsuperscript{160} Akazaki, L., 'Source and Guarantee - A Critical Legal Study of Anglo-US Trademark Policy' (Oct. 1989) \textit{Trademark World} 40 at 42 where the author, an attorney in Toronto Canada, states:

'The private interests of the proprietors of a company are best served by factors replicating monopoly, and the distortions to the competitive market effected by trademarks can be seen as a product of such a factor'.

He then goes on to argue that the incremental profit made by the owners of the marks 'Pepsi' and 'Coke' over the less recognised brands and the inability of other brands to gain significant market shares indicated that:

'...the economic value of the trademarks may be described as the distortion of the free market toward monopoly...'.

monopolisation of language, wasted resources (on advertising and/or unwanted quality improvements) or consumer deception caused by well-known or famous trade marks being used on lower quality merchandise by their owners.

It is interesting to note that although three of the authors who have criticised the dilution concept recently namely Hanson and Walls, in 1990, and Welkowitz, in 1991, have repeated previous authors' concerns about trade mark owners being given too much market power, they all recommend that the courts provide protection against misappropriation on the basis of unjust enrichment.

Furthermore, Hanson and Walls recognise that some trade marks are no longer simply a symbol of goodwill in the products in relation to which they are used. Rather, because they have achieved a level of independence through image advertising they have goodwill in themselves, that is, they have a value in gross to the trade mark owner, which ought to be protected from misappropriation.

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161 Handler, M., op. cit. at 278. However, at 250 it can be seen that even Hanlder was not against providing for the protection of famous marks from dilution.

162 Landes, W.M., and Posner, R.A., op. cit. at 274 quoting arguments made by other economists

163 Akazaki, L., op. cit. at 44

164 Hanson, M.B., and Walls, W.C., op. cit.

165 Welkowitz, D.S., op. cit.

166 Hanson, M.B., and Walls, W.C. op. cit. at 494, 522 and 533 and Welkowitz, D.S., op. cit. at 546, 584 and 587

167 Hanson, M.B., and Walls, W.C., op. cit. at 490
They argue that misappropriation of the goodwill in the trade mark itself occurs where:

'... an unauthorised user uses a mark so as to benefit from the status or social image associations that the mark has developed without confusing consumers as to the source of the goods involved.'

In that way, they argue, the user 'appropriates the benefit' of the trade mark without infringing. Such 'free-riding' should be prohibited because it 'dilutes the effectiveness' of the mark in question and 'deprives the owner of control over the mark's development, ultimately leading to overuse and the destruction of the mark's value.'

What Schechter was saying in 1927 is, of course, fully supported by what businessmen and accountants have recently come to recognise. That is, that trade marks give a producer a 'reasonable expectation of future patronage' and that the legal system should prevent the 'destruction or impairment' of that expectancy because it is an asset of the business.

The critics of wider protection appear to be confused about the difference between legal and economic monopolies and, assuming that they are the same, conclude that giving trade mark owners legal monopolies is undesirable from an economic viewpoint.

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170 Schechter, F.I., *The Historical Foundations of the Law Relating to Trade-Marks*, op. cit. at 160-161

171 *Ibid.* at 171
Schechter recognised that the fear of monopolies was unjustified in 1927. As he then said:

'The owner of a distinctive mark or name invoking the protection of equity for it, obtains thereby no monopoly of goods or services, these may be freely sold on their own merits and under their own trade symbols. All that the plaintiff ... asks is the preservation of a valuable, though possibly anonymous link between him and his consumer, that has been created by his ingenuity and the merit of his wares or services.... So limited a "monopoly" as that cannot affect legitimate competition, and is of the very essence of any rational system of individual and exclusive trade symbols'. 172

That is, legal monopolies do not, of themselves, give their owners undesirable market power, or a monopoly in the economic sense.

In addition, the criticisms of wider protection must now be analysed in light of the fact that modern economists have debunked the common fears held by the critics. As W. Landes and R. Posner, economists at Chicago University put it, trade marks lower search costs and foster quality control rather than create social waste and consumer deception. They then rejected the hostile view of brand advertising. 173

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172 Schechter, F.I., 'The Rational Basis for Trademark Protection', op. cit. at 833


'Despite the heavy use of image advertising in product categories ranging from clothes-washing detergents to toothpaste, even the leading brands must use price promotion extensively to maintain market share. The strength of packaged-goods advertising lies in its ability to communicate images, and to associate them with brands, but these do not add enough value to command a higher price for one brand.'

He thought that image advertising only lead to increased prices where the consumers ego was involved, that is, for status symbol goods but only where such goods were really 'worthwhile' products.
They theorise that businesses with strong marks will command higher prices for their brands not because of any market power but because the search costs associated with their brand are lower. 174

In addition, they argue that a benefit of trade marks is that they provide businesses with an incentive to invent new words 175, rather than creating a monopoly in language. That is, if a producer wants to market a new brand effectively, he needs a distinctive name; unless he is trying to pass off his brand as someone else's. 176

Moreover, their analysis suggested that the universe from which trade marks are picked is very large; the distinctive yet pronounceable combinations of letters to form words that will serve as a suitable trade mark are as a practical matter infinite, implying a high degree of substitutability and hence a slight value in exchange. 177

Naturally, this would not be the case where exclusive rights were given to businesses with respect to descriptive words 178, but this is not what those who argue for greater protection from dilution and misappropriation contend for.

174 Ibid. at 277
175 Ibid. at 271
176 Ibid. at 273
177 Ibid. at 273 - 274. This was also noted by Schechter, F.I., in The Historical Foundations of The Law Relating to Trade-Marks, op. cit. at 159-160 where he said:

'...the dictionary is quite large enough to justify such limited monopolies'.

178 Ibid. at 276
It is my contention that the fears expressed by those authors who do not favour an expansion of protection for well-known and famous marks do not appreciate the true economic function of trademarks in general, and well-known and famous marks in particular.

2. **International Agreements**

Australia is a signatory to an international convention and will shortly sign an international agreement which impose (and will impose) certain obligations on it in relation to the protection of trade marks, namely:

(i) the Paris convention; 179

(ii) the Trade Related Aspects of Intellectual Property Rights ('TRIPS') Agreement. 180

Under Article 6 bis of the Paris Convention, which Australia signed on 10 October 1925, Australia is required to ensure that its law provides certain protection to the proprietor's of well-known marks. It is required to ensure that the law provides that:

'... at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trade mark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this convention and used for identical or similar goods' (emphasis added).

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179 *Supra*, note 10 of Chapter II

180 This will be a sub-agreement to the **GATT treaty** referred to in Chapter I
That provision is to apply where the essential part of the mark constitutes either a reproduction of a well-known mark or an imitation liable to create confusion with such a mark.\textsuperscript{181}

Australia is to allow a period of at least 5 years from the date of registration for the making of a request for cancellation \textsuperscript{182} but no such time limit is to apply where the mark was registered or used in bad faith.\textsuperscript{183}

As Derenberg pointed out in his 1956 article, \textsuperscript{184} the Paris Convention does not provide very wide protection to well-known or famous marks. The protection is limited because of the reference to confusion and the reference to identical or similar goods. No 'dilution' type protection is provided for.

Under the TRIPPS Agreement, which is supplemental to the Paris Convention, \textsuperscript{185} however, Article 6 bis is to be extended. It is to apply to services and, in determining whether a trade mark is well-known, account is:

'... to be taken of the knowledge of the trademark in the relevant sector of the public, including knowledge in that PARTY obtained as a result of the promotion of the trademark.'\textsuperscript{186}

\textsuperscript{181} Sub-sec (1)
\textsuperscript{182} Sub-sec. (2)
\textsuperscript{183} Sub-sec. (3)
\textsuperscript{184} Op. cit. at 483-488
\textsuperscript{185} Article 2 of the draft put forward on 20.12.91
\textsuperscript{186} Article 16 (2) of the same draft
In addition, some 'dilution' type protection is included. Use of a well-known mark on dissimilar goods and services is also to be prohibited where:

(i) such use would indicate a connection between those goods and services and the owner of the registered trademark, and

(ii) the interests of the trademark owner are likely to be damaged by such use. 187

Thus, whilst not providing full protection from 'dilution', well-known and famous marks are to have protection from use on dissimilar goods and services in certain circumstances.

C. Social Justice Considerations

Lord Evershed, M.R., in Ferodo's case, 188 thought that the argument that there was a strong moral case for justifying monopolistic rights in well-known marks had some force. 189

This view has been repeated by many writers. For example, Carvalho 190 argued that if a trade mark of exceptional reputation were used by another trader on dissimilar goods it would not be honest or fair because the trade mark owner would be likely to suffer dilution. 191

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187 Article 16(3) of the same draft
188 Supra. note 2 of Chapter II
189 Ibid. at 121
191 Ibid. at 28
In addition, Carney argued that:

'The highly integrated international commerce of the modern day world dictates that a more protective approach be adopted toward trademarks within a broader ambit of fairness and equity even though such efforts may carry us beyond what has been generally recognised in the past as that area within which a trademark right "ought" to be recognised.'

D. Summary of Policy Considerations

On the basis of the economic, legal and social justice considerations discussed in this Chapter, it is my contention that Australian trade marks law ought to give greater protection to well-known and famous marks than it does to ordinary marks.

That protection should include protection from counterfeiting of well-known and famous marks in the form of a graduating scale of penalties to ensure that the disincentive outweighs the incentive. The lack of consumer confusion and large losses inflicted on trade mark owners in such situations supports this approach.

The protection should also include protection from dilution, in the case of famous marks, which should not depend on consumer confusion.

In the case of well-known marks, the dilution protection should extend to use on similar or related goods and services and registration of the mark should not depend on use in relation to those similar or related goods and services. This would be in line with Article 5(1) of the E.C. Directive referred to in Chapter II.

193 Ibid. at 57 quoting McAuliffe, J.D., 'The Dilution Concept in International Trade' (1971) 61 The Trademark Reporter 76 1t 80 - 81
For famous marks however, dilution protection should extend to all goods and services, regardless of whether the owner has used them on all such goods and services in Australia where the 'infringers' use is of a type which dilutes or takes unfair advantage of such marks. This would be in line with Article 5(2) of the E.C. Directive discussed in Chapter II and is similar to the resolution of A.I.P.P.I. discussed in Chapter I.

Finally, the protection should include protection from misappropriation of famous overseas marks which should not depend on consumer confusion, or the lack thereof, in Australia.

The increased protection for well-known and famous marks ought to be expressed as based solely on the need to protect businesses property rights and/or the need to prevent unjust enrichment.

What then are the Australian laws which provide protection to well-known and famous marks? Do they, as McLean contends, comply with our international obligations already\(^{194}\) and, if so, is that adequate?

As will be discussed in Chapters IV-VI, Australian law prohibits counterfeiting but the criminal penalties currently provided for do not ensure that the disincentives outweigh the incentives.

\(^{194}\)McLean, R.G. *op. cit.* at 2
Also, there is some, albeit limited, provision for the protection from dilution in the form of defensive registration in Part D of the Trade Marks Register, opposition proceedings and expungement proceedings.

Finally, because of the courts' gradual recognition of the changes in communication, travel, licensing practices and the internationalisation of businesses, greater protection, in the form of minimal local use requirements, is being afforded to well-known and famous marks in the context of opposition and expungement proceedings as well as proceedings under the Trade Practices Act and the common law action of passing off. However, because some local reputation is required, consumer confusion remains part of the relevant test.
CHAPTER IV.

THE ADEQUACY OF DEFENSIVE REGISTRATION FOR THE PROTECTION OF WELL-KNOWN AND FAMOUS MARKS

The Act, as presently drafted, does not provide 'classic' dilution type protection to well-known or famous marks. The protection it does afford to such marks is by way of defensive registration in Part D of the Register of Trade Marks. Defensive registration does provide protection beyond the goods and services in respect of which an owner uses his mark but it incorporates a requirement of consumer knowledge or possible confusion. This Chapter will consider how effective defensive registration is in protecting well-known and famous marks.

A. HISTORY OF INTRODUCTION OF PROVISIONS TO PROTECT WELL-KNOWN MARKS

Defensive registration for well-known marks was introduced in Australia in 1955 when the Act was passed after the recommendations made in 1954 by the Dean Committee.¹ The provisions dealing with defensive registrations came into effect on 1st August 1958.

When compiling the Report the Committee had regard to the Report of the Goschen Committee², the British Trade Marks Act of 1938, the


² United Kingdom, Great Britain Departmental Committee on Law and Practice Relating to Trade Marks Report - (1934) - Cm.d. Paper No. 4568
American Lanham Trade Marks Act of 1946 and the Canadian Report on the revision of Trade Mark Law of 1953\(^3\).

The Goschen Committee, which was responsible for the introduction of defensive registration into the United Kingdom, concluded that it was reasonable and desirable that a trade mark owner obtain protection for his mark in classes in which he had no intention of using it where the mark had become identified with the owner to such an extent that the use of it on 'any goods' was likely to create the impression that there might be some connection between the goods and the owner. \(^4\)

It was an objective of the Dean Committee to harmonise, as far as possible, the English and Australian trade mark laws so as to gain the benefit of the wealth of English case law. \(^5\) However, some departures were necessary on account of local factors \(^6\) and, in the case of defensive registrations for well-known marks, several differences were recommended.

\(^3\) **Supra.** note 1 of this Chapter at 4

\(^4\) **Supra.** note 2 of this Chapter at 21-22

\(^5\) **Ibid.**

\(^6\) **Ibid.** where the Committee stated that the Commonwealth Parliament was somewhat more constrained than the English Parliament on account of two factors namely that it did not have the Constitutional power to pass laws with respect to passing off generally and that its power to make laws with respect to trade marks had to be interpreted in light of the meaning given to the term 'trade marks' at the date of the Constitution
The Committee accepted the view of the British Board of Trade Committee\textsuperscript{7} that there were certain marks, albeit rare, which were so widely known that that proprietors should not only be able to prevent use of those marks on the goods in respect of which they were registered but also in respect of other goods which were closely allied. This was due to the fact that use of the widely known mark on such closely allied goods would be likely to lead to confusion amongst consumers and hence detriment to the public and the owner of the mark.\textsuperscript{8}

Accordingly, the Committee recommended that provision be made for registration of widely known marks '... in respect of goods in connexion with which the mark is neither used or intended to be used'.\textsuperscript{9}

This was a major advantage over ordinary trade mark registration because such marks were always vulnerable to removal for non-use on the specific goods for which they had been registered\textsuperscript{10}.

Hence, prior to the introduction of defensive registration, proprietors of well-known or famous marks who wished to obtain what has been described as 'flank protection'\textsuperscript{11} (that is, the ability to prevent other traders from using the well-known or famous mark on allied goods) often registered their marks in respect of many different classes of goods but

\textsuperscript{7} Supra. note 2 of this Chapter
\textsuperscript{8} Supra. note 1 of this Chapter at 9
\textsuperscript{9} Ibid.
\textsuperscript{10} S. 23 of the Act
\textsuperscript{11} Stevens, T., 'Defensive Registration of Trade Marks' a paper presented to the Intellectual Property Law Workshop in Sydney on 5 and 6 September 1987 at 3.
had to accept the risk that applications could be made for the removal of those marks for non-use.

The marks were to be known as defensive trade marks but, unlike the English legislation which required such marks to be invented words, no such requirement was recommended for the Australian legislation. The Committee saw:

"... no reason why, for example, if, in relation to certain goods, the word "Lion" has become so well known that the use of that word upon allied goods not covered by the registration would be likely to cause deception or confusion, that mark should not be registered as a defensive mark".

The members of the Committee commented however that it might be more difficult to establish a right to registration in the case of a mark which is not an invented word.

The Committee stated that the provisions relating to defensive marks in England had not been used to the extent expected and that that was understood to be due partly to the limitation to invented words and partly to the restrictive effect of the decisions in *Re Ferodo* and *Re Veno*.

Therefore, the Committee recommended the liberalisation of the provisions in certain respects in order to make them of more practical value and

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12 *Supra*. note 1 of this Chapter at 9

13 *Ibid*.

14 *Ibid*. at 28. These decisions will be discussed later in this Chapter.

15 *Ibid*. 

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stated that the liberalisation could be effected without detriment to the public interest.\textsuperscript{16}

In addition to allowing defensive registration for non-invented words, other liberalisations were recommended namely that:

(a) trade marks other than well-known or famous marks should be permitted to be defensively registered provided the mark in question was 'used to such an extent' that the requisite connection would be assumed; and

(b) the connection required to be assumed between the infringing goods and the registered proprietor should merely be a 'connection' rather than a 'connection in the course of trade'\textsuperscript{17}.

In rejecting the submission that the test for infringement be widened for all trade marks so as to cover use of a registered mark by another without the proprietor's permission on goods other than the precise goods covered by the registration, the Committee stated that:

\textsuperscript{16}Ibid.

\textsuperscript{17}Trade Marks Act 1938 (Eng) S.27(1), provided essentially that:

'Where a trade mark consisting of an \textit{invented word or invented words} has become so \textit{well known} as respects any goods in respect of which it is registered and in relation to which it has been used that the use thereof in relation to other goods would be likely to be taken as indicating a \textit{connection in the course of trade} between those goods and a person entitled to use the trade mark in relation to the first-mentioned goods, then, notwithstanding that the proprietor registered in respect of the first-mentioned goods does not use or propose to use the trade mark in relation to those other goods, the trade mark may, on the application in the prescribed manner of the proprietor registered in respect of the first-mentioned goods, be registered in his name in respect of those other goods as a defensive trade mark'. (emphasis added)
'Considerable protection is afforded by the provisions of the Bill relating to defensive trade marks where the conditions specified are satisfied'.

The Committee acknowledged that use of a registered mark upon goods which are closely allied with those in respect of which the mark is registered could give rise to an action for passing off if there was a probability of deception, but declined to recommend the introduction of provisions to cover such cases other than in respect of defensive trade marks. That is, marks used to such an extent that a connection between the other goods and the registered proprietor was likely to be assumed.

Where the mark complained of was not identical but rather deceptively similar to the registered mark and the use was on closely allied goods, the Committee decided that the matter was better left to the law of passing off.

Two additional reasons given by the Committee for taking the approach it did in relation to the test for infringement were that:

(a) because registration, whilst conferring very valuable rights on the proprietor of a trade mark also limits the rights of other traders, it would be contrary to the express language of the grant made to a registered proprietor to extend his rights under the grant

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18 *Ibid.* at 13
to goods to which it does not upon its face extend;\textsuperscript{21} and

(b) the proposal would substantially increase the element of uncertainty in infringement actions and would render it very difficult for traders desiring to adopt trade marks to determine whether their use of a particular trade mark would be free from infringement of existing registrations.\textsuperscript{22}

Hence, all registrations, including defensive registrations were to be confined to the actual goods in respect of which registration was sought.\textsuperscript{23}

A further restriction was that defensive registration was required to be based on a subsisting registration in the new Part A of the Register. The Registrar was to be given the power to cancel a defensive registration if the Part A registration was not renewed or was cancelled\textsuperscript{24}.

