

# The Trademark Reporter<sup>®</sup>

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## MOOVE: THE “EXPERIMENT” THAT WENT WRONG

*By Wayne Covell\**

A guiding principle in trademark jurisprudence stemming back to the dawn of English trademark law is that if a mark causes public deception it will not be afforded legal protection. But a majority of judges in the High Court of Australia in *New South Wales Dairy Corporation v. Murray-Goulburn Co-operative Co. Ltd.* (the Moove case)<sup>1</sup> have ruled that a deceptive, confusing and non-distinctive trademark can remain on the Australian trademarks Register and retain the full benefits of registration. The majority were also of the view that the policy of the legislation had changed so that the public interest, once predominant, is no longer so. Support for the decision may be found in the United Kingdom in the speech of Lord Diplock in the House of Lords in *General Electric Co. (USA) v. General Electric Co.* (the GE case).<sup>2</sup> Thus, there are now two British practice jurisdictions where a trademark may be used as an instrument of consumer deception. The question is: Why?

The central issue in the Moove case was the interpretation of Section 28 of the Australian Trade Marks Act 1955 which provides:

28. A mark—

- (a) the use of which would be likely to deceive or cause confusion;
- (b) the use of which would be contrary to law;
- (c) which comprises or contains scandalous matter; or
- (d) which would otherwise be not entitled to protection in a court of justice,

shall not be registered as a trade mark.

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1. (1990) 171 CLR 363; [1991] RPC 144; (1989-1990) 18 IPR 385.

2. [1973] RPC 297 (HL), revg [1970] RPC 339 (CA).

The section has equivalents in most British practice jurisdictions<sup>3</sup> and before the House of Lords' decision in the GE case it was generally accepted that its principal purpose was to protect the public from certain undesirable marks, including deceptive and confusing marks. But over time British and Australian trademark legislation has undergone some radical amendments. For example, before the enactment of the United Kingdom Trade Marks Act of 1938 and the amending of the Australian Trade Marks Act of 1905 in 1948, it was not possible to assign any trademark unless it was assigned with the business good will which had been built up as an adjunct to the mark. Also, it was not possible to license a mark—at all.<sup>4</sup> It was asserted at common law that assignments without good will, or bare assignments, and licensing were “frauds upon the public.” That is, the public would be deceived by a trademark which did not indicate the true source or origin of the product. The common law rule was enshrined in the United Kingdom and Australian 1905 registration statutes in its “baldest form”;<sup>5</sup> both Acts prohibited assignments without good will<sup>6</sup> and all licensing without reference to the “fraud upon the public” notion.

Pressure was mounted for the law to be amended so as to allow assignments without good will and licensing. The contemporary argument was that this could be done without damage to the public interest, and to assist in that end, safeguards were recommended and adopted.<sup>7</sup> These changes were meant to provide, to paraphrase the Goschen Committee,<sup>8</sup> the greater flexibility sought by traders without causing “material” deception to the public. “Material” deception obviously meant a real likelihood of actual deception as opposed to deception which was previously presumed merely because a mark had been transferred in some way without the good will of the business. The Australian provisions, however, went further than the United Kingdom

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3. Section 11 United Kingdom Trade Marks Act 1938; §16 New Zealand Trade Marks Act 1953; §11 India Trade Marks Act 1958; §16 South Africa Trade Marks Act 1963; §19 Ireland Trade Marks Act 1963.

4. The United Kingdom Trade Marks Registration Act 1875 and the Patents, Designs and Trade Marks Act 1883 gave registered proprietors the power to “grant licenses” subject to “any equities” but this power was omitted from the United Kingdom Trade Marks Act 1905. In Australia it was not possible to license a registered mark until the Australian 1905 Trade Marks Act was amended by the Trade Marks Act 1948.

5. A. Dean, *Assignment of Trade Marks*, (1933) 6 ALJ 398.

6. There was a limited exception in the case of partnership dissolutions.

7. See the Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alterations are Desirable in the Trade Mark Law of the Commonwealth, (1954) Dean Report; and Report of the Departmental Committee, Cmd. 4568, 1934 (Goschen Committee).

8. Which recommended the United Kingdom changes which resulted in the 1938 Act.

counterparts. For example, there was no explicit requirement in the Australian amendments to advertise an assignment without good will and the attack on the validity of an assignment was limited to three years from the date of its recordal. Nevertheless, the Dean Report said that the recommended changes were not meant to cause "detriment to the public interest" and went on to describe them as being "to some extent an experiment" which "may require some amendment if difficulties arise."<sup>9</sup>

Perhaps if Section 28 in the 1955 Australian Act and Section 11 in the 1938 United Kingdom Act retained their public policy purpose the aims of the reformers would have been achieved. But we now find the assignment and the licensing amendments have been used as projectiles in an argument that consumer deception is "inherent" in the trademark registration "system."<sup>10</sup> Indeed, that argument persuaded all but one of the seven High Court judges who heard the *Moove* case. It will be seen how that result has greatly weakened the trademark registration system.

### I. THE FACTS

The *Moove* case arose out of a trademark battle between two large Australian dairy corporations. The predecessor to the New South Wales Dairy Corporation ("Dairy Corporation"), was established by the New South Wales State Government to, inter alia, regulate and control the quality, supply, price and distribution of milk in New South Wales. In November 1978 it registered the trademark MOOVE throughout Australia under the Trade Marks Act 1955 (Commonwealth) in International Class 29 for all goods including "milk and other dairy products." However, at the time of the application<sup>11</sup> there was already on the Register the trademark MOO for dairy products. Its registered proprietor was Healthway Dairy Products Pty. Limited ("Healthway"). The evidence does not establish whether this mark was cited by the Registrar of Trade Marks against the MOOVE application during the examination of the latter, or if it was, whether the citation was overcome by argument. Nonetheless, it was established<sup>12</sup> that the MOO mark had been registered since August 26, 1966 and that Healthway had used it between 1967 and 1974 on a reduced fat cream product. Little or no use of the mark was made by

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9. Dean Report, *supra* note 7 at ¶17.

10. To adopt the words of Bowen CJ in *Riv-Oland Marble Co. (Vic) Pty. Ltd. v. Settef SpA*, (1988) 12 IPR 321, 327.

11. Which subsequently became the date of registration under §53(2) of the 1955 Act.

12. See (1988-1989) 14 IPR 26 at 37 per Gummow J.

Healthway after 1974 and at no stage did it use it in relation to milk. The registration was renewed in 1973 for fourteen years.<sup>13</sup>

In January 1979 the Dairy Corporation's predecessor began selling flavored milk under its registered trademark, MOOVE. The mark was also later used on a "longlife" flavored milk product. Sales were supported by extensive advertising and were continuous up to the time of the hearings in 1988 and 1989. In the meantime, the MOO registration lay dormant until August 1987, the month in which it was due to expire. However, the respondent in the High Court appeal, Murray-Goulburn Co-operative Company Limited ("Murray-Goulburn") "expressed strong interest in acquiring it"<sup>14</sup> after receiving advice from its marketing research consultants that it was a