Finally, the Registrar and any person aggrieved were to be empowered to apply to a Court for the cancellation of a defensive mark if the conditions for its registration could no longer be satisfied. That is,

\textsuperscript{21}\textit{Ibid.}

\textsuperscript{22}\textit{Ibid.} at 14

\textsuperscript{23}\textit{Ibid.} at 93 of the attached Bill, clause 93(1)

\textsuperscript{24}\textit{Ibid.} at 94, clause 94(1)
where a connexion between the infringing goods and the registered proprietor was no longer likely to be assumed. 25

B. REQUIREMENTS FOR DEFENSIVE REGISTRATION

The requirements for registration can be found in Section 93(1) of the Act, Regulation 7(7) of the Trade Marks Regulations ('the Regulations') the English and Australian cases which have been decided in relation to defensive registration and Chapter 7 of the Trade Mark Examiners' Manual which attempts to summarise the statutory and case law requirements.

1. Section 93(1)

As stated above, Section 93(1) of the Act does not require the mark to be well-known (even though its heading refers to well-known marks) but does require:

(a) the mark to be registered in Part A of the Register; and

(b) (i) the mark to have been used to such an extent in relation to the goods in respect of which it is registered in Part A that,

(ii) its use on other goods would be likely to induce an assumption, on the part of consumers, of a connection,

25Ibid. at 94, clause 95
between the registered proprietor and the other goods or services.

Thus, an element of consumer knowledge or confusion is required.

2. **Regulation 7(7)**

Regulation 7(7) of the Regulations merely requires an applicant for defensive registration to furnish evidence in support of the application.

3. **English Court Decisions**

As stated above, defensive registration in the United Kingdom is slightly different to that provided for in the Act. However, the English decisions concerning defensive registration have been applied in Australia and therefore it is appropriate to analyse them.

(c) **Ferodo's case**

Although he was at pains to point out that it is not the function of the Court to advise applicants on the evidence to be given in support of an application, nor to lay down rules applicable to all fact situations, Evershed J. attempted to give some guidance as to the evidence which should be provided in support of a Part D application.

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\(^{26}\) *Supra.* note 2 of Chapter II

\(^{27}\) *Ibid.* at 123
Ferodo's case concerned an application for defensive registration of the mark 'Ferodo' in respect of pharmaceutical substances and tobacco, smokers' articles and matches. The mark was registered in several classes but was principally used for brake linings and clutches.

Evershed J.'s comments on the evidence to be produced to support defensive registration were as follows:

(i) Evidence should be provided in relation to the nature and extent of the applicant's business, the goods manufactured by the applicant in relation to which the mark has been registered and used, the character and volume of advertising of the goods and mark over a period of years, the annual value of sales and the average annual expenditure on advertising in order to prove that the mark is known to the required extent.

The notoriety required does not need to involve knowledge of the identity of the registered proprietor but it does require knowledge of the kinds of goods to which the mark has been applied.

(ii) Evidence should also be obtained from persons in the trades affecting the classes of goods in respect of which defensive

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28 *Ibid.* at 120
29 *Ibid.* at 122
registration is sought\textsuperscript{31} in order to prove that the mark has not already been used and applied to any goods falling within those classes\textsuperscript{32}, the significance within those trades of the use of brand names\textsuperscript{33}, and what those persons would think, having regard to their own business experience,\textsuperscript{34} of the use of the mark on goods other than those emanating from the registered proprietor.\textsuperscript{35}

In relation to the types of goods in respect of which defensive registration could be sought, Evershed J. stated that such goods were not confined to goods of the same description as the goods in respect of which the mark has been registered and used\textsuperscript{36}, although obviously it would be easier to establish a claim for defensive registration in respect of a class of goods which were of the same description.\textsuperscript{37}

It was also obvious, he thought, that the nature of the goods on which the mark had been used was relevant. Generally, the more special in character those goods were and the more limited their market, the less likely would be the required inference.\textsuperscript{38}

\textsuperscript{31}\textit{Ibid.} at 123
\textsuperscript{32}\textit{Ibid.}
\textsuperscript{33}\textit{Ibid.}
\textsuperscript{34}\textit{Ibid.} at 124
\textsuperscript{35}These two different categories of evidence are referred to in the Trade Mark Examiners' Manual, para.7.13
\textsuperscript{36}\textit{Supra.} note 2 of Chapter II at 123
\textsuperscript{37}\textit{Ibid.}
\textsuperscript{38}\textit{Ibid.} at 121
Evershed J. did not agree that there were some trade marks, such as Kodak, which were so well-known in one particular field that their use by any person other than the proprietor in respect of any goods whatsoever would prima facie suggest an association. He thought that words do not become known without any significance or without appreciation of the things which they indicate, although it was possible that the better known the words become the more closely they are associated in the public mind with the class of articles to which they are applied. He then went on to give his much quoted example of the mark 'Spitfire', ordinarily used for aeroplanes and said that if it were used in respect of toothpaste he would not expect consumers to assume the required connection.

However, he said that if a mark were used in relation to a wide variety of goods required by the common man, an assumption of a connection would be more readily made when the mark was applied to other goods even of a very different kind. He then said that Kodak may well be an example of such a mark.

39 Ibid.
40 Ibid.
41 Ibid.
42 Ibid. at 122
43 Ibid.
44 Ibid.
45 Ibid.
46 Ibid.
(b) Vono's case

In Vono's case, the Assistant-Comptroller applied the principles enunciated in the Ferodo case but refined Evershed J.'s 'guidelines' when he accepted the opponent's contention that registration should be refused because the 'other goods' were not analogous to the goods covered by the applicant's registration. In fact, he held that registration should be refused because the 'other goods' in question were too dissimilar to the goods upon which the mark had been used by the applicants. However, on the facts, he accepted that the mark was notorious in relation to the goods in respect of which it had been registered and used.

Vono's case concerned an application for defensive registration of the mark Vono in respect of toilet preparations (not medicated), cosmetic preparations, essential oils and soaps. The mark had been registered and used in relation to furniture, bedding and wooden and metal articles for domestic use.

Dealing with the evidence of trade witnesses which had been submitted, the Assistant-Comptroller objected that they gave no reasons for their statements that they would infer the necessary connection. He then proceeded to substitute what he thought was 'common knowledge'.

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47 Vono Limited's Application (1949) 66 R.P.C. 305

48 Ibid. at 307. This requirement for the trade witnesses to give reasons for their belief is also referred to in the Trade Mark Examiners' Manual at para. 7.13

49 Ibid. at 307 - 308
namely that same word may be registered as a trade mark in respect of different descriptions of goods to different persons, and stated that it may be that these two particular declarants have an erroneous conception of the law. He concluded that unless reasons were given he could not give any weight to their evidence.

(c) Application of English Decisions in Australia

Both the Ferodo and Vono decisions related to applications for defensive registration in England. However, despite the differences between the English and Australian provisions which deal with defensive registrations, and the Dean Committee's recommendation that Australia follow a less restrictive path, the principles enunciated in both of the above cases have been incorporated into the Trade Mark Examiners' Manual and applied in Australia in an even more restrictive manner.

Trade Marks Office Decisions

To date there have been no Court decisions concerning Part D applications. However, there are two reported decisions of the then Assistant-Registrar in the early 1960's and a more recent, unreported decision of the present Assistant-Registrar in relation to such applications.

50 Ibid. at 308
51 Ibid.
(i) **Masslinn case**

In *Chicopee Manufacturing Corp's Application*,\(^{52}\) which concerned the trade mark Masslinn, the applicant was unsuccessful in obtaining defensive registration.

The Assistant-Registrar stated that the question was whether, in the light of the rather specialised use of the word "Masslinn"\(^{53}\) (that is, it was always used in conjunction with the mark Modess which was always more prominently displayed, on women's sanitary napkins) consumers would think that the goods referred to in the application would emanate from the applicant.\(^{54}\)

He then stated that the 'other goods' claimed were too wide, namely, 'women's' and girls clothing : but not including boots, shoes or slippers', and that the application should be refused in toto if any goods within the description were not qualified for defensive registration.\(^{55}\)

He also stated that, despite evidence from people in the trade to the contrary, he thought that the applicant's use of the word "Masslinn" might tend to make people think of a certain type of substance and that

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\(^{52}\) [1962] A.O.J.P. 489

\(^{53}\) *Ibid.* at 491

\(^{54}\) *Ibid.*

\(^{55}\) *Ibid.*
he was not prepared to find that consumers used the mark 'Masslinn' to identify the applicant's goods.56

At one point in his judgement he referred to the required connection as being between the maker of goods such as overcoats and the applicant's goods. At another point he referred to it as being between women's and girls' clothing and the applicant's goods.57

In addition, he stated that he preferred the views expressed in Ferodo's case and USO's case to the opinions in the 'stereotyped' declarations of the trade witnesses58. He was not satisfied that 'Masslinn' was a household word or that certain matters in the trade witnesses' evidence were of any assistance whatsoever59. He then rejected the applicant's contention that 'Masslinn' was an invented word saying it looked and sounded like a surname because 'Maslen', 'Maslin' and 'Masslin' were all surnames and therefore consumers would not always regard 'Masslinn' as an obviously invented word60.

The use of the mark in connection with another mark and his view that the mark was not invented seemed to greatly affect the Assistant-Registrar's assessment that the mark had insufficient notoriety and that a connection of the required type did not exist.

56 Ibid.
57 Ibid.
58 Ibid.
59 Ibid.
60 Ibid.
The criticisms that can be made of the Assistant-Registrar's decision are as follows:

- Section 93(1) merely requires an assumption of 'a connection' between the 'other goods or services' and the trade mark proprietor; it does not require that the assumed connection be that such goods or services emanated from the proprietor (the 'connection' assumed could be, for example, a licensing franchise agreement);

- he appears to have applied the reasoning in Ferodo's case and Vono's case without sufficient regard for the differences between the English and Australian legislation and appears to have treated Evershed J.'s 'guidelines' as strict 'requirements';

- he could have restricted the description of the goods in respect of which defensive registration was given rather than rejecting the application in toto because the assumed connection was not likely in respect of some of the goods in the application;

- the connection was variously referred to as that between the mark and the other goods and between the applicant's goods and the other goods, despite the fact that Section 93(1) refers to a connection between the other goods and the applicant;

- he should not have been so concerned with whether 'Masslinn' was or was not an invented word as Section 93(1) clearly does not require that it be so; what is relevant is whether it has been used 'to such an extent' that the required connection is likely to be assumed.
However, it must be said that, given the state of the evidence submitted, the decision to reject the application was probably correct.

It is interesting to note that the mark 'Masslinn' did obtain defensive registration in class 5 with respect to goods more closely allied to 'sanitary napkins' namely 'substances for personal use by females' such as preparations for use with respect to menstrual and menopausal pain; analgesics and sedatives; hygienic and sanitary preparations; material for bandaging; sanitary garments and disinfectants. The registration remains on the Register to this day.

(ii) **Bingo case**

This was another decision made by the Assistant-Registrar in the same year. It concerned an application by Bingo to register 'Bingo' as a defensive mark for 'meat, fish, poultry and game; meat extracts; preserved, dried and cooked fruits and vegetables, jellies, jams; eggs, milk and other dairy products; edible oils and fats; preserves, pickles; in class 29'.

The goods in respect of which the applicant had registered its mark in Part A included: 'Flavouring essences, jelly crystals, custard powders, honey, ready mixed puddings, lemon butter, disinfectants, insect and vermin repellants and destroyers and medicinal preparations including saline powders'.

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61 *Bingo Pty Limited's Application* [1962] A.O.J.P. 775

62 *Ibid.* at 776
However, the use of the mark 'Bingo' by the applicant was found to be restricted to Queensland, Victoria and New South Wales (with most use occurring in New South Wales)\textsuperscript{63} and the reputation in the mark was restricted to custard powder (including chocolate custard powder) and fruit jellies.\textsuperscript{64} Moreover, the period of user of the mark by the applicant was not included in the evidence\textsuperscript{65}.

The Assistant-Registrar held that the applicant could not rely on its registration of 'Bingo' in respect of a wide variety of foodstuffs unless it had also used the mark sufficiently for the purpose of a Part D registration\textsuperscript{66}.

Because of the restricted use of the trade mark he decided that he was not prepared to assume that it was well-known beyond the areas in which it had been used.\textsuperscript{67}

In relation to the types of marks which could be the subject of a defensive registration, he stated that whilst Section 93(1) did not require the word to be invented, an invented word like 'Kodak' was more likely to be capable of becoming more impressed upon the minds of the public as the mark of one particular trader. A word which has some meaning was capable of becoming a defensive mark but its capability would depend upon the nature of the meaning conveyed by the word. 'Bingo',

\textsuperscript{63} Ibid. at 780
\textsuperscript{64} Ibid. at 779
\textsuperscript{65} Ibid. at 776
\textsuperscript{66} Ibid. at 780
\textsuperscript{67} Ibid.
was known in Australia quite apart from its significance as a trade mark as a game similar to 'Housie Housie' and as an exclamatory remark, which could be used to attract attention to something such as goods. Therefore, given 'Bingo's' other meanings, he thought there was an extremely heavy onus on a person who wishes to register it as a defensive trade mark.

In addition, he thought that the fact that the mark was also registered by another trader in relation confectionery, was relevant. Custard powders and jelly had, he said no greater nexus of similarity to the foodstuffs in the application (such as meat and fish) than confectionery and there was no evidence that the applicant's mark was more notorious than the mark registered by another company for confectionery.

He said that a person who sought defensive registration in relation to commonplace goods such as foodstuffs had a very heavy onus placed upon him. This was because the sale of such foodstuffs is wide-spread and many thousands of traders are engaged in it. Even a person whose mark had become very famous in relation to a particular foodstuff could not rely on that fact to register it as a defensive mark for all foodstuffs.

In addition, he said that the mere fact that goods are intended for human

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68 Ibid. at 778
69 Ibid. at 779
70 Ibid.
71 Ibid.
72 Ibid.
consumption wasn't necessarily an indication that they were goods of the same description.\textsuperscript{73}

Fame, he said, was not a prerequisite but it was necessary that the use be substantial, extensive and continuous so that a reputation was established in respect of the mark amongst consumers.\textsuperscript{74}

He then went on to say that even though the English defensive registration provisions were different, the principles enunciated in Ferodo's case were applicable and that therefore the required connection which consumers were likely to make between the other goods and the applicant was that those 'other goods' emanated from the same person.\textsuperscript{75}

He decided that only jellies, egg powders and dried milk had a sufficient nexus of similarity with custard powder for defensive registration and allowed the applicant one month to amend its application. Ultimately however, the application was refused\textsuperscript{76}.

The criticisms that can be made of the Assistant-Registrar's decision are as follows:

- he ignores the fact that the English provision requires 'a connection in the course of trade' whereas the Australian provision requires only 'a connection';

\textsuperscript{73} Ibid.
\textsuperscript{74} Ibid. at 780
\textsuperscript{75} Ibid.
\textsuperscript{76} Ibid. at 780 and 781
- he appears to have had a relatively narrow view of the types of goods with respect to which defensive registration can be obtained by requiring a very high nexus of similarity between the applicant's goods and those for which defensive registration is sought and by making a reference to goods being of the same description;

- because of the other uses of the word 'Bingo' the he concluded that the applicant had an 'extremely heavy onus' to discharge in persuading him that a connection of the type required would be likely to be assumed;

- he placed too much weight on the fact that the mark had been registered by another person in respect of confectionery, which were not goods sought to be covered by defensive registration;

- he concluded that there was a heavier onus on those applicants seeking defensive registration for commonplace goods such as foodstuffs which would seem to be an unnecessary and unjustified restriction and contrary to what Evershed J. said in Ferodo's case;

- he again read down the connection required by saying the assumption was that the other goods emanated from the applicant even though Section 93(1) clearly does not require this;

- we said that he was not prepared to find that the mark was well-known outside certain states even though the Australian legislation only required that the mark be used 'to such an extent'
that a connection of the required type is likely to be assumed; and

- again, he seems to have applied the principles enunciated in Ferodo's case and Vono's case without sufficient regard for the differences between the English and Australian legislation.

However, again, given the state of the evidence submitted by the applicant, the decision to refuse defensive registration except in relation to an extremely limited class of goods was probably correct.

(iii) Vogue case

Finally, an application for Part D registration was recently considered by the Assistant-Registrar. The application, which was accepted in 1991, was made by the publisher of the Vogue magazines for the registration of the mark 'Vogue' in respect of all goods in class 25.77 According to the solicitor having the conduct of the application, B. Doyle, further applications were also made in class 3, in respect of perfume, and in class 42, in respect of services relating to such things as hairdressing, modelling, photography and wholesale and retail services relating to clothing.78

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77 The decision is not reported but it was the subject of an article: Doyle, B., 'Are Defensive Marks in Vogue: Does a Fresh Breeze Blow in the Trade Marks Office?' August 1991 issue of Blake Dawson Waldron's Current Developments in Intellectual Property and Trade Practices at 16-21.

78 Information provided by Brett Doyle of Blake Dawson Waldron.
The decision in respect of the application made in class 25 was based on two trade mark registrations in Part A in class 16 covering magazines, publications and dressmaking patterns and the evidence established extensive use of the mark on the applicant's fashion magazines for more than thirty years and use on paper patterns for clothing.

The Assistant-Registrar, not surprisingly, found that the mark had been used to a sufficient extent but stated that because the word Vogue was a word in everyday use indicating that something is in fashion and current and as such was attractive to traders in almost every field to use to extol their goods and services, the applicant faced a particularly heavy burden. In the Examiners' reports leading up to the hearing before the Assistant-Registrar it was objected that the mark was descriptive. However, according to Doyle, the Assistant-Registrar apparently accepted the submission at the hearing that Section 24 of the Act only related to applications under Part A whereas applications under Part D were solely governed by the requirements of Section 93(1) of the Act.

Ultimately, the Assistant-Registrar was persuaded not to require a disclaimer to the exclusive use of the word 'Vogue' in relation to the goods in class 25 per se. Rather, she merely required the registration to be restricted to the script version of the mark. The endorsement, she held, was justified on the basis of Section 34(1) of the Act, that is, there were 'special circumstances' which resulted in it being just and

79 Ibid. at 19
80 Ibid.
81 Ibid.
equitable for the mark to be registered in Part D despite the objection based on Section 24 of the Act. However, Doyle points out that the restriction will limit the extent to which the Part D registration can be enforced as any third party's use of the mark would need to be substantially identical or deceptively similar to the mark as registered.

The Assistant-Registrar also accepted the submission that despite an earlier registration in class 25 in respect of mens' and boys' neck wear, the Part D registration should not be exclusive of those goods because it would deprive the proprietor from the right to institute infringement proceedings against a third party. This, it was said, would benefit neither the public nor the applicant. Further, it was accepted that Section 64(1)(e) of the Act would preclude the applicant and the other proprietor from instituting infringement proceedings against each other on the basis that they would be concurrent registrants.

The approach taken by the Assistant-Registrar in relation to the allegedly descriptive nature of the mark and the fact that another person had registered the mark in respect of some of the goods within class 25 is encouraging to trade mark owners and their professional advisors if it is indicative of a relaxation of the restrictive requirements previously imposed by the Trade Marks Office. So too is her apparent failure to

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82 Ibid. from 19 - 20
83 Ibid. at 20
84 Ibid. The class 25 application is now the subject of opposition proceedings brought by the registrant who had earlier obtained registration of the mark with respect to mens' and boy's neckwear and it will be interesting to see whether the 'fresh breeze' blowing in the Trade Marks Office subsequently becomes stale so that the earlier, more restrictive approach is re-established.
require that the likely assumption is that the *other goods emanated* from the applicant.

However, given the *nexus of similarity* between dressmaking patterns, fashion magazines and clothing, it is not clear whether a more liberal approach is being taken in respect of the 'flank protection' available under defensive registration. Assuming however, that the applications in class 3 and 42 are also accepted, it would appear that the Trade Marks Office's interpretation of the range of *other goods and services* in respect of which such defensive registration can be obtained, has also widened.

4. **Summary of Trade Marks Office Practice**

In summary, according to the interpretation of Section 93(1) of the Act by the Trade Marks Office in the above three decisions, the requirements for defensive registration, in Australia, are:

(a) **Registration** - Registration of the mark in Part A of the Register.

(b) **Sufficient Use** - Use of the mark in respect of the goods or services in respect of which the Part A registration was obtained to a sufficient extent that the mark has become known amongst consumers in relation to those goods. The mark is not required to be famous. The use should be substantial, extensive and continuous. If an Australian Court were to consider the matter today it might hold that the mark does not even have to be well-known given the relaxation of the wording from 'Where a
trade mark ... has become so well-known ...\textsuperscript{85} in the English provision to 'Where a trade mark ... has been used to such an extent...\textsuperscript{86} that the assumption of a connection is likely. The use of the word 'well-known' in the heading of Section 93 must be ignored as the headings to Sections (as opposed to Divisions or Parts) are not part of those Sections for the purpose of the interpretation of provisions of an Act\textsuperscript{87}.

(c) Assumed connection - A likelihood that consumers will assume that if the mark were used on the other goods or services in respect of which defensive registration is sought, those goods or services emanated from, or were supplied by, the proprietor of the mark. This aspect appears not to have been specifically referred to in the Vogue case but it is likely that if the matter were considered by a court today, the assumption required by Section 93(1) of the Act would probably not be that the other goods or services emanated from the applicant for the mark in question but rather that the applicant either manufactured them himself or that he licensed or authorised someone else to do so on his behalf. This is because the words used are 'a connection' rather than 'a connection in the course of trade', which appears in the English provision. Also, as has been argued above, as licence and franchise arrangements have become more common, trade marks have come to mean more than a mere designation of origin. Rather, they have come to mean a guarantee or indication of

\textsuperscript{85}From Trade Marks Act 1938 (Eng), S.27(1)

\textsuperscript{86}From S.93(1) of the Act

\textsuperscript{87}Acts Interpretation Act (Cth), S.13(3)
quality and consumers are accustomed to the idea that the connection between a mark's proprietor and particular goods or services is often merely a contractual power to exercise control over quality. The franchised fast food chains are well known in this respect as are the Australian licensees of famous overseas fashion designers.

In addition, it now appears that the earlier use and/or registration of the mark by another party with respect to some of the goods or services covered by the application will not necessarily result in the applicant's registration being restricted so as to exclude the earlier proprietor's goods or services. Just as marks registered in Part A or B can be the subject of concurrent registration by two proprietors it now appears that marks registered in Part D can be concurrent with the registration of the same mark by a different proprietor in a different part of the Register.

An assumption of a connection between the other goods or services and the applicant for the Part D mark will be more likely to be made if:

1) the mark itself:
   - is an invented word or has no other meaning (such as a surname or descriptive word for example),
   - has not been registered by another person in respect of different goods or services, and
has been used to such an extent that it has become well-known or famous;

ii) the applicant's goods or services, are of a wide variety and are commonly used in everyday life;

iii) the other goods or services in respect of which defensive registration is sought are:

- the same as the applicant's goods or services; or

- analogous to the applicant's goods or services; or

- not too dissimilar from the applicant's goods or services; and

iv) witnesses in the trade in question are prepared to give evidence to the effect that they would assume the relevant connection and are prepared, and able, to state the basis for that assumption.


1. The Trade Marks Office has interpreted Section 93(1) of the Act in an unduly restrictive manner
The English system of defensive registration has often been criticised. For example, in Kerley's Law of Trade Marks and Trade Names 88 the authors, T. Blanco White and R. Jacob, said, in relation to the English system of defensive registration, that the Section has not achieved its purpose as both registration and establishing infringement present great difficulties. 89

In fact, the English system has now fallen into such disrepute that the authors of the White Paper on the 'Reform of Trade Marks Law' have recommended that it be phased out over a five year period and replaced with an alternative system 90. They were persuaded in that view by what to they saw as the 'inflexible' and 'restricted' nature of defensive registrations and by their interpretation of Articles 10 and 12 of the EC Directive as requiring marks which are not used to be removed 91. The authors were also influenced in their decision by the necessity of specifying which goods, bearing the mark, would mislead the public and 92 the need to satisfy the Registrar that this is so. They considered this must lag behind the reputation of the mark 93. In addition, they

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88 Blanco White, T.A., and Jacob, R., Kerley's Law of Trade Marks and Passing Off (12th ed.) at 136 para. 8-82

89 Ibid.

90 Supra. note 1 of Chapter I at 14 para. 3.19. This is in line with the recommendations of the Mathys Report (1974)-Cmd. Paper 5601 paras. 103-104.

91 Ibid. at paras. 3.18 and 3.19.

92 Ibid. at para 3.18

93 Ibid.
noted that the English system requires that only trade marks which consist of invented words can qualify.\footnote{Ibid.}

As discussed in Chapter II, the alternative system essentially involves a wider interpretation being given to 'infringement' so that it also covers use on goods and services which are not similar to those for which it is registered where it is justified in light of the reputation of the mark in question. As was pointed out by the Dean Committee this sort of system would increase uncertainty for businesses and, for this reason, I do not recommend that it be adopted in Australia. This will be discussed further in Chapter VII.

As discussed above, the Australian system was originally intended to be less restrictive and Section 93(1) of the Act does have less restrictive requirements. However, despite the relaxation of the requirements for defensive registration in Australia, the Trade Marks Office has been criticised for making defensive registration too difficult to obtain.

For example, Professor Ricketson states that because the tests for obtaining registration are quite stringent such registrations are comparatively uncommon\footnote{Ricketson, S., The Law of Intellectual Property (1984) at 663 para. [33.100]}. In addition, D. Shanahan comments that despite the differences between the Australian and English provisions, and despite the fact that defensive registration has occasionally been
allowed for quite diverse lists of goods, the Registrar has appeared reluctant to stray from the narrow path of the *Perodo* case.\footnote{Shanahan, D.R., *Australian Law of Trade Marks and Passing Off* (1990) (2nd ed.)}

T. Stevens\footnote{Supra. note 10 of this Chapter at 19-22} makes several criticisms of the decisions of the Assistant-Registrar in respect of the marks Masslinn and Bingo namely:

(a) The placing of undue importance on matters which, in terms of Section 93(1), do not require consideration\footnote{Ibid. at 20}. For example no investigation into whether the mark in question is an invented word is warranted. Also, it is not correct to establish whether the goods covered by the defensive applications are goods of the same description.\footnote{Ibid.} Finally, the 'nexus of similarity' between the goods on which the mark had been used and the goods in the application is irrelevant.

(b) The treatment of Evershed J's. guidelines as strict requirements\footnote{Ibid. at 21}. 
In summary, he stated that the Assistant-Registrar's interpretation was very narrow and possibly incorrect and completely disregarded the recommendations of the Dean Committee.\textsuperscript{102}

A. Greenwood has commented\textsuperscript{103} that the Bingo case mark to the effect that the connection assumed must be that the other goods emanated from the applicant still influenced the Trade Marks Office. He said that the assumption that the other goods originated from the applicant clearly was not a necessary element of defensive registration.\textsuperscript{104} The assumed connection would be sufficient, he said, if the mark would be seen by consumers as having been authorised by the proprietor or as part of his marketing strategy.\textsuperscript{105}

Finally, Doyle has stated that whilst the the Registrar had too long been timid, reticent and restrictive in interpreting Section 93(1)\textsuperscript{106} it was hoped that Assistant-Registrar Farquar's approach in relation to the Vogue application might breath new life into Registry practice.\textsuperscript{107}

The 'unduly restrictive' and 'incorrect' views adopted by the Trade Marks Office can be seen in Chapter 7 of the Trade Mark Examiners' Manual. For example:

\textsuperscript{102}Ibid. at 22

\textsuperscript{103}Greenwood, A., 'Australia: Character Merchandising and "Defensive Marks"' (27 May 1988) \textit{IP Asia} at 6-7

\textsuperscript{104}Ibid. at 7

\textsuperscript{105}Ibid. at 6

\textsuperscript{106}Supra. Doyle, B., \textit{op.cit}

\textsuperscript{107}Ibid.
(a) in paragraph 7.04 it is stated that: 'Although the mark may have become well-known ... it would not necessarily follow that the mark was qualified for registration as a defensive mark . . . in respect of goods or services which have a nexus of similarity.', with the applicant's goods or services, as Sections 24 and 26 apply to Part D applications and therefore a word such as a surname would not necessarily qualify;

(b) in paragraph 7.06, reference is made to the other goods or services 'originating' from the applicant and having a 'common origin' with the applicant's goods or services;

(c) in paragraphs 7.11 and 7.13, reference is made to the connection being one 'in the course of trade' and the necessity to prove that the goods would be thought to have a common origin rather than purchasers merely thinking that it was just a case of an 'audacious use of a well-known mark by another trader'.

As stated by Doyle, it is to be hoped that Chapter 7 will be amended to give it its intended scope.

2. Patent attorneys and intellectual property lawyers may have been too timid or apathetic in their use of Part D of the Act

Stevens, a solicitor with many years experience in relation to trade mark prosecutions says, in his article 108 that practitioners in the area of trade

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108 Stevens, T., op.cit
mark law have a negative attitude towards applications for defensive registration. In his experience, he says, little or no attempt is made to inform clients of the possible advantages of a defensive trade mark and most overseas associates of local firms, especially those in Japan and in the U.S.A., would not even be aware that the Act provides for defensive registration of widely used trade marks.

Later in the article he states that the reasons generally advanced for not seeking registration of a defensive trade mark are unconvincing and the under-utilisation of Section 93(1) is an oversight which lawyers in the area of trade mark law would do well to reconsider.

However, it must be said in defence of those practitioners that it is not easy to persuade clients to seek defensive registration when it is necessary to also advise them that the Trade Marks Office practice is just wrong and that it may take an appeal to a court, at great cost, to obtain registration.

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109 Ibid. at 7-8

110 Ibid. at 26. For my part, the only experience I have in relation to defensive registrations related to the mark 'Fosters' which was applied for in Part D in relation to the goods in classes 25 and 33.

After the first, somewhat adverse, Examiner's Report, it was decided not to proceed with the applications. The main difficulties the patent attorney in question foresaw were that Fosters is a very common surname and that the Trade Marks Office requires proof that consumers would really think that the other goods originated from the proprietor of the mark Fosters, namely Carlton and United Breweries ('CUB'), rather than merely thinking that it was an 'audacious use of a well-known mark by a rival trader'.

Pursuant to the 'Fosterisation of the World' campaign, embarked upon by CUB, the mark Fosters has been registered in Australia, and overseas, in several classes, has been extensively used in relation to beer and extensively licensed to third parties for use in relation to sporting events, T-shirts and other goods. Accordingly, it was the sort of mark which ought to have had a good chance of success because a connection of the required type was likely to be made by consumers.
Perhaps, the decision in the *Vogue* case coupled with the increased awareness of such registrations arising out of the current debate concerning the streamlining of the Act\(^{111}\), will persuade practitioners and their clients to take another, less apathetic and defeatist look at such registrations.

D. **ANALYSIS OF THE PART D REGISTER AND CONCLUSIONS**

Appendix I to this thesis is the Register of Part D marks.\(^{112}\)

1. **How extensively is Part D used compared with the remainder of the Register?**

As the A.O.J.P. does not give separate figures for applications in the various parts of the Register (apparently because applications are not assigned to particular Parts of the Register until they are accepted), it is not possible to compare the number of applications made in Part D with the number of applications in Parts A and B from a perusal of the A.O.J.P. However, for the following calendar years, the following

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\(^{112}\)At the time when it was compiled, the Trade Marks Office was unable to provide a computer printout of Part D marks. Therefore, Appendix I was compiled from various sources including a list kindly given to me by Dr. Noel Taylor, the Australian Official Journal of Patents ('A.O.J.P.'), status reports and copies of applications obtained at the Melbourne sub-office of the Trade Marks Office. On-line computer users may now obtain a list of all marks in a particular part of the Register. Given the method of compiling Appendix I, I am unable to guarantee its accuracy, but, for the purpose of this exercise, it is probably sufficient.
applications (which ultimately succeeded in gaining registration) were made: 113

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Part A</th>
<th>Part B</th>
<th>Part C</th>
<th>Part D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>8,878</td>
<td>1,480.00</td>
<td>4</td>
<td>0</td>
<td>10,362</td>
</tr>
<tr>
<td>1987</td>
<td>7,689</td>
<td>1,709</td>
<td>4</td>
<td>6</td>
<td>9,408</td>
</tr>
<tr>
<td>1986</td>
<td>6,929</td>
<td>1,476</td>
<td>43</td>
<td>4</td>
<td>8,452</td>
</tr>
<tr>
<td>1985</td>
<td>6,663</td>
<td>1,439</td>
<td>11</td>
<td>12</td>
<td>8,125</td>
</tr>
</tbody>
</table>

Because trade mark applications are not examined for fifteen to eighteen months and because applications in Part D take longer to obtain registration, it is not possible to give the figures for the years after 1988 as yet.

In addition, the Annual Reports for the Trade Marks Office provide the total number of registrations in each financial year for all Parts of the Register and that total number can usefully be compared with the number of Part D registrations (from my Appendix) for particular years.

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113 Information provided by the section of the Trade Marks Office which is responsible for compiling statistics.
Set out below are the results of the comparison for the financial years from 1986 onwards:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Total Registrations (^{114}) in all parts of the Register</th>
<th>Registrations (^{115}) in Part D</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991/92</td>
<td>Annual Report not yet avail. 3</td>
<td>3</td>
</tr>
<tr>
<td>1990/91</td>
<td>11,370</td>
<td>5</td>
</tr>
<tr>
<td>1989/90</td>
<td>11,466</td>
<td>7</td>
</tr>
<tr>
<td>1988/89</td>
<td>11,584</td>
<td>2</td>
</tr>
<tr>
<td>1987/88</td>
<td>8,501</td>
<td>2</td>
</tr>
<tr>
<td>1986/87</td>
<td>5,685</td>
<td>7</td>
</tr>
</tbody>
</table>

Unfortunately, because the status reports prior to 1987 do not give the date upon which registration was advertised, the statistics for earlier years cannot be obtained and analysed.

2. *Are the Part D marks on the register well known or famous?*


\(^{115}\) Those registrations were as follows:

- 1991/92 2 Bosch 1 Ronald McDonald & Clown figure
- 1990/91 2 Perrier 1 Motorcraft 2 Elastoplast
- 1989/90 5 Wedgwood 2 Minchinbury
- 1988/89 1 Coke 1 Coca-Cola
- 1987/88 1 Sunkist 1 Cascade
- 1986/87 1 Van Diemen 4 Seppelt 2 Cascade
On a purely intuitive basis, a perusal of the Appendix shows that many of the marks are likely to be well known, within the definition of that term in Chapter II.

For example: Ampol, Johnsons, Nugget, Actil, Target (with circle device), Ipana and Mum. (Please see Appendix II for other examples).

Also, on the same basis there are marks which are likely to be famous, again within the definition of that term in Chapter II.

For example: Mikimoto, Vicker's, Gillette, Band-Aid, Shell (and the Shell device), Chanel, Bond's, Disprin, Kleenex, Holden, Vicks, Coke, Coca-Cola, Monopoly, Wedgwood, Perrier, Ronald McDonald and the Clown device.

However, there are some marks which are (or have been) registered in Part D which, again on a purely intuitive basis, are likely to be neither well known or famous such as:

Raoul Merton (registered by Julius Marlow Holdings Limited) with respect to certain goods in classes 3, 21 and 25.
B.W. & Co (registered by Wellcome Australia Limited) with respect to certain goods in classes 1, 3 and 5.
Tabloid (registered by Wellcome Australia Limited) with respect to certain goods in classes 1, 3, 5, 10 and 16.

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116 As discussed in Chapter II, the only real way of determining whether a particular mark is well-known or famous is to perform a survey of consumers.
Bellows (registered by Hickory Fashions Pty Ltd) with respect to certain goods in class 24 (now removed).

Tom Girl (registered by Hickory Fashions Pty Ltd) with respect to certain goods in class 24 (now removed).

Enbray (registered by Kimberley-Clark Corporation) with respect to certain goods in class 25 (now removed). (Please see Appendix III for further examples).

However, it may be that some of the marks such as B.W. & Co and Tabloid, are well-known within particular industries.

It is interesting to note that the above marks are associated with comparatively few other marks registered by the same proprietors.

Also, it may be that marks such as Bellows, Tom Girl and Enbray were once used more frequently than they are now and therefore were, when they were registered, more fashionable and well-known. This seems to be confirmed by the fact that they have now been removed because their proprietors did not renew them.

3. **How wide is the protection given?**

There are very few marks where the protection is given in respect of all goods or services in a particular class or in respect of a wide or general description of goods or services. Examples of wide descriptions of goods or services are as follows:

- **Modess** - registered in respect of 'clothing'.
- **Chanel** - registered in respect of 'all goods in class 25'.
- **Levis** - registered in respect of 'sporting articles'.
Actil - registered in respect of 'all goods in class 22'.

Decca - registered in respect of 'entertainment services based on recorded music, sound recording services'.

Coke - registered in respect of 'all goods in class 16 and all goods in class 25'.

Coca-Cola - registered in respect of 'clothing, footwear, headgear' and 'all goods in class 16'.

Most of the marks are registered in respect of goods or services which are closely allied to the goods or services in respect of which the mark is already used.

For example:

- Ronald McDonald together with the clown figure has been registered in respect of 'education and entertainment services directed primarily towards children excluding entertainment services provided by clowns';

- Ampol has been registered in respect of 'tyres, fan belts, radiator hose and other parts of vehicles included in class 12'; and

- Band-aid has been registered in respect of 'pharmaceutical, veterinary and sanitary substances; infants' and invalids' foods; plasters, but not including dental plaster, material for bandaging; disinfectant, all being goods included in class 5. (Please see Appendix IV for further examples);
However, some marks have been registered in many different classes, for example, Chanel, Aspro, St. Agnes, Kellogg's, Comalco, Levis, Seppelt and Wedgwood.

4. Are there any well-known or famous marks registered in Part A of the Register which are not registered in Part D?

Again, on a purely intuitive basis, one would have expected the following marks to be on the Part D Register:

Ferrari (and device), Porsche (and device)*, Rolls Royce (the words not just the device), B.M.W. (and device)*, Mercedes, Ford, Honda (and device)*, Louis Vuitton, Cartier, Dunhill, Royal Doulton, Yves St Laurent, Pierre Cardin, Disney*, IBM*, Sony*, Toyota*, and Volkswagen (and device)*.

The marks which have an asterisk next to them are amongst the world's top ten 'Corporate and Brand Names' according to survey reported in the Economist in 1988.117 Also, Yves St Laurent and Pierre Cardin have been licensed in relation to many different goods around the world. Yves St Laurent is the subject of at least 211 licences for a wide variety of goods including cigarettes and Pierre Cardin is the subject of at least 804 licences for a wide variety of goods including sardines.118

117 'The Year of the Brand' op. cit.

118 Conran, T., France (1986) at 82
In respect of some of those marks, for example Cartier, the proprietor’s use and/or Part A registrations may already extend to many different types of goods and/or services and therefore little extra protection is required in respect of allied goods and services. For that reason, some of the proprietors of famous marks, and their professional advisors, may have decided that the extra cost and difficulties associated with obtaining defensive registration, coupled with the extra cost of renewals, is not worthwhile.

5. What conclusions can be drawn?

It can be seen from the statistics that the critics are in fact correct; Part D registrations represent only a very small proportion of the total registrations in all Parts of the Register in each year.

Also, in the years when there has been a significant increase in defensive registrations the cause can usually be attributed to a series of applications for the same mark, in different classes, being made. For example, in the financial year 1986/87, the number of registrations was increased from 3 to 7 due to the registration of the 'Seppelt' mark in 4 classes and in the financial year 1989/90, the number was increased from 2 to 7 due to the registration of the mark 'Wedgwood' in 5 classes.

However, because of the lack of figures on unsuccessful applications for defensive registration as compared with unsuccessful applications in other Parts of the Register, it is difficult to reach any firm conclusions as to the exact cause of this phenomenon.
It is possible to say though, that the fact that there are relatively few registrations in Part D is probably attributable, in different measure, to the following factors:

(a) the tendency of the Trade Marks Office not to allow Section 93(1) to have its full effect, thereby reducing the number of successful applications;

(b) the tendency of practitioners not to recommend defensive registration (and their tendency, in some cases, to recommend instead a greater number of Part A registrations, regardless of use or intention to use) because of the difficulties they know their clients will experience in obtaining such registration; and

(c) the fact that there are relatively few well-known, and even fewer famous, trade marks with the result that the potential pool of Part D marks is comparatively small.

It can also be seen that the great majority of Part D marks are likely to fall into the category of well-known or famous, in accordance with the definition of those terms in Chapter II. Obviously also, as marks lose their popularity their proprietors do not bother to renew them, thus keeping Part D of the Register relatively pure without the need for anyone to take formal steps to expunge any particular mark which no longer complies with Section 93(1) of the Act.

One of the biggest problems experienced by proprietors of Part D marks is the apparent insistence on the restriction of the protection (in all but a small number of cases) to very specific lists of goods and services.
which are closely allied to those in respect of which the marks are already used.

With the trend towards diversification and licensing, which has existed for many years, one would think that consumers would more readily assume a connection of the required type with a much wider class of goods and services and therefore that the Trade Marks Office is, in all probability, preventing Part D from achieving its full potential.

Finally, the number of marks which can probably be categorised as famous, which are not defensively registered, is the most significant indictment of the present system. If defensive registration was perceived as less hard to obtain and as giving wider protection, it might well be more popular.

It is therefore disturbing that, as noted in Chapter II, the Trade Marks Working Party has recommended that defensive registration be abolished if it is not used to a sufficient extent over the next ten years. Given that the Trade Marks Office is quite clearly against the retention of Part D\textsuperscript{119} it has no incentive to change its unduly restrictive requirements and may simply ensure that very few Part D applications are successful. As statistics are not kept in relation to unsuccessful Part D applications, we will never know, with any certainty, whether this has happened.

\textsuperscript{119}Supra. note 1 of Chapter II at 56
CHAPTER V

THE ADEQUACY OF THE OTHER AVENUES FOR PROTECTION OF WELL-KNOWN AND FAMOUS MARKS UNDER THE TRADE MARKS ACT.

As well as the Sections of the Act which deal with defensive registration, there are Sections which can be utilised by the owner of a well-known or famous mark in order to protect such a mark. This Chapter will be concerned with the following:

(a) Infringement actions, Applications for expungement and Opposition to registration in Parts A or B of the Register of Trade Marks - with Part D registration.

(b) Infringement actions, Applications for expungement and Opposition to registration in Parts A or B of the Register of Trade Marks - without Part D registration.

(c) Criminal Sanctions

It will be my contention that although these additional avenues for protection of well-known and famous marks exist under the Act they are not sufficient by themselves, or combined with defensive registration, to adequately protect well-known and famous marks.
A. INFRINGEMENT ACTIONS, APPLICATIONS FOR EXPUNGEMENT AND OPPOSITION TO REGISTRATION IN PARTS A OR B WHEN THE PLAINTIFF, APPLICANT OR OPPONENT HAS PART D REGISTRATION

As well as the warning of a pre-existing claim given to potential users of well-known or famous marks by virtue of defensive registration, the proprietor of a defensively registered mark may of course:

(a) institute infringement proceedings against a person who, without his authorisation, uses the mark on or in relation to the goods or services covered by the defensive registration: Sections 96, 58, 62(1) and 65 of the Act ¹; and

(b) apply for the expungement of the mark if registered by another person on the ground of its pre-existing registration or on the ground that the use of such mark would be likely to deceive or cause confusion: Sections 22, 33 and 28(a) of the Act; and

(c) oppose the registration of the mark by another person on the ground of its pre-existing registration or on the ground that the

¹See also Angove's Pty Ltd -v- Johnson and Ors (1982) 43 ALR 349 here Frankl J, at 357 stated that "... Section 58 could not bound a claim for infringement of a registration in Part D ..." but that it was "undesirable" for him "... to express any opinion on the question of infringement of the registrations in Part D". Deane J. at 361-362 stated that "... at least insofar as trademarks registered in Part A or Part B of the Register are concerned..." S. 62(1) is "...not definitive of what constitutes infringement of a registered trade mark..." but was "merely expansive" of the primary definition in S.58. Fitzgerald J. at 371, stated that he could not "... perceive how Section 58(1) can have any significance in the determination of whether or not there has been an infringement of the defensive marks registered in Part D", presumably because S.58(1) on its face, relates to Part A and Part B registrations.

However, given that Part D registrations must always be supported by a Part A registration, it is highly likely that when a Part D mark is infringed, both Ss. 58 and 62(1) will come into play.
use of such mark by the applicant would be likely to deceive or cause confusion: Sections 49, 33 and 28(a) of the Act.

The advantage of having a Part D registration in respect of such proceedings is that it is not necessary for the plaintiff (applicant) or opponent to prove he has actually used the mark in relation to the other goods used, registered or applied for by the other party: Sections 93(1) and 97.

Ricketson 2 comments that the test of deceptive similarity to be applied in opposition proceedings:

'... is the same as that propounded by Evershed J. in Smith Hayden & Co. Ltd's Application...' 3 ... in relation to marks ordinarily registered, namely, assuming that the registered proprietor of the mark uses it "in a normal and fair manner" for any of the goods covered by its registration, is the court satisfied that there will be no reasonable likelihood of deception or confusion amongst a substantial number of persons if the applicant also uses his proposed mark "normally and fairly" in respect of any of the goods covered by their proposed registration?" 4

However, Shanahan has commented that Part D registration adds very little, if anything, to the plaintiff's/applicant's/opponent's armamentarium because of the 'restricted view' 5 taken of what constitutes 'notional use for a defensive mark'. 6

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2 Ricketson, S., op.cit at 665 para.[33.102]
3 (1946) 63 R.P.C. 97 at 101
4 Ibid.
5 Shanahan, D., op.cit. at 240
6 Ibid.
T. Blanco White and R. Jacob go even further in relation to the English system of defensive registration and state that:

'... even for preventing registration of conflicting marks, a defensive registration is of less value than an ordinary one; and the special requirements for validity make the registration at most about as useful against infringers as a registration in Part B'.

Those negative comments regarding opposition proceedings, arise from the decision In The Matter Of An Application By Eastex Manufacturing Coy. LD. and In The Matter Of An Opposition by Lastex Yarn and Lactron Thread LD.

In that case, Wynn Parry J. stated that while a mark remained on the Register, the proprietor continued to be entitled to the monopoly which that registration afforded him, and to protection in respect of that monopoly. It is for the purpose of testing his rights when an application is made to register another mark, he said that:

'... there is postulated the notional user contemplated by Evershed J's formula.', that is, Evershed J's decision in the Smith Hayden case. 'In such a case actual user does not form the test, though it may well be referred to for the purpose of considering what is to be considered the proper extent of a notional user in a normal and fair manner... the notional user may well be, and will usually be found to be, wider and more extensive than the actual user...'

He then said that the Section relating to defensive registration postulates a notional user, and therefore there were no grounds for saying that the test to be applied in the case of a defensive mark was any different.

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8. (1947) 64 R.P.C. 142
9. Ibid. at 150
10. Ibid.
from that in the case of an ordinary trade mark. However, he went on to read down the 'notional user' by the Part D registrant in accordance with what the actual user was.

The mark applied for was 'Eastex' and the goods covered by the application were 'coats and costumes for women not being waterproof or rainproof' and the opponent's mark was 'Lastex' which was registered in Part D in respect of clothing made from material incorporating rubber. However, because the actual use of 'Lastex' was on labels for clothes such as corset belts, brassieres and surgical hose, but such use was merely to indicate that the clothes had 'Lastex' yarn in them, Wynn Parry J. allowed the registration of 'Eastex' to proceed.

Commenting on the decision in the Eastex case Shanahan states that it raised logical difficulties, because the fact that the Part D proprietor had made some use of the mark in relation to the defensive goods resulted, in effect, in a limitation of the proprietor's rights under the registration.

B. INFRINGEMENT ACTIONS, APPLICATIONS FOR EXPUNGEMENT AND OPPOSITION TO REGISTRATION IN PARTS A OR B WHEN THE APPLICANT OR OPPONENT DOES NOT HAVE PART D REGISTRATION

Of course, without trade mark registration in relation to the goods or services in question, the proprietor of a common law mark cannot institute trade mark infringement proceedings. However, where the proprietor is the true proprietor of the mark in Australia, in the sense

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11 Ibid.
12 Loc. Cit.
that he was the first to use it in Australia in relation to the goods or services in question or the mark has come to be associated with the proprietor in the minds of the Australian public, he may:

(a) apply for the expungement of the mark from the Register where it has been registered by another in relation to such goods or services on the ground that the applicant is not the true proprietor and therefore has no right to registration and/or on the grounds that the use of the mark by the applicant would be likely to deceive or cause confusion; Sections 40 and 28(a) of the Act;

(b) if sued for trade mark infringement by another who has obtained registration of the mark for such goods and services, attack the validity of the registered mark by way of counter claim; or

(c) before a third party registers the mark in respect of such goods or services, oppose that registration.

1. **Wide protection given in certain circumstances**

To gain protection beyond the goods and services for which the mark has been used without Part D registration, the mark needs to be very famous and to have been used on a wide variety of goods and/or services.

Also, in general, if the mark incorporates the drawing of a fictional character or the name of such a character, the courts will be more likely to protect it, even in the absence of proof of use of the mark in
Australia by the plaintiff (applicant) or opponent on dissimilar goods and/or services.

At one end of the spectrum, if a mark is very famous and/or has been used in Australia in relation to a wide variety of goods, the plaintiff (applicant) or opponent has always been able to successfully oppose the registration or obtain the expungement of the registration of the mark in relation to unrelated goods or services by a usurper. This was so even before Part D registrations were possible and despite the general rule that trade marks were to be registered in relation to specific goods.

This was recognised by the High Court of Justice in England in 1898 in The Eastman Photographic Materials Company, LD, and Another -v- The John Griffiths Cycle Corporation, LD, and the Kodak Cycle Company, LD 13 and by the Australian High Court as early as 1937 in Radio Corporation Proprietary Limited -v- Disney and Others 14.

In the Eastman Photographic case, the originators of the famous Kodak mark, which had been used by them in relation to specially adapted cameras for bicycles and the equipment for fixing them to bicycles, were successful in their application to have the mark registered by a third party in relation to bicycles expunged.

It was expunged by Romer J. on the basis that, having regard to the previous use of the mark by the Plaintiffs, the use by the Defendants in respect of bicycles would be likely to cause purchasers to be deceived

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13 (1898) 5 R.P.C. 105
14 (1937) 57 C.L.R. 448

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into the belief that the Plaintiffs and Defendants were connected in some way and that the Defendant's bicycles were the Plaintiff's bicycles. 15

Romer J. also stated that generally, if an opposition to the registration would have been successful, then an application for expungement should also succeed provided there had been no undue delay by the Plaintiff and no substantial injury caused to the Defendant by reason of the expungement. Because the Plaintiffs had applied for the expungement as soon as they learned of the registration and because the Defendants had no intelligible reason for adopting the mark other than seeking to connect themselves with the Plaintiff's business, there had been no undue delay and no substantial damage caused to the Defendants. 16

In the Radio Corporation case the overseas proprietor, Disney, was able to prevent another person registering the words 'Mickey Mouse' and 'Minnie Mouse' in relation to radio sets. As Dixon J. (as he then was) stated, because the marks had the advantage of public celebrity, widespread fame and interest 17 and because of the extensive licensing of the marks by Disney, in Australia, in relation to a wide variety of goods, 18 many people would be likely to think that Disney had permitted or procured the application of the marks to the radio sets 19.

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15 Supra. note 13 of this Chapter at 111
16 Ibid.
17 Supra. note 14 of this Chapter at 458
18 Ibid. at 455-456
19 Ibid. at 459
The likely inference by the public, combined with the fact that Disney could not obtain injunctive relief based on the action of passing off (as then developed) and the fact that the applicants had, without authorisation, attempted to divert to their own purposes the celebrity and reputation of the marks, justified the Court in refusing to register the mark in the name of another. 20

In each case, it is a question of fact as to how well-known or famous the mark is and the extent of its use in Australia. However, if it has not been used in Australia, even a very famous mark is vulnerable to being appropriated by a usurper in Australia.

There is a line of High Court decisions, 21 referred to in Aston -v- Harlee Manufacturing Co. 22 which allow for this possibility. However, in the same line of cases it was held that very slight use of the mark in Australia by the foreign owner will suffice to defeat the usurper's application for registration.

In the Aston case, Fullagar J., quoted Dixon J. 23 in The Shell Company of Australia Limited v Rohm and Haas Company and Another 24 where he said that the basis of a claim to proprietorship in a trade mark which has not been used is authorship of the mark, the intention to use

20 Ibid.
21 The Seven Up Company -v- O.T. Limited and Another (1947) 75 C.L.R. 203, The Shell Company of Australia Limited -v- Rohm and Haas Company and Another (1949) 78 C.L.R. 601 and Re the Trade Mark 'Yanx'; ex parte Amalgamated Tobacco Corporation Limited (1951) 82 C.L.R. 199
22 (1960) 103 C.L.R. 391
23 Ibid. at 399
24 Supra. note 21 of this Chapter
it in relation to the goods and the applying for registration. Authorship means that the applicant was the originator or the first to adopt the word or design as a trade mark. 25

Fullagar J., then went on to add that authorship did not mean that the applicant must be the true and first inventor. 26 However, he said that that was not the case if the opponent had used the mark in relation to goods 27. In addition, Fullagar J. said 28 that on the basis of the decision in Re the Trade Marks 'Yanx': ex-parte Amalgamated Tobacco Corporation Limited 29, the applicant could be the 'author' of a trade mark, although he had deliberately copied or adopted a mark registered in a foreign country in respect of the same description of goods 30.

He then quoted from the 'Yanx' case in which it was held that it might be sharp business practice to appropriate a mark used overseas but that was not, of itself, fraudulent or in breach of the law 31.

Fullagar J. went on to confirm that this was not the case if the opponent had used the mark in Australia and that the extent of the use required

25 Supra. note 21 of this Chapter at 627-628
26 Supra. note 22 of this Chapter at 399
27 Ibid.
28 Ibid. at 400
29 Supra. note 21 of this Chapter
30 Supra. note 22 of this Chapter at 400
31 Supra. note 21 of this Chapter at 202
was very slight. However, without use the most extensive use by another person in foreign countries will not defeat an applicant for registration in Australia.

He then quoted from the Seven Up case in which Williams J. stated that the court frowned on any attempts by traders to appropriate other traders' marks even if that trader is a foreign trader and the mark has only been used by him in a foreign country. Accordingly, it seizes upon a very small amount of use of the foreign mark in Australia to conclude it has become identified with and distinctive of the goods of the foreign trader in Australia. In that case another trader is not entitled to apply to register the mark because it is not his property but the property of the foreign trader.

An example of the application of the above principles can be found in First Tiffany Holdings Pty Limited v Tiffany and Company where it was held that because the American owners of the very famous mark "Tiffany" in relation to jewellery had not used their mark in Australia prior to the applicant's first use, the opposition should fail. There had been no sales or offers to sell by the opponent in Australia prior to the date when the applicant first used the mark in Australia although jewellery sold in America had found its way to Australia before that date.

32 Supra. note 22 of this Chapter at 400
33 Ibid. quoting the Seven Up case, supra. note 21 of this Chapter at 211, the Yanx case, supra. note 21 of this Chapter and Blackadder v Good Roads Machinery Co. Inc. (1926) 38 C.L.R. 332 as examples.
34 Supra. note 21 of this Chapter
35 Ibid. at 211
36 (1989) 13 IPR 589
What then constitutes slight use sufficient to ensure that the reputation in the mark in relation to the goods and/or services in question belongs to the foreign trader?

Certainly, an accepted offer for sale and despatch of the goods to Australia, without delivery, is sufficient. So also is the offering of goods to retail stores, or the advertisement of goods or services under or by reference to the mark, even without actual sales. The delivery of a prototype to an Australian licensee with reference to the mark on invoices and shipping documents is also sufficient.

However, the mere registration and use of the mark for the same goods in another country will not suffice and nor will the delivery of goods

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37 Re the Trade Mark 'Yanx': ex parte Amalgamated Tobacco Corporation Limited, supra. note 21 of this Chapter


39 The Shell Co. of Australia -v- Esso Standard Oil (Australia) Ltd (1963) 109 C.L.R. 407

40 The Merv Brown case, supra. note 38 of this Chapter and see also Hermes S.A. -v- E.T. Swift and Co Pty Ltd (1983 - 1984) 2 I.P.R. 432 at 439

41 In the matter of the Trade Marks Act 1955-1958 and in the matter of the Registered Trade Mark 'Thunderbird' No. A198954 (1974) 48 A.L.J.R. 456. See also S. 107 (2A)(b)(ii) of the Act which provides that a trade mark is deemed to have been used in relation to goods or services if it is used in advertisements on or such documents as invoices, business letters and other commercial documents.

42 The Kendall Company -v- Mulsyn Paint and Chemicals (1962-1963) 109 C.L.R. 300 and Merv Brown -v- David Jones (Australia) Pty Ltd and Another and Miki Shoko Co. Ltd and Anor -v- Merv Brown Pty Ltd, supra. note 38 of this Chapter
and advertising material displaying the mark in question if not done for the purpose of actual trading. 43

What is required is public use in Australia of the mark as a trade mark 44. Where there has been no actual trade or offer to trade in goods bearing the mark in Australia or any existing intention to offer or supply such goods in trade 45 but there has been only preliminary discussions and negotiations 46 there will be no local use of the mark as a trade mark at all 47.

It is important to note however, that the old authorities in relation to sufficiency of use required for an overseas mark to have a protectable reputation in Australia under the Act, may now be less applicable given the recent decision of Davies J. of the Federal Court, in Anheuser - Busch Inc. -v- Castlebrae Pty Ltd and Others. 48

He stated that factual circumstances had changed since the Seven Up case 49 and W.D. & H.O. Wills (Australia) Pty Ltd -v- Rothmans 50,

44 Ibid.
45 Ibid.
46 Ibid.
47 Ibid.
48 (1991) 23 I.P.R. 54
49 Supra. note 21 of this Chapter
50 (1956) 94 C.L.R. 182 where it was held that because sales of the Pall Mall cigarettes had occurred in America, after which they were delivered to Australia, in boxes bearing the mark, the mark had not been used in Australia and that therefore the mark ought to be expunged for non-use.
had been decided. The changes had influenced the knowledge and perception of consumers in Australia in relation to trade marks and the effect overseas marks have in Australia. The changes he identified were an increase in travel of Australians overseas and of foreigners to Australia, the increasing internationalisation of the media (and particularly television) and an increasing public awareness of the existence and commercial significance of character merchandising. 51

In that case, there had been no sales of 'Bud Light' beer under that mark and the 'Spuds MacKenzie' dog character in Australia prior to the respondent's registration and use of the marks 'Spuds MacKenzie' and a similar looking dog character and the mark 'Spuds MacStud' together with sub-headings such as 'Clothes for Heroes' and 'The Original Party Animal' on T-shirts.

However, because of the extensive use and advertisement of the marks overseas (the mark was used in America on beer, clothing and other goods with the epithet 'The Original Party Animal'), and evidence given by several Australian witnesses to the effect that they associated the marks with the applicant, it was held that the marks were not capable of becoming distinctive of the respondent's goods when they were registered and therefore an order was made for their expungement.

51 Supra. note 48 of this Chapter at 58
2. **Narrow Protection given in some circumstances**

However despite the more liberal approach taken in the Anhauser-Busch case, where the mark does not consist of a name or representation of a fictional character, and where the mark has not been used on a wide variety of goods and/or services, it is not easy to obtain protection with respect to very different goods and/or services to those, in relation to which, it has been used in the past without defensive registration.

For example the owner of the well-known chain of 'Ritz' hotels was unable to obtain the expungement of registered marks such as 'Charles of the Ritz' and 'Ritz' (registered in class 3 with respect to articles such as perfume and cosmetics and in class 26 with respect to articles such as wigs and toupees) despite the fame of the mark 'Ritz' in respect of hotels and hotel promotional goods (such as dressing-gowns, stationery, perfume and soap). The plaintiff did not have defensive registration.

In the *Ritz Hotel Ltd v Charles of the Ritz Ltd and Another* McLelland J. was not prepared to take the same expansive view as Dixon J. in the *Radio Corporation* case. The owners of the 'Ritz' hotels argued that the above registered marks should be removed from the Register on various grounds including the grounds that:

(a) at the time of their respective original registrations the use of

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52 **Supra.** note 48 of this Chapter


54 **Supra.** note 14 of this Chapter
certain of those marks would be 'likely to deceive' within Section 114 of the 1905 Act, and

(b) at that time the use of certain other of those marks would also be 'likely to deceive or cause confusion' within Section 28(a) of the Act,

and hence were 'wrongly made' with Section 22 (1)(b) of the Act.

The plaintiff relied on its reputation in Australia at that time in support of its contention that the use by the registered proprietor would be likely to deceive or cause confusion.

A great deal of evidence was led in relation to the plaintiff's undoubted reputation in Australia including evidence that the plaintiff had commenced licensing its mark in Australia in respect of a variety of goods and services. In addition, although no survey evidence was tendered by the plaintiff, a large number of people from the community were called to give evidence as to what they would assume upon seeing the marks used on the goods in question.

However, there was also evidence of the separate development, in America and later Australia, of a perfume/cosmetics company (or group of companies), which had some links with the American Ritz hotel which used the marks in question.

McLelland J. said that he had 'strong reservations' about accepting the evidence of the plaintiff's "public" witnesses as indicative of what their
spontaneous impressions would be likely to be, or to have been, when confronted with the mark in the market place. 55

He was not persuaded that the use of any of the registered marks would be (or would have been) likely to deceive or cause confusion to a significant section of the public in Australia who were likely to purchase any of the goods 56 in question.

Although he accepted that numerous people in Australia would have heard of the plaintiffs hotels he was not satisfied that a section of the relevant public would regard the mark RITZ on the goods in question as indicating a connection in the course of trade with the Paris Ritz, or would believe that, or wonder whether, those goods were manufactured or sold by a person who has (or had, or whose predecessor in business had) a commercial or physical association with the plaintiff's Hotel 57.

He was also not prepared to conclude, as urged by the plaintiff, that to a significant section of the relevant public the word 'Ritz' had such a specific association that its use by the defendants was an unauthorised diversion of the plaintiff's else's celebrity, fame or reputation. 58

Accordingly, he distinguished the case from the Radio Corporation case where the celebrity, fame and reputation of the marks (and characters) 'Mickey Mouse' and 'Minnie Mouse' proposed to be used by the applicant.

55 Supra. note 53 of this Chapter at 275
56 Ibid. at 276
57 Ibid. at 277
58 Ibid.
Given the use of the marks by the defendants, and, in particular, the concurrent development of businesses utilizing the marks by the plaintiffs (in respect of their hotels around the world) and by the defendants (in respect of cosmetics initially in America), McLelland J. was probably quite correct.

The mark Ritz, although famous, had, for many years, come to be associated with both parties. Moreover, in Australia, the mark had also been used by third parties in respect of a range of goods and services. 59

In *R & C Products Pty Ltd -v- Technicolour Inc.* 60 a very recent decision of a Delegate of the Registrar of Trade Marks, it was held that the Act did not provide any special protection to famous marks apart from the provisions for defensive registration, 61 and that as the opponent had not availed itself of those provisions its mark was subject to the same consideration as any other mark. 62

Accordingly, as the opponent had not used the mark in Australia its opposition to the registration of the mark by another under Section 28 of the Act could not succeed.

59 *Ibid.* at 273 where it was stated that the mark 'Ritz' had been used in respect of a ballroom, a theatre, a hotel, a boarding house, a block of flats, restaurants, cafes, milk bars, beauty salons, a florist, a record shop, biscuits, clothing, knitting wool and sunglasses.

60 (1992) AIPC 90-875

61 *Ibid.* at 38, 314

This was so even though the mark was a famous mark overseas and was alleged to be an invented word. The Registrar's Delegate held that there was no authority to support the contention that a famous mark which was also an invented word was to be treated any differently than any other mark. 63

The mark in question was Technicolour and it was held that the opponent enjoyed an enormous reputation in relation to certain goods and services related to colour film. 64

However, the applicant wished to register the mark 'Decore Technicolour' in relation to hair care products and, because those goods were not similar to the opponent's goods and services relating to colour film, the Registrar's Delegate considered that the registration and use of the mark by the applicant would not lead a substantial number of consumers to be deceived or confused 65

Finally, it was held that the mere adopting of a famous mark in relation to entirely unconnected goods does not of itself constitute evidence of bad faith which would lead the Registrar to exercise his discretion against allowing the registration to proceed. 66

The decision therefore gives much encouragement to the proprietors of famous overseas marks to use Part D of the Register although, of

63 Ibid. at 38, 313
64 Ibid. at 38, 314-315
65 Ibid.
66 Ibid. at 38, 315
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63 Ibid. at 38, 313
64 Ibid. at 38, 314-315
65 Ibid.
66 Ibid. at 38, 315
course, this is not possible without sufficient use of the mark in Australia on goods and/or services which are not too dissimilar to those, in relation to which, it has already been used.

C. SUMMARY

Has the Trade Marks Office given due consideration to the protection of well-known and/or famous marks in the course of opposition proceedings and have courts given adequate protection to well-known and/or famous marks in infringement proceedings?

Generally speaking, if:

(a) the plaintiff (applicant) or opponent has used the mark extensively in Australia, in relation to goods or services which are very similar to the defendant's (respondent's) or applicant's goods or services, or

(b) the plaintiff's (applicant's) or opponent's use has been extensive and over a wide range of goods or services,

a Court or the Trade Marks Office is more likely than not to decide that the infringement/revocation or opposition proceedings should succeed, although infringement actions would only be available in respect of goods or services in relation to which the mark has been registered.67.

67 Per Lord Oaksey in Spiller Ltd's Application to Register a Trade Mark (1954) 71 R.P.C. 234 where he said, at 238: '... it is to give the words "in relation to" far too wide a meaning to hold them to include the use of the mark in relation to goods other than the goods in respect of which the mark is registered, because those (Footnote Continued)
The basis of the decision would be that the mark was incapable of distinguishing the defendant's (respondent's), applicant's goods or services and that use of the mark by the defendant (respondent) or applicant would be likely to lead consumers to be confused or deceived.

Such a result could be achieved in the context of revocation or opposition proceedings, even without Part D registration; what is most persuasive is not Part D registration but rather what the true state of the reputation of the mark is in the market place. In fact, because of the very restrictive interpretation given in the Eastex case, Part D registration may disadvantage a potential plaintiff (applicant) or opponent if the actual use of the mark is narrower than the 'notional use'. However, given the recent decision in the R & C Products case this is no longer clear.

D. CRIMINAL SANCTIONS

In their article on Counterfeit goods, Higgins and Rubin 68, concluded that public enforcement was the optimal solution from an economic viewpoint.

The Act, presently provides for criminal sanctions against forgeries of trade marks which provides some recourse against counterfeitors. 69

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(Footnote Continued)

68 Op. cit. at 230

69 Ss 98 - 102, 106-107 of the Act

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However, the Trade Marks Working Party reported that trade mark owners had submitted that they were unable to adequately protect their trade marks, that counterfeiting had 'grown dramatically in Australia over the last two years' and that damage was being done to a 'wide section of Australian businesses and to the community as a whole'.

Accordingly, the Working Party concluded that the fines currently imposed by the Act are too low. They are presently:

(i) $5,000 or imprisonment for 2 years or both (for a natural person), or

(ii) $25,000 (for a company),

in respect of forgery, and

(iii) $1,000 (for a natural person) or
(iv) $5,000 (for a company),

in respect of selling or importing counterfeits.

The penalties are maximum penalties regardless of the number of counterfeit goods sold or the profit made from such sale. Accordingly, the present penalty provisions are not economically efficient; to be
economically efficient they must equal or outweigh the financial gains received from counterfeiting activities.

The Working Party went on to recommend that the Act be amended to include a wider definition of forgery, to make it an indictable offence to import for business reasons, to remove certain defences, to make the penalties in respect of selling and importing the same as that for forgery, namely 2 years imprisonment, to delete reference to monetary penalties (instead reliance should be made on Section 4B(2) and (3) of the Crimes Act which makes it unnecessary to refer to a monetary penalty when a prison term is provided for and that corporate penalties are automatically 5 times that for an individual), to calculate penalties according to the number of articles involved, (including fixing a penalty where the number is not known) and to allow for private prosecutions to be brought.74

Whilst the recommendation that penalties be calculated according to the number of goods involved is certainly an improvements it is economically inefficient as there is no guarantee that such a calculation will result in a figure which equals or outweighs the financial gains made by the counterfeiter in question.

74 Ibid., at 115-117. Due to pressure from the Anti-Counterfeiting Council, a bill has been drafted to ensure that these recommendations are enacted as soon as possible and is due to be presented to the Federal Parliament in the very near future.
E. CONCLUSIONS

The restrictive decision in the Fastex case in relation to 'notional' use coupled with the fact that Part D registration is normally only given in respect of specific lists of goods and services and the fact that infringement only occurs where the mark has been used on the same goods and/or services in respect of which is has been registered, means that Part D registration is really of limited value. At best, it is only sufficient for the protection of well-known marks. In respect of famous marks however, it is manifestly inadequate.

Without Part D registration, the owners of well-known and famous marks have had mixed results; some being given relatively wide protection and others relatively narrow protection. Obviously, a system which leads to such uncertainty is not in the interests of trade mark owners or those seeking to determine which marks they can and cannot safely use.

The criminal sanctions available for misuse of marks under the Act, as presently drafted, are also inadequate, particularly having regard to the profits that can be made by counterfeiters of well-known and famous marks. Although they are shortly to be increased in severity the penalties should be such that they outweigh or equal the financial incentive to trade in counterfeits.

However, criminal sanctions are not enough; government officials are sometimes overworked and if there are problems of proof prosecutions may not be initiated. The owners of well-known and famous marks

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75 Spillers Application, supra, note 67 of this Chapter
therefore need the ability to bring private actions in order to protect their property rights.

In addition, as has been discussed, well-known and famous marks can be misused in a way which does not constitute counterfeiting but nevertheless leads to damage or dilution of the marks. In those cases too, the trade mark owner must have the ability to protect his property rights.
CHAPTER VI

THE ADEQUACY OF THE ALTERNATIVE FORMS OF PROTECTION UNDER THE TRADE PRACTICES ACT AND THE COMMON LAW ACTION OF PASSING OFF

The proprietors of well-known and famous marks are sometimes also able to obtain protection for those marks under:

(a) Sections 52 and 53 of the TPA (which prohibit corporations from engaging in misleading and deceptive conduct and making certain types of false representations in relation to goods and services) ¹, and

(b) the common law action of passing off (which prohibits one trader from seeking to 'pass off' his goods or services or business as that of another trader).

In Conagra Inc v McCain Foods (Aust) Pty Ltd, ² a recent decision of the Full

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¹ Section 52(1) of the TPA provides that:

'A corporation shall not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive'.

Section 53(c) and (d) of the TPA provide that:

'A corporation shall not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connexion with the promotion by any means of the supply or use of goods or services ... represent that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits they do not have ... 'or' ... represent that the corporation has a sponsorship, approval or affiliation it does not have ....'.

² (1992) 23 IPR 193

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Federal Court, Gummow J. stated that passing off actions involved three basic issues, namely, the existence of a reputation, a misrepresentation and the nature of the interests damaged.  

The classic statement of the elements of a passing off action often referred to and accepted by courts as general, although not exclusive, requirements was made in the 1979 House of Lords decision Erven Warnink B.V. v. J. Townend & Sons Hull Ltd.  

In that case Lord Diplock stated that the elements were:

1. a misrepresentation,
2. made by a trader in the course of trade,
3. to prospective customers of his or ultimate consumers of goods or services supplied by him,
4. which is calculated to injure the business or goodwill of another trader (in the sense that it is a reasonably foreseeable consequence), and

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3 *Ibid.* at 246-247

4 English cases: for example; *Anheuser Busch Inc v Budejovicky Budvar* (1984) IPR 260 at 275-6 and 284; *Bristol Conservatories Ltd v Conservatories Custom Built Ltd* [1989] RPC 455 at 466; *Lego System A/S v Lego M Lønstrup* (1983) FSR 155 at 185 and *Mirage Studios & Others v Counter-Feat Clothing Co Ltd & Another* (1990) 21 IPR 302 at 310. Australian cases, for example: *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* (1980) 32 ALR 387 at 391 (which was a decision of the Privy Council in an appeal from a decision of Powell J. of the Supreme Court of New South Wales in which the Privy Council stated that the declarations of principle made by Lord Diplock and Lord Fraser were both of general application); *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)*, *supra*. note 43 of Chapter V at 212-13 of the ALR report per Deane J. (with whom the other members of the court agreed); *Hutchence & Others v South Seas Bubble Co Pty Ltd & Others* (1986) 64 ALR 330 at 340; 6 IPR 473 at 482 and *Congara Inc v McCain Foods (Aust) Pty Ltd*, *supra*. note 2 of this Chapter at 200-201 and 246-247.

5 [1979] AC 731; [1980] RPC 31 at 93
(5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so. 6

Lord Fraser expressed the elements a plaintiff must prove slightly differently as:

'. . .(1) that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies;
(2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods;
(3) that because of the reputation of the goods, there is goodwill attached to the name;
(4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value;
(5) that he has suffered, or is likely to suffer, substantial damage to his property in the goodwill by reason of the defendant selling goods which are falsely described by the trade name to which the goodwill is attached.' 7

In a more recent decision of the House of Lords namely Reckitt and Colman Products Ltd v Borden Inc. and Others 8 Lord Jauney, after referring to Lord Diplock's statement of the elements of an action for passing off in the Erven Warnink case, said that the statement covered two types of cases. That is, where A misrepresents his goods as being those of B and where the misrepresents the quality of his own goods thereby purporting to render them competitive with those of B. In cases where the goods themselves were copies he said that there were three elements which had to be established by a plaintiff namely:

(1) that his goods have acquired a particular reputation among the public;

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6 Ibid. at 93 of the RPC report
7 Ibid. at 105
8 (1990) 17 IPR 1
(ii) that persons wishing to buy his goods are likely to be mislead into buying the goods of the defendant; and

(iii) that he is likely to suffer damage thereby.9

Lords Bridge, Brandon and Chieveley agreed whilst Lord Oliver restated the three elements in similar terms.10

This Chapter will be concerned with how effective the above protection is; that is, whether it is sufficient to buttress the protection available under the Act which, according to the analysis in Chapters IV and V, is quite narrow and certainly does not provide for any 'classic' dilution type protection. It will also be concerned with how economically efficient that protection is.

A. SECTIONS 52 AND 53 OF THE TPA ARE NOT THE APPROPRIATE AVENUES FOR PROTECTION OF WELL-KNOWN AND FAMOUS TRADE MARKS BECAUSE THE TPA IS PRIMARILY CONCERNED WITH THE PROTECTION OF CONSUMERS

As I argued in Chapter III from a policy viewpoint, it is wrong to aim to protect such marks (or indeed any trade marks) under legislation primarily concerned with the protection of consumers from misleading conduct engaged in by businesses. As also discussed in Chapter III, this view is also held by

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9 Ibid. at 18-19
10 Ibid. at 8

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Schechter (in relation to the consumer protection laws then in force in the United States)\(^{11}\) and Pendleton.\(^{12}\)

Traders ought to be able to continue to make use of the TPA for the protection of their marks. However, those causes of action available under the TPA ought not to be regarded as substitutes for proper protection under the Act. When making provision for the protection of valuable productive assets such as well-known and famous trade marks, the legislature ought to turn its attention solely to the Act and, when providing for the protection of such marks, consumer confusion or deception ought not to play any role.

In *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd*\(^ {13}\) Stephen J.\(^ {14}\) stated that Section 52 of the TPA was directed primarily at preventing the deception of consumers in the course of trade but that because Section 80 of the TPA allowed 'any other person' to bring proceedings to prevent such deception, it could also be used by traders to prevent the damage caused to their goodwill by passing off. That is, the protection of a trader's proprietary rights is merely an incidental consequence of the protection given to consumers.

Those sentiments were reiterated by Gibbs C.J. and Mason J. in *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd*\(^ {15}\) and by various other judges

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\(^{12}\) Pendleton, M.D., op. cit.

\(^{13}\) [1977-1978] 140 CLR 216; 18 ALR 639

\(^{14}\) *ibid.* at 226 (Barwick C.J., Jacobs and Aiken J.J. agreed)

\(^{15}\) (1982) 149 CLR 191; (1982) 42 ALR 1 per Gibbs C.J. at 5 and per (Footnote Continued)
in several later cases.\textsuperscript{16} However, the Trade Marks Working Party did not refer to the different purpose of the two Acts or the consequences of such differences when it reviewed the Act and made recommendations for its amendment.

Despite recognising that trade marks are personal property, and that a well-known mark has the additional function of reflecting the:

'... reputation, goodwill and selling power built up by its proprietor in respect of the goods or services on which it is used ...',\textsuperscript{17} the Trade Marks Working Party did not recommend that any 'dilution' type protection be introduced into the Act in respect of such marks.

The Trade Marks Working Party noted that the submissions it received were in accord with the proposal for more comprehensive protection for well-known marks\textsuperscript{18} and therefore recommended the retention of defensive registration under the Act,\textsuperscript{19} a wider infringement test in respect of such marks\textsuperscript{20} and


\textsuperscript{17} \textbf{Recommended Changes to the Australian Trade Marks Legislation, \textit{op. cit.}} at 37-38

\textsuperscript{18} \textbf{Possible Changes to the Australian Trade Marks Legislation A Discussion Paper, \textit{op. cit.}} at 12

\textsuperscript{19} \textit{Supra}, note 17 of this Chapter at 55-56 although it was recommended that this be revived in 10 years with a view to repeal defensive registration if

(Footnote Continued)
clearer grounds for oppositions and expungement applications in respect of all marks.\textsuperscript{21} However, the recommended infringement test incorporates an element of consumer confusion and hence no 'dilution' protection is to be afforded under the proposed amendments to the Act. This will be discussed further in Chapter VII.

One of the reasons why the Trade Marks Working Party seems to have taken this view was its belief that Section 52 of the TPA would provide for:

'... an injunction to be obtained preventing unauthorised use of well-known marks, whether or not they were registered, where such use would constitute conduct that is misleading or deceptive, or conduct that is likely to mislead or deceive ...'.\textsuperscript{22}

Whilst I do not disagree with that conclusion it appears that the Trade Marks Working Party may not have had an opportunity to fully consider this matter as it then stated that:

'Should it be considered that the provisions of the Trade Practices Act are not sufficiently explicit or do not provide this protection, the Working Party recommends that further provisions should be incorporated into the Act.'\textsuperscript{23}

The Trade Marks Working Party then concluded that with certain provisions in place that is, the wider infringement test, the clearer grounds for opposition and expungement and Section 52 of the TPA, the need for an examination and

\begin{footnotes}
\footnote{Footnote Continued}
Part D has not been extensively used over that period.

\footnote{ibid. at 55}

\footnote{ibid. at 54 and 76-77}

\footnote{ibid. at 54-55}

\footnote{ibid. at 55}
registration system for well-known marks would disappear, and our international obligations would be satisfied in an appropriate manner.\footnote{Ibid.}

B. PASSING OFF AND SECTIONS 52 AND 53 OF THE TPA DO NOT ALWAYS PROVIDE ADEQUATE PROTECTION FOR WELL-KNOWN AND FAMOUS MARKS

The view espoused by the Trade Marks Working Party, namely that such causes of action can be relied on to obtain any additional protection needed for well-known marks is also held by McLean. In his article\footnote{McLean, R.G., \textit{op.cit.} at 3} he stated that opposition and expungement proceedings together with proceedings under Section 52 of the TPA and passing off provided sufficient protection for famous unregistered marks.\footnote{Ibid.} However, he also acknowledged that the latter two forms of proceedings are costly and uncertain.\footnote{Ibid. at 5}

He argued that proof of reputation in Australia was not difficult because at least under Section 52 of the TPA, use of the mark in Australia is not essential\footnote{Ibid. relying on the decision of the trial judge, Hill J. in \textit{Conagra Inc v McCain Foods (Aust) Pty Ltd} (1991) 22 IPR 175 which went on appeal to the Full Federal Court: \textit{supra}. note 2 of this Chapter.} and that use of a famous mark on goods or services other than...
those on which it is used by its proprietor in Australia or overseas would be actionable where it was likely to indicate wrongly a connection with the owner of the famous mark; that is, there is no common field of activity requirement. 29

Are the members of the Working Party and McLean correct? Do the provisions of the TPA and the common law action for passing off provide sufficient additional protection for registered, and/or unregistered well-known and famous marks and is such protection 'appropriate'?

1. **Because confusion and/or deception are necessary elements in actions under Sections 52 and 53 of the TPA and for passing off the protection afforded does not constitute protection from dilution.**

The most important aspect to note is that it is necessary for there to be some form of actual or likely consumer confusion or deception in order for a plaintiff to succeed in such causes of action.

Therefore, such causes of action cannot be said to afford adequate protection to well-known or famous trade marks. Those marks require protection from and dilution where there may not be any consumer confusion.

As was said by Wadlow, 30 notwithstanding the observation by Buckley L.J. in *Bulmer (H.P.) Ltd v Bollinger S.A.* 31 to the effect that the exclusivity of a

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30 Wadlow, C., op.cit. at 139 para 3.20

31 [1978] RPC 79
mark might be shown to be a valuable asset capable of promoting its owner's competitive position in the market, dilution on its own cannot amount to passing off. This is because passing off still depends on a misrepresentation whereas dilution, in its strict sense, occurs without confusion.  

2. There is a higher threshold in relation to the type of confusion or deception required in proceedings under Sections 52 and 53 of the TPA and for passing off compared with trade mark opposition proceedings.

The protection available by virtue of the TPA and passing off is certainly quite wide, especially for truly well-known or famous people or characters. For example in Henderson's case two well-know ballroom dancers were able to restrain the use of their photograph on record covers. Also, in Hogan & Others v Pacific Dunlop Ltd Paul Hogan and his production company were able to restrain the manufacturer of Grosby shoes from utilising the Crocodile Dundee character in the famous knife scene in advertisements for shoes. In addition, in Hogan & Another v Koala Dundee Pty Ltd & Others Paul Hogan and his production company were able to restrain the proprietors of two shops in Queensland from using the word 'Dundee' on signs inside and outside their shops, on T-shirts, shopping bags and tags attached to goods. In that case Pincus J, said that the rights to use a personality or character could be

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32 See also two New Zealand passing off decisions, Taylor Brothers Ltd v Taylors Group Ltd (1996) 14 IPR 353 at 369 and Wineworths Group Ltd v Comité Interprofessionel Du Vin De Champagne & Another (1991) 23 IPR 435 at 440-441 which, although reference was made to the dilution or erosion of the plaintiffs goodwill, both cases related to the use by the defendants of marks in relation to the same or very similar goods and services. Accordingly, confusion was assumed to be present.

33 Supra, note 29 of this Chapter

34 (1989) 14 IPR 398

35 (1988) 12 IPR 508
extremely valuable and that the trend of recent Australian authority was to protect such rights. He also said that the inventor of a sufficiently famous fictional character having certain visual or other traits could prevent the use of such character even where he had never carried on any business at all besides creating the work in question.\(^{36}\)

The protection of well-known characters has been similarly wide. For example, \textit{Children's Television Workshop Inc v Woolworths (NSW) Ltd}\(^ {37}\) (the 'Muppets' case) Helsham C.J. in Equity concluded, on the evidence, that consumers associate character merchandising with whoever has the right to permit it by way of licensing. In that case the producers of Sesame Street were able to restrain Woolworths from selling dolls which looked like the characters on the show. Finally, in \textit{Fido Dido Inc & Another v Venture Stores (Retailers) Pty Ltd & Another}\(^ {38}\) Foster J. concluded, albeit with some hesitation, that it was reasonable to assume a state of knowledge in the buying public that characters appear in character merchandising as a result of some system of sponsorship or approval by a character himself (where the character was a living person) or the owner of the character (in the case of an inanimate character).

The granting of wider protection in character merchandising situations also seems to be the trend in England.\(^ {39}\)

\(^{36}\)\textit{Ibid.} at 517


\(^{38}\)(1988) 16 IPR 365

\(^{39}\)\textit{Mirage Studios & Others v Counter-Feat Clothing Co} (the 'Ninja Turtles' case) supra, note 2 of this Chapter c.f. the earlier cases namely: \textit{Wombles Limited v Wombles Skips Limited} [1977] RPC 99 and \textit{Tavener Rutledge Limited & Another v Trexapalm Limited} [1977] RPC 275 (the 'Kojakpops' case).
However, it must be remembered that the basis of such causes of action is a misrepresentation which involves more than mere confusion on the part of consumers but that such confusion is sufficient to defeat the registration of a mark in trade mark opposition proceedings.

(a) **Trade mark opposition proceedings**

As was said by Dixon C.J., McTiernan, Webb, Fullagar and Taylor JJ, in *Southern Cross Refrigerating Co. v Toowoomba Founry Pty Ltd*[^40][^], the expression likely to deceive or cause confusion, when used in relation to trade marks involves the question whether a number of persons will be caused to wonder whether the two products came from the same source.[^41]

That test was recently applied by McLelland J. in the **Ritz** case[^42] who said that the meaning of the expression 'likely to deceive or cause confusion' is to be found in the judgments of the High Court in the **Radio Corporation**[^43] case, the **Southern Cross** case[^44] and **Kendall Co v Mulsyn Paint and Chemicals**[^45] and the New Zealand case, **Pioneer-Hi-Bred Corn Co v Hy-Line Chics Pty Ltd**[^46].

[^40]: (1954) 91 CLR 592
[^41]: Ibid. at 608
[^42]: Supra. note 53 of Chapter V
[^43]: Supra. note 14 of Chapter V
[^44]: Supra. note 40 of this Chapter. See also Hermes V ET Swift Pty Ltd, supra, note 39 of Chapter V at 439 for an application of the test by the Assistant Registrar.
[^45]: Supra. note 42 of Chapter V
[^46]: [1978] 2 NZLR 50; [1979] RPC 409
As McTiernan J. said, in the Radio Corporation case, it is clear from those cases that in the context of trade mark opposition proceedings consumer 'confusion', in the sense of an assumed, albeit vague, or indefinite\(^{47}\) association between the opponent and the applicant's goods or services, is sufficient. All that is required is that a number of persons will be caused to wonder whether it might not be the case that the two products came from the same source.\(^{48}\) Facts necessary to establish passing off are not required.\(^{49}\)

As was said by Lord Macnaghten in Eno v Dunn\(^{50}\), the object of the applicant using the mark already used by the opponent is to induce people to buy under an untrue impression, which was misleading even though it was vague and indefinite, and incapable of bearing the very slightest examination.

Finally, as the High Court said in the Southern Cross case, the fact that consumers may be confused because of a mistaken belief that a trade mark owner had a monopoly in a mark in relation to all goods and services would not necessarily strip the evidence of actual confusion of real weight especially where the mark was well-known and used on diverse goods and/or services.\(^{51}\)

\(^{47}\) Supra. note 14 of Chapter V at 460 quoting Lord Macnaghten in Eno v Dunn (1890) 15 App. Cas 252 and (1890) 7 RPC 311.

\(^{48}\) Ibid.

\(^{49}\) Ibid. quoting the decision of Moreton J. In Re Hack's Application (1940) 58 RPC 91 at 103 and see also Dixon J. (as he then was) in the Radio Corporation case, supra, note 14 of Chapter V at 459.

\(^{50}\) Supra. note 47 of this Chapter at 263

\(^{51}\) Supra. note 40 of this Chapter at 608-609
(b) Sections 52 and 53 of the TPA

In contrast however, the cases dealing with the interpretation of Sections 52 and 53 of the TPA (other than those dealing with character merchandising) and the common law action of passing off, require a more definite misrepresentation.

In McWilliams Wines Pty Ltd v McDonald's System of Australia Pty Ltd\textsuperscript{52} it was held that to be in a state of confusion in the trade mark sense was to be in a lesser state than being misled and that a finding of confusion was not sufficient for a breach of Section 52 of the TPA.

As Smithers J., pointed out, whilst confusion in the sense of wondering whether there is a business connection between the plaintiff and new user of the mark is sufficient for trade mark purposes, it is necessary for consumers to be likely to actually form a conclusion that such a connection exists in order for a breach of Section 52 of the TPA to occur. That is, the conduct in question must cause consumers to believe in the existence of such a connection.\textsuperscript{53}

In the same case, Smithers and Fisher J.J. introduced the concept of 'erroneous assumption' into this area of the law\textsuperscript{54} when they held that there had

\textsuperscript{52}(1980-1981) 33 ALR 394

\textsuperscript{53}\textit{Ibid.} at 397-399 and see also Fisher J. at 412-413

\textsuperscript{54}Although an enormous assumption was referred to in the Vono case \textit{supra}. note 47 of Chapter IV, in respect of defensive registration, it does not seem to have found its way into trade mark opposition proceedings. Perhaps more importantly however, the enormous assumption assumed by the Trade Marks Office or Court can be displaced by evidence from trade witnesses in relation to whether there was a likely assumption of a connection (provided they give their reasons) whereas in S.52 proceedings, the court often imposes its own subjective view in preference to evidence of actual deception: \textit{The Taco Bell Case}, \textit{supra}. note 16 of this Chapter.
been no breach of Section 52 of the TPA because any assumption of a connection between 'Big Mac' wine and McDonald's restaurants would be based on an 'erroneous assumption' by consumers to the effect that only McDonald's licensees could use the mark 'Big Mac'. This 'erroneous assumption' was said by Fisher J. to have arisen because of the amount McDonalds spent on advertising.

Both Judges were partly persuaded in this view because the proprietor of McDonalds restaurants did not have a trade mark registration in respect of wine and, in the absence of such registration or use of the mark 'Big Mac' in respect of wine, the proprietor had no right to prevent McWilliams from using the mark. This was so despite the fact that Smithers J. acknowledged that 'Big Mac' was a very well-known mark.

In *Taco Company of Australia Inc & Another v Taco Bell Pty Ltd & Others* the Full Federal Court attempted to minimise the impact of the concept of 'erroneous assumptions' but confirmed what Smithers and Fisher J.J. said in the *McWilliam's Wines* case in relation to the relationship between consumer 'confusion' and the characterisation of conduct which was misleading and deceptive or likely to do so.

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55. *Ibid.* per Smithers J. at 400-401 and 403-404 and Fisher J. at 415
56. *Ibid.* at 414
57. *Ibid.* per Smithers J. at 403 and per Fisher J. at 415; Smithers J. at 399-402 was also partly persuaded by the fact that 'Big Mac' was not used as a business name.
58. *Ibid.* at 404
59. *Supra.* note 16 of this Chapter
In relation to the question of erroneous assumptions, Deane and Fitzgerald J.J. stated that there was a mistaken tendency to believe that there was now a proposition of law to the effect that intervention of an erroneous assumption between conduct and any misconception destroyed a necessary chain of causation with the consequence that the conduct itself could not be described as misleading or deceptive. They then pointed out that no conduct could mislead or deceive unless the represented laboured under some erroneous assumption and that the nature of the erroneous assumption which must be made is a relevant (and sometimes decisive) factor in determining the factual question of whether conduct was misleading or deceptive.

In relation to confusion Dean and Fitzgerald J.J. said that the conclusion that the conduct in question in the McWilliams Wines case caused confusion and wonderment but not deception was a factual conclusion and that Smithers and Fisher J.J. were not suggesting that there was a dichotomy between confusion and misleading or deceptive.

Ordinarily, they said however, confusion would not be sufficient to bring the conduct with Section 52 of the TPA and the question of whether the conduct caused confusion or wonderment could not be substituted for the question whether the conduct fell within Section 52 of the TPA.

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60 Ibid. at 200
61 Ibid. at 201
Irrespective of whether conduct produced, or was likely to produce confusion or misconception, to fall within Section 52 of the TPA, they said, the conduct had to convey a misrepresentation.\textsuperscript{62}

Referring back to Stephen J.'s\textsuperscript{63} decision in the Hornsby Building Information Centre case (where he said that in determining whether there had been a misrepresentation it was necessary to determine why the misconception had arisen)\textsuperscript{64} they said that the difficulty often lay in determining the impact of the fact that 'one or more persons were in fact led into error.'\textsuperscript{65} That is, it is necessary to determine whether such consumers were confused because of misleading or deceptive conduct on the part of the respondent,\textsuperscript{66} or alternatively were confused for some other reason.

The High Court also considered the question of the level of consumer confusion required in order for Section 52 of the TPA to be contravened in the Puxu\textsuperscript{67} case. In that case, no mention was made of the decision in the Taco Bell case which was heard one month earlier. However, what Smithers and Fisher J.J. said in relation to the degree of confusion required for a breach of Section 52 of the TPA and the consequence of erroneous assumptions made by consumers was expressly approved.

\textsuperscript{62}Ibid. at 202. See also the Henjo case, supra, note 16 of this Chapter at 93 where it was acknowledged that a representation could be express or by silence.

\textsuperscript{63}Supra. note 13 of this Chapter

\textsuperscript{64}Ibid. at 228

\textsuperscript{65}Supra. note 16 of this Chapter at 202

\textsuperscript{66}Ibid. at 203

\textsuperscript{67}Supra. note 15 of this Chapter
Gibbs C.J. stated that it was rightly held by Smithers and Fisher J.J. in the *McWilliam Wines* case that it is not enough, for the purposes of Section 52 of the TPA, to prove that a defendant's conduct was confusing or caused people to wonder whether two products may have come from the same source and that the *Southern Cross* case was distinguishable because it was concerned with a matter brought under the Act rather than under the TPA. He added however that if the public were misled by circumstances for which the defendant was not responsible, that would not constitute a contravention of Section 52 of the TPA.

Mason J., in a separate judgement, agreed with what Gibbs C.J. said as did Brennan J., who added that Section 52 of the TPA operated in the milieu of the external legal order and that if the public were deceived because of their misunderstanding of the law, Section 52 of the TPA would not be breached. An example of the type of misunderstanding of legal principles which consumers could have was, he said, that all goods of a particular design are manufactured by the person who first establishes a market for such goods. The true legal position is, of course, that that position will only be so where the manufacturer has obtained a statutory monopoly such as a registered design. Where there was no such statutory monopoly, he said, the deception was self-induced by the consumer.

However, the law in this area is not yet settled as some judges have held that where a defendant deliberately sets out to divert sales away from another, for

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69 *Ibid.* at 15

70 *Ibid* at 27-28

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example, by using very similar mark and/or get-up,\textsuperscript{71} or by deliberately seeking to attract custom to itself by using another's name and appearance or character,\textsuperscript{72} mere confusion or uncertainty without a definite conclusion with respect to source or sponsorship, may constitute misleading and deceptive conduct.\textsuperscript{73}

\textsuperscript{71} per Lockhart J., one member of the Full Federal Court in Bridge Stockbrokers Ltd \& Another v Bridges \& Others and Bridges \& Others v Bridge Stockbrokers Ltd \& Another (1984) 57 ALR 401 at 414. He said, at 415, that the extent of confusion required may need some refinement where a defendant had deliberately set out to cheat, but confirmed, at 413, that mere confusion or uncertainty in the sense that consumers were caused to wonder, was not sufficient for a breach of S.52 of the TPA.

See also Burchett J.'s judgment in Shoshana Pty Ltd v 10th Cantanae Pty Ltd (1987) 79 ALR 279; (1987-1988) 11 IPR 249 (ALR at 286 at IPR at 256) where he said, relying on the Taco Bell case and the Bridge Stockbrokers case, that there was not necessarily a dichotomy between 'confusion' and 'misleading or deception' and that deception commonly feeds on error and confusion. Where a corporation's conduct caused confusion, he said, it may be a short, yet necessary step to conclude that it has also been 'misleading or deceptive'. This case went on appeal to the Full Court of the Federal Court but, although Burchett J.'s decision was overturned on the facts, neither Wilcox, Pincus or Gummow J.J. disapproved of what Burchett J. said in relation to the extent of confusion required: (1987) 9 ALR 299; (1986-1988) 10 IPR 289.

\textsuperscript{72} per Pincus J. in Hogan \& Another v Koala Dundee case, supra, note 35 of this Chapter at 517 where he noted that unlike a representation as to the origin or quality of goods, use of mere images in advertising, although generating sales, did so not necessarily by creating any specific conclusions in the minds of the buying public with respect to licensing or sponsorship. He also said, at 521, that Dixon J.'s (as he then was) judgment in Turner v General Motors (Australia) Pty Ltd (1929) 42 CLR 352 at 368, tended towards treating misappropriation of reputation as enough at least where the person or owner of the character could obtain a fee for sponsorship or licensing. See also Telmak Teleproducts (Aust) Pty Ltd v Coles Myer Ltd (1988) 12 IPR 297 at 308 where Gummow J. approved of what Lockhart J. said in the Bridge Stockbrokers case. (this case later went on appeal but no comment was made in relation to what Gummow J. said of Lockhart J's statement in the Bridge Stockbrokers case; (1989) 15 IPR 362).

\textsuperscript{73} per Lockhart J. in the Bridge Stockbrokers case, supra, note 71 of this Chapter.
Thus, even though a defendant's intent is not normally relevant to a consideration of whether Section 52 of the TPA has been breached,\textsuperscript{74} where there is an intention to deceive, in the sense of an intention to cheat, that intention may lead a court to conclude that Section 52 of the TPA has been contravened.\textsuperscript{75}

Also, in relation to erroneous assumptions made by consumers Gummow J., in \textit{10th Catanae Pty Limited & others v Shoshana Pty Limited & Another}\textsuperscript{76} warned that it would be wrong to erect the decision in relation to erroneous assumptions into some principle or dogma of general application in construing Section 52 of the TPA and that a defendant's conduct did not have to be the sole cause of the consumer being misled or deceived.

\textsuperscript{74} \textbf{Hornsby Building Information} case, \textit{supra}. note 13 of this Chapter

\textsuperscript{75} per Lockhart J. in the \textbf{Bridge Stockbroker's} case \textit{supra}. note 71 of this Chapter and per Burchett J. in the \textbf{Pacific Dunlop Ltd v Hogan} case, \textit{supra}. note 34 of this Chapter at 432 where he said that generally, intention was irrelevant (but referred to Lockhart J.'s remarks in the \textbf{Bridge Stockbroker's} case) except that a court would more readily infer deception where intentional advantage was taken by a corporation of a misconception harboured by some consumers. He said that such a corporation could not rely on a misconception or confusion amongst consumers to negative the quality of its own conduct as a breach of S.52 of the TPA. Therefore an erroneous assumption by some consumers would not necessarily be fatal to a party seeking to establish a breach of S.52 of the TPA.

\textsuperscript{76} \textit{Supra}. note 71 of this Chapter at 324-325
(c) **Passing Off**

As discussed above, the statements of principle enunciated by Lords Diplock and Fraser in the *Erven Warnink*\(^{77}\) case and by Lords Jauncy and Oliver in the *Peckitt and Colman* case\(^{78}\) included a requirement of a misrepresentation.

The position in relation to this aspect of passing off actions is the same in Australia. For example, Gummow J., in *Telmak Teleproducts (Aust) Pty Limited v Coles Myer Ltd*\(^{79}\) stated that the type of misrepresentation involved in a passing off case was based on the probability of *deception rather than* some lesser state of 'confusion'.

Also, as discussed above, in the recent *Conagra Inc. v McCain Foods (Aust.) Pty Ltd*\(^{80}\) Gummow J., stated that although it was difficult to formulate any satisfactory definition of passing off, the 'classic trinity' of the existence of a reputation, the nature of the interests damaged and the making of a misrepresentation, all emphasised the core concepts in the area.\(^{81}\) Again, he

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\(^{77}\) *Supra.* note 5 of this Chapter

\(^{78}\) *Supra.* note 8 of this Chapter

\(^{79}\) *Supra.* note 72 of this Chapter relying on *Turner v General Motors (Aust) Pty Ltd,* *supra.* note 72 of this Chapter at 362, *Totalizer Agency Board v Turf News Pty Ltd* [1967] VR 605 at 606 but c.f. *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 265 at 276, 285 and 289. (Gummow J's. statement was not commented on when the case went on appeal; *supra.* note 72 of this Chapter).

\(^{80}\) *Supra.* note 2 of this Chapter

\(^{81}\) *Ibid.* at 247
confirmed that fraud on the part of the defendant could not overcome a lack of reputation in the jurisdiction on the part of the plaintiff as, without reputation, there could be no misrepresentation.82

Likewise, Lockhart J. stated that, on an examination of the authorities it was clear that passing off lay squarely in misrepresentation, for its underlying rationale was to prevent commercial dishonesty.83 He also said that it was still necessary for a plaintiff in a passing off action to prove that his goods had the requisite reputation in the jurisdiction in question, that there was a likelihood of deception amongst consumers and that there was a likelihood of damage to that reputation.84 The last two factors he described as being critical to the cause of action. If there were no reputation, he said, even the proof of fraud on the part of the defendant would not assist as, without reputation, there could be no misrepresentation.85

Finally, in the same case, French J., who agreed with what Lockhart and Gummow J.J. said, stated that the name or get-up used by the defendant had to be deceptive in the sense that a misrepresentation was conveyed.86

82 Ibid. at 252
83 Ibid. at 231
84 Ibid. at 234
85 Ibid. at 236
86 Ibid. at 269
3. Whether the marks are used on or in relation to different goods or services is not determinative in trade mark opposition proceedings but is likely to be determinative in TPA matters.

The use of a mark on different goods and services is of concern to a proprietor of a well-known or famous mark. As previously discussed in Chapter III, such use dilutes the selling power of the mark. It is therefore important to assess whether traditional trade marks law concepts give greater protection than the TPA or passing off in this area.

It is clear from the Southern Cross case that in the context of trade mark opposition proceedings, the fact that the opponent's goods and services are different from the applicants is not determinative.\(^87\)

Other factors are also considered such as the special character of the mark, the extent of its reputation, whether the mark is registered for a wide variety of goods or services (or merely a narrow class), and whether the applicant's and opponent's goods or services are likely to find markets substantially in common areas and among the same classes of people.\(^88\)

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\(^87\) Southern Cross case, supra. note 40 of this Chapter at 607 and the Radio Corporation case, supra. note 14 of Chapter V

\(^88\) Southern Cross case, supra. note 40 of this Chapter at 608. Note however that the Trade Marks Office appears to be adopting a rather hard line approach. In the R & C Products case, supra. note 60 of Chapter V, the Delegate of the Registrar of Trade Marks, Homann, held that an opposition to the registration of 'Decore Technicolour' in respect of hair care products should not succeed. The opponent was found to have an 'enormous' reputation in relation to its use of the mark 'Technicolour' but only in relation to colour film and, in the absence of a Part D registration, the Delegate refused to give the opponent any special treatment merely because its mark was famous. Because the application had already used the mark in Australia in respect of its hair care products it was held to be the true proprietor of the mark in respect of those goods. However, the Delegate seemed to be very influenced by the fact that the word 'Technicolour' was descriptive.
In contrast however, because of the higher threshold of confusion required under the TPA, the fact that the plaintiff and defendant operate in different markets or sell to different types of consumers or use a mark on or in relation to different goods and services will often save the defendant from breaching Sections 52 and 53 of the TPA.

(a) Sections 52 and 52 of the TPA

In some instances even the use of a mark on the same type of goods may not be enough to breach the above Sections. 89

For example, in *Weitmann v Katies Ltd and Others*, 90 Franki J. refused to grant a quia timet injunction restraining Katies Stores from selling stocks of T-shirts with the words 'Saint-Germain' on the sleeve even though the applicant had advertised and sold his T-shirts (and other women's clothing) in Australia using that mark for three years prior to the proceedings.

The reason Franki J. gave for refusing the injunction was that the applicant was a wholesaler of up-market goods to boutiques whereas the respondent was a retailer of lesser quality goods. Because the Katies customers were perceived by him as those who sought good value for money whereas the applicant's ultimate customers were perceived as those who sought high fashion articles,

89 In the *Tiffany* case, supra, note 36 of Chapter V an opposition by the American proprietor of the famous mark 'Tiffany' to the registration of that mark by an Australian mail order company, was not successful even where the American proprietor used the same mark on the same goods. The difference was however, that at the time when the Australian company commenced using the mark in Australia, there had been no sales or offers to sell by the American company and there was no possibility of any consumer confusion at that time.

90 [1977] FLR 336
Franki J., concluded that the Katies' customers were unlikely to come from the same section of the community. As there was no overlap, he reasoned that the Katies customers would not be misled. Franki J. was also influenced by the fact that 'Saint-Germain' is an area in Paris and by the fact that Katies proposed selling its T-shirts with its own tags on them.

Where a mark is used on goods which perform a different function, it is even less likely that Sections 52 and 53 of the TPA will be found to have been contravened.

For example, in Lego Australia Pty Ltd v Paul's (Merchants) Pty Ltd\(^9\) it was held that because the respondent used the mark 'Lego' in relation to plastic irrigation equipment whereas the applicant used it on plastic construction toys, there was no misleading of consumers and no breach of Section 52 of the TPA.

Franki J. stated that there was no obvious similarity between the goods in question.\(^9\) Deane and Fitzgerald J.J. stated that the toys and irrigation equipment differed in nature, appearance and function and that therefore there was no breach of Section 52 of the TPA. They also stated that the fact that companies sometimes expand into different ranges of products could not warrant a conclusion that any particular company had done so.\(^9\)

\(^{91}\) (1982) 42 ALR 344
\(^{92}\) Ibid. at 346
\(^{93}\) Ibid. at 352
In *Cue Design Pty Ltd and Another v Playboy Enterprises Pty Ltd trading as 'The Cue Restaurant' and Others*, Fisher J. refused to grant an interlocutory injunction restraining the use of the name 'Cue' by the respondents which operated a restaurant. The applicants had manufactured and sold women's clothing under that name for more than ten years and had used the mark in national advertising campaigns in many forms of media.

Fisher J. held that there was no breach of Sections 52 or 53 of the TPA and no passing off by the respondents because the applicants and respondents carried on a totally different type of business, catered, to a substantial effect, for the tastes of a different class of the public and were located in a different area of the central business district of Adelaide. He said that the applicants had no right to the monopoly use of the name.

The three cases referred to above are, of course, merely examples of the erroneous assumption principle developed in relation to Sections 52 and 53 of the TPA. This was implicitly acknowledged by some of the judges in those cases. For example, in the *Lego* case Frankl J. stated that in examining the evidence in relation to actual deception, it was proper to determine whether the inferences drawn by the witnesses was reasonable or legitimate, whilst Deane and Fitzgerald J.J. stated that any witnesses who were confused or under a misconception were so as a result of an unwarranted assumption on their part.

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94 [1982] 65 FLR 383
95 *Ibid.* at 388
96 *Ibid.* at 387
97 *Supra.* note 91 of this Chapter at 347
98 *Ibid.* at 352. See also the *Cue* case, *supra.* note 94 of this Chapter at 389 where Frankl J. said that any conjecture by witnesses as to a possible (Footnote Continued)
(b) Passing Off

As has been said in several passing off cases\textsuperscript{99}, there is no monopoly in a name.

Nevertheless, although the English courts sometimes required that there be a common field of activity between the plaintiff and defendant before the use by the defendant of the plaintiff’s mark would be enjoined\textsuperscript{100} protection in relation to very different goods and services has sometimes been afforded\textsuperscript{101}. For example in Lego System Aktieselskab and Another v Lego M. Lemelstrich Ltd\textsuperscript{102} the proprietors of the mark 'Lego' in relation to the plastic building blocks were able to restrain the case of that mark by another trader in relation to its plastic irrigation equipment. Unlike the Full Court of the Federal Court in the Australian Lego case\textsuperscript{103}, Falconer J. was persuaded that the plaintiffs had established a high reputation in the mark Lego which extended beyond the field of toys and construction kits and that the mark was wholly distinctive of them and had become a household word. The misrepresentation existed because

\footnotetext{\textsuperscript{99} The Wombles case, and the Taverner Rutledge case, supra. note 40 of this Chapter and the Mirage case supra. note 4 of this Chapter. See also the comments of Pincus J. in the Shoshana case, supra. note 71 of this Chapter at 295 and the Hogan v Koala Dundee case, supra. note 35 of this Chapter at 521 where he said that the question of whether passing off gives protection to the alleged proprietary right 'in gross' in a well-known name is left open.}

\footnotetext{\textsuperscript{100} per Wynn-Parry J. in McCulloch v Lewis A. May (Produce Distributors) Ltd [1947] 2 All E.R. 845; 65 RPC 58 (the 'Uncle Mac' case).}

\footnotetext{\textsuperscript{101} Harrods Limited v R. Harrod Limited (1923) 41 RPC 74}

\footnotetext{\textsuperscript{102} Supra. note 4 of this Chapter}

\footnotetext{\textsuperscript{103} Supra. note 91 of this Chapter}
a substantial number of persons among the relevant section of the public would believe that there was a business connection between the parties.

In addition, it has now been established that a common field of activity is no longer required. However, as was said by the Court of Appeal in Peter James Stringfellow and Stringfellow Enterprises Limited v McCain Foods (GB) Limited and Reeves Robertshaw Needham Limited, where the parties are in a completely different line of business (in that case a nightclub operator and a frozen chip manufacturer) the onus on the plaintiff to prove damage or likely damage is a heavy one.

In Australia however, it has been established since 1960 when the Henderson case was heard, that no such requirement exists in respect of passing off actions brought here.

Accordingly, the protection given to well-known and famous marks by virtue of the common law action of passing off can be equated to the protection given by Part D registration in relation to 'other goods and services'. As long as a

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104 Lyngstad v Annabus Products Ltd [1977] FSR 62 per Oliver J. and Lego System A/S v Lego M. Lemelstrich Ltd, supra, note 4 of this Chapter, which established that there is no rule of law that a plaintiff cannot succeed where there is no common field of activity. However, the question whether there is a common field of activity remains a relevant factor when determining whether there has been a misrepresentation and whether damage has been suffered: Annabel's (Berkeley Square) Ltd v Schock [1972] RPC 838.

105 (1984) 3 IPR 71

106 Supra, note 9 of this Chapter. See also the TAB case, supra, note 80 of this Chapter.

107 Ibid, and see also the TAB case, supra, note 79 of this Chapter at 608-609 and the Moorgate Tobacco case, supra, note 43 of Chapter V at 86 and 88 of the ALJR report.

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connection is likely to be assumed, both passing off and Part D registration will provide an avenue for protection.

It also appears that this area of the law, unlike the TPA, is probably not burdened by the concept of erroneous assumptions. As was said by Lord Jauncy in the Reckitt and Colman case\textsuperscript{108}, it can be no answer to a claim of passing off that the public would not be deceived if they had been more careful, more literate or more perspicacious. Customers, he said, had to be taken as they are found.\textsuperscript{109}

However, one of the differences between opposition proceedings and proceedings under the TPA and the common law action of passing off is that in the former two types of proceedings damage does not have to be proven.\textsuperscript{110} In contrast however, it is still necessary to prove damage or a likelihood of damage in passing off proceedings.\textsuperscript{111}

\textsuperscript{108} Supra, note 8 of this Chapter

\textsuperscript{109} Ibid. at 16

\textsuperscript{110} Ss. 28(a), 33, 49 and 50 of the Act; S.80(1) of the TPA which provides that 'any other person' may bring a proceeding and obtain an injunction restraining conducting in breach of Part V of the TPC (in which Ss. 52 and 53 are found).

\textsuperscript{111} Erven Warnink case, supra, note 5 of this Chapter and the Conagra case, supra, note 2 of this Chapter
4. Labelling or disclaimers will not assist in trade mark opposition proceedings but often do assist in Sections 52 and 53 of the TPA and passing off proceedings

(a) Trade Mark Opposition proceedings

In the Southern Cross case\(^{112}\) it was held that it was not enough for an applicant whose mark would cause deception or confusion to negative the likelihood of confusion in relation to the actual trade carried on by the opponent at the time of registration and the manner in which the opponent used his mark. The applicant must also, the Court held, take into account all legitimate uses which the opponent may reasonably make if his mark within the ambit of his registration.\(^{113}\)

(b) Section 52 and 53 of the TPA and Passing Off

In the case of these causes of action however, labelling can sometimes neutralise the effect of otherwise misleading or deceptive conduct.\(^{114}\) This may also be an example of the operation of the requirement of an actual conclusion as to a particular state of affairs rather than mere confusion or wonderment.

\(^{112}\) Supra, note 40 of this Chapter at 608

\(^{113}\) Quoting Dixon J. (as he then was) in Reckitt & Coleman (Australia) Ltd v Boden (1945) 70 CLR at 94-95

\(^{114}\) Abundant Earth Pty Ltd & Others v R. & C. Products Pty Ltd (1985) 59 ALR 211 at 217 quoting Turner v General Motors, supra, note 79 of this Chapter at 370
For example, in the Puuxu case\textsuperscript{115} it was held that because the respondent had labelled its lounge suites (which were identical in appearance to the applicant's) as emanating from it, no breach of Section 52 of the TPA had occurred.

Gibbs J.\textsuperscript{116} said that if goods were properly labelled so as to show the name of the manufacturer or the source of the goods then their close resemblance to other goods would not mislead an ordinary, reasonable member of the public. Mason J.\textsuperscript{117} stated that since a potential customer who read the label on the respondent's goods would not mistakenly think it came from the applicant, it was relevant to determine whether customers would be likely to read labels on such goods. He then said that given the importance, both financially and aesthetically, to customers of purchasing a lounge suite, a customer who wanted to buy the applicant's goods would look for and read the labels and also ask a salesman. Finally, Brennan J.\textsuperscript{118} said that where the respondent labelled its goods in accordance with the practice in the trade and the label clearly distinguished it from the applicant's suite, there was no misleading and deceptive conduct.\textsuperscript{119}

\begin{itemize}
\item\textsuperscript{115} Supra. note 15 of this Chapter
\item\textsuperscript{116} Ibid. at 7
\item\textsuperscript{117} Ibid. at 16
\item\textsuperscript{118} Ibid. at 28
\item\textsuperscript{119} See also Nymph Products Limited v Jalco Products (W.A.) Pty Ltd and Ken Heating Limited v Jalco Products (W.A.) Pty Ltd [1983] 74 F.L.R. 102 at 133 and the Conagra case, supra. note 2 of this Chapter at 244, for example of situations where adequate labelling negatived what may have been misleading and deceptive conduct.
\end{itemize}
However, in each situation there is an examination of the facts to determine whether labelling would in fact be adequate to negative consumer confusion.

For example, in *Children's Television Workshop Inc. v Woolworths (NSW) Ltd* 120 it was held that a sticker attached to the cellophane bags in which the 'Muppet' like toys were sold by Woolworths was inadequate to avoid mistake on the part of consumers. The stickers stated that the toys were not manufactured or sold under licence from the plaintiff and were not sold as Sesame Street or Muppet characters. The stickers were too small in size and typeface, fell off or were not always affixed, or put on upside down or in a place not readily observable and would not be noticed or read by consumers. Further, some of the toys were not sold in plastic and therefore there was nowhere to attach the sticker.

Also, in *R. & C. Products Pty Limited v Abundant Earth Pty Ltd & Others* 121 Sweeney J. stated that affixing a label across the front of a mustard jar (to distinguish it from the vegetable oil sold by the applicant under the same mark, namely 'Pure and Simple') was insufficient to negative misleading and deceptive conduct. He said that it was not in accordance with the realities of the market place to attribute to the purchasers of cheap items a willingness to go to whatever lengths are necessary to scrutinise all written information contained on labels so as to determine the relationship between products and their distributors.

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120 *Supra.* note 37 of this Chapter

121 (1984) 55 ALR 38, upheld on appeal; *Abundent Earth Pty Limited & Others v R & C Products Pty Limited,* *supra.* note 114 of this Chapter at 217
The marketing technique used in relation to such low cost articles was to use get-up designed to place no strain on prospective purchasers but to induce a quick and positive result which told against the adequacy of such labels in those circumstances.  

On appeal, the Full Court of the Federal Court held that where the competing products are small, inexpensive items, the efficiency of a disclaimer, however prominent, cannot be assumed and that the disclaimer before them was inadequate.

Finally, in Hutchence & Others v South Seas Bubble Co. Pty Ltd Wilcox J. stated that although in some cases the effect of otherwise misleading and deceptive conduct could be neutralised by an appropriate disclaimer, such cases were likely to be relatively rare and confined to cases where the court could satisfy itself that the disclaimer was likely to be seen and understood by all those who would otherwise be misled. In that case he also held that the disclaimer on the market stall and the T-shirts in question was inadequate.

C. SECTIONS 52 AND 53 OF THE TPA AND PASSING OFF ARE NOT COST EFFECTIVE OR SUFFICIENTLY CERTAIN

A reliance on registered trade marks rather than causes of action under the TPA and the common law action of passing off results in considerable cost savings. In the case of proceedings under the TPA and for passing

122 Ibid. at 50
123 Supra. note 114 of this Chapter at 217
124 Supra. note 4 of this Chapter at 481
off, a plaintiff is required to prove its reputation in the mark in question. However, this is not the case in respect of trade mark infringements where all the proprietor is required to prove is that it is the registered proprietor of the mark in relation to the goods or services in question and that the defendant has used a mark which is substantially identical with, or deceptively similar to, the proprietor's registered trade mark in relation to the goods or services in respect of which the trade mark is registered.\textsuperscript{125}

The very high cost of proving reputation in a mark or name in passing off proceedings was, according to Kerly,\textsuperscript{126} one of the reasons for the enactment of the \textit{Merchandise Marks Act} (1862) and its successors.\textsuperscript{127} Prior to the enactment of the \textit{Merchandise Marks Act} a Select Committee of the House of Commons was established in 1862 to consider several trade marks and merchandise marks Bills. The witnesses who gave evidence complained, amongst other things, about the high cost of proving a reputation in relation to passing off actions and the difficulty of having to prove reputation each time an action was taken against another trader. Kerly\textsuperscript{128} referred to the case of \textit{Rogers v Nowill}\textsuperscript{129} which lasted five years and in which the legal costs were

\textsuperscript{125}Ss. 58(1), 59 and 62(1) of the Act

\textsuperscript{126}Kerly, D.M., \textit{The Law of Trade Marks and Trade Names} (4th ed. 1913) at 5

\textsuperscript{127}\textit{Trade Marks Registration Act} (1875), \textit{Patents, Designs & Trade Marks Act} (1883), \textit{The Trade Marks Act} (1905) and \textit{The Trade Marks Act} (1938)

\textsuperscript{128}\textit{Supra} note. 126 of this Chapter

\textsuperscript{129}(1846) 22 L.J.Ch. 404
£2,211. There is no reason to believe that the costs associated with proving a reputation have diminished over time.\footnote{130}{It was estimated, for example that the cost of proving the Beaujolais producers' reputation in that name in Australia in the recent Federal Court proceedings was over $400,000 and that case was settled before it got to trial! (Information provided by the Solicitor who ran the litigation at Freehill, Hollingdale & Page).}

From an economic viewpoint therefore, reliance on any cause of action requiring the proof of reputation in each case is economically inefficient. Too many resources are wasted on enforcement costs which are required to be minimised as much as possible for economic efficiency to be achieved.

Also, reliance on a system of registered trade marks increases certainty, especially where such a system provides for protection with respect to specific goods and services.\footnote{131}{This is of course subject to counterclaims for invalidity which are sometimes made.} The Dean Committee referred to this\footnote{132}{\textit{Supra.} notes 20, 21, 22 and 23 of Chapter IV} as did McLean in his article.\footnote{133}{McLean R.G., \textit{op.cit.}, at 5} Traders seeking advice from their patent attorneys and lawyers desire certainty. It is preferable, from an economic viewpoint, that their professional advisers are able to tell them, after searching the Register, which marks may safely be used and in relation to which goods and services. If one must also incorporate into that advice the uncertainties involved in TPA and passing off proceedings, the advice will necessary be less certain. The consequence of uncertain advice and an uncertain legal environment is that a trader may innocently choose a mark to which another trader lays claim thereby
wasting resources on such things as advertising, printing and legal costs.

Accordingly, I take the view, as did the Dean Committee, that the answer to providing increased protection to well-known and famous marks lies with some special form of registration rather than by way of giving elastic sides to infringement actions (as has been recommended by the Trade Marks Working Party\textsuperscript{134} which provides for infringement to occur even in relation to similar goods and services).\textsuperscript{135}

D. CONCLUSIONS

It is my contention that it is not appropriate to rely on the causes of action available under the TPA and passing off in order to provide for the full protection of well-known and famous marks. The TPA is an inappropriate vehicle for the protection of such marks as it is directed towards the protection of consumers rather than the protection of the valuable assets owned by traders.

In addition, in some cases the TPA and passing off cannot provide adequate protection and, more importantly, because such actions are more costly and less certain, they are not conducive to economic efficiency. Accordingly, the protection for well-known and famous marks ought to be provided for in the Act.

\textsuperscript{134}Recommended changes to the Australian Trade Marks Legislation, \textit{op. cit.}, at 55

\textsuperscript{135}This was also suggested in the \textit{Reform of Trade Marks Law - White Paper}, \textit{op. cit.}
CHAPTER VII

RECOMMENDATIONS

Objectives of review

As previously discussed, both the Trade Marks Working Party and McLean were concerned with whether Australian laws presently satisfied Australia's international obligations in relation to the protection afforded to well-known and famous marks. It is of course, important to determine the answer to that question. However, whilst we are engaged in a lengthy and expensive review of the law in this area it is appropriate, in my submission, to consider the economic implications of protecting such marks as well as giving special consideration to the nature of such marks and any particular forms of protection which are required to maintain their value as productive assets.

Registration system if preferable

I, like McLean and Dean Committee, contend that the proprietors of well-known and famous marks should be able to primarily rely on the Act and rights obtained by way of registration. This is because of the greater certainty afforded by a registration system which is valuable both to the trade mark proprietor and to other traders seeking to determine which marks they may and may not safely use in respect of their goods and services. The system might be more complicated at the registration stage but it is my submission that it is preferable, from an economic point of view, to determine the exact width of the trade mark proprietor's monopoly at that stage rather than during the course of costly and expensive court proceedings which would be the case if the test for infringement were given elastic sides, as recommended by the Trade Marks Working Party and the authors of the United Kingdom White Paper.
In addition, the proprietors of well-known and famous marks would obtain cost savings not available if they had to rely on a wider infringement test under the Act or on the TPA and the common law action of passing off. That is, registration removes the need to prove reputation and those costs may be saved not just once but many times over as such marks are more likely than others to be misused. Thus, if the aim is to provide additional protection to such marks and to do so in an economically efficient way, protection by way of a registration system is far preferable to protection based on causes of action such as those available under the TPA and passing off, as enforcement costs are greatly reduced.

Suggested Amendments to the Act and Regulations

(a) It ought to be acknowledged in the Act that trade marks are property and that the primary purpose of the Act is to protect proprietary interests

I agree with the Trade Marks Working Party's recommendation that a provision be added to the Act which provides that trade marks are property but I submit that a further provision should also be added confirming that the primary purpose of the Act is to protect the proprietary interests of trade mark owners and that consumer confusion is only relevant insofar as it assists in determining such rights. It is time that the Act reflected the policy of protecting trade marks like any other private property in recognition of their economic importance.
(b) **Private enforcement should be available**

Although Higgins and Rubin concluded that public enforcement was preferable to private enforcement, the basis of their conclusion was that private enforcement wasted too many resources. However, this is not always the case. For example, collection and enforcement bodies such as The Australian Performing Rights Association ('A.P.R.A.') are private associations but are very cost effective. Also, relying solely on public enforcement would lead to instances of the mis-use of trade marks going unchecked because of lack of resources. Accordingly, it is my submission that private enforcement should also be provided for, but, so as not waste too many resources on enforcement costs, such protection should be as cost effective as possible.

(c) **Part D registration is the appropriate protection for well-known marks**

As can be seen from the discussion in Chapter II, there is general consensus amongst many industrialised countries that well-known and famous marks require greater protection than other marks although the methods used to achieve this have varied.

(i) **Part D registration ought to be retained**

In relation to well-known marks, as defined in Chapter II, I submit that defensive registration should be retained in order to give them "flank protection". As discussed in Chapter III, this

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1Higgins, R.S. and Rubin, P.H. *op.cit.* at 230
would provide such marks with protection similar to that afforded under Article 5(1) of the EC Directive.

However, it is clear from the discussion in Chapter IV, and the analysis undertaken in that Chapter of the Part D Register, that the present system could be greatly improved.

(ii) **There should be four different types of Part D registration**

It is my submission that the Sections of Act dealing with defensive registration ought to be amended to provide for four types of defensive registration; one being for well-known invented words, one for well-known non-invented words, one for well-known overseas marks and one for all other marks whether or not they are well-known.

(iii) **A definition of 'well-known' marks should be included in the Regulations**

A definition of 'well-known' marks, along the lines of the working definition given at the end of Chapter II, ought to be included in the Regulations to the Act.
(iv) Well-known invented words should be registered with respect to all goods and services.

In respect of well-known invented words the Act should be amended to provide that, upon proving that an invented word is well-known in respect of particular goods or services, the proprietor of such a mark shall be entitled to registration of that mark in Part I in respect of all goods and services. In respect of those marks therefore, full protection from dilution, in the 'classic' sense, would be given. As discussed in Chapter III, the protection of the selling power of such a mark is important for economic efficiency. If such marks are used by others on different goods and services the information value of the mark to consumers will be lost and the valuable productive asset will be damaged. As the monopoly granted will not prevent other traders from using any words in the English language from describing their goods and services, there is no reason why the monopoly in the mark should not extend to all goods and services. The possibility of obtaining such protection should provide more incentive to traders to invent new words whilst not restricting other traders in their competitive activities.

(v) Well-known non-invented marks and other marks should be protected to differing extents.

In respect of all other marks, excluding well-known overseas marks and famous marks, which will be discussed below, Section 93(1) of the Act should remain as it is but a sub-section should be added which should provide that where a trade mark
proprietor is able to prove that his non-invented mark is well-known, again according to the definition in the Regulations, then "a connection" of the required type will be deemed to exist between the proprietor and any:

(a) related and/or similar goods and services; and/or

(b) goods and services sold through the same or similar channels; and/or

(c) goods and services sold to the same or similar class of purchasers.

The Trade Marks Office would then be required to allow registration in relation to the above goods and services. This would avoid the current problem, discussed in Chapter IV of having to convince the Trade Marks Office that such a connection is likely to be assumed by consumers. The only questions left for the Trade Marks Office in such a case would be whether the mark is well-known and what goods and services are related or similar, sold through the same or similar channels and sold to the same or similar class of purchasers.

In respect of marks which are not 'well-known' or invented, I submit that the proprietor should have to prove the likelihood of an assumption of a connection, as is presently the case. Hence, marks which are not yet well-known would continue to receive some limited protection from dilution.
(vi) **New guidelines should be incorporated into the Regulations**

In addition, the Regulations should be amended to include new guidelines for obtaining registration which should make it clear that for goods and services to be 'related' and/or 'similar' they do not need to be 'analogous or the same'. Also, it should be made clear that the 'connection' required could be any type of connection such as by way of licensing, franchising or sponsorship. Finally, it should be made clear that the evidence to be submitted in support of any allegation that a particular mark is well-known is in substitution for, rather than in addition to, the evidence referred to in the *Ferodo* case, the *Vono* case, the *Masslin* case and the *Bingo* case.

(vii) **Infringement of Part D marks should not be restricted by actual use**

The Act should also be amended to make it clear that infringement of a Part D mark will not be restricted by any use which happens to be made by the proprietor in relation to the goods and/or services in respect of which defensive registration is given.

(viii) **Only one application should be required**

The Regulations should also be amended to allow one application for all goods and services which the applicant wishes to be protected by way of defensive registration. The division of applications into numerous classes is, in my submission, an unnecessary duplication and simply adds to the workload of the
Trade Marks Office (which has the practice of preparing separate, albeit extremely similar, Examiner's Reports for all classes applied for) as well as the cost to the proprietor in relation to application and renewal fees. The requirement for the applications to be made in various classes is a waste of resources and is therefore uneconomic.

(ix) Public education programme should be commenced

Given Steven's concerns that the availability of defensive registration is not known to many traders in Australia or to overseas traders, particularly in the United States and Japan, the Trade Marks Office should produce informative pamphlets setting out the protection available by way of defensive registration and the requirements and cost of obtaining it. These could then be distributed to traders in Australia and overseas via patent attorneys and solicitors practising in the area.

(x) Well-known overseas marks should also be protected under Part D prior to their proprietors' entry into the Australian market place

In respect of marks which are well known overseas in relation to particular goods and services but which are not yet used in Australia, the provisions in relation to defensive registration should be amended to allow for the registration of such marks in respect of such goods and services to enable the overseas proprietors to obtain some protection prior to their entry into the Australian market. The new provisions should also provide that once such marks are used or proposed to be used in Australia by their overseas proprietor, applications for registration in Part A
must be made and that upon obtaining registration in Part A, the Part D registration will lapse. To obtain registration the overseas proprietor would have to prove that his mark was well-known, again within the definition of that term in the Regulations, in relation to the goods and services referred to in the application in his country.

(d) Part E registration is the appropriate protection for famous marks

(i) Part E Registration should be available

In relation to famous marks, I agree with the recommendation made in the Trade Marks Working Party's Discussion Paper,² namely that there should be a separate section in the Register known as Part E for the registration of such marks.

(ii) A definition of 'famous marks' should be included in the Regulations

A definition of the term 'famous' along the lines of the working definition contained at the end of Chapter II should be included in the Regulations. This would provide similar protection to that suggested in respect of the amendments to the Lanham Act discussed in Chapter II and would provide similar protection to that provided in Article 5(2) of the E.C. Directive and the A.I.P.P.I. resolution.

² Which was abandoned in its final report.
(iii) Only one application should be required and dilution and/or unfair advantage should be assumed if a Part E mark is used by another trader.

Applications for registration in Part E should not have to specify any goods or services and, if such marks are used after registration by another trader, there should be a prima facie assumption that the other trader's use dilutes the famous mark and/or takes unfair advantage of it. Accordingly, the court considering such a matter should be empowered to grant an injunction restraining such use by the other trader. The prima facie assumption of dilution and/or unfair advantage could of course be rebutted by another trader. However, the advantage of having such a prima facie assumption is that the proprietor of the famous mark does not need to prove reputation (at least initially) and therefore would obtain considerable cost savings.

(iv) Use should not be required for registration

Unlike the resolution made by the A.I.P.P.I., I do not recommend that such registration depend on use of the mark in respect of all goods and services. If it did, Part E would provide no more protection than Part A.

(v) Public education should be commenced

The Trade Marks Office should be required to publish pamphlets informing traders of the advantages of obtaining Part E registration as well as the requirements and costs of so doing.
(vi) Famous overseas marks should also be protected under Part E prior to their proprietors' entry into the Australian market place.

In relation to famous overseas marks, again the proprietors should be able to register in Part E without Part A registration and without use in Australia. Again, fame (as defined in the Regulations) in the applicant's country would need to be proved and, once the overseas proprietor commenced using its mark in Australia he would be required to make an application for registration in Part A. However, the Part E registration should continue to remain on the Register thereafter in order to provide protection from dilution.

(f) Counterfeiting penalties should be equated to the financial gains made by trader and consumers.

Protection from counterfeiting should be afforded to all marks. However, in relation to well-known and famous marks in respect of which counterfeiting activity is more likely, the penalties should equal or outweigh the financial gains made by the traders and consumers involved. I therefore submit that the penalties imposed on traders involved in counterfeiting should be calculated in accordance with either the gross profit or sales revenue obtained by such traders and the penalties imposed on consumers should be equal to the difference between the purchase price paid by them and the cost of the genuine goods at the time of purchase. Accordingly, I recommend that the penalties proposed by the Trade Marks Working Party only apply where the traders have not kept any records and it is therefore impossible to determine what either their gross profit or sales revenue from trading in counterfeits was. As discussed in Chapter III unless the financial gains...
are outweighed or equalled by the financial losses, profit and satisfaction
maximisers will have the incentive to engage in buying and selling
counterfeits.

The Trade Marks Office should be required to keep statistics

The Trade Marks Office should also be required to keep statistics with
respect to successful and unsuccessful applications under Part E as well
as under Part D so that proper analysis can be undertaken in relation to
the popularity and effectiveness of such protection.
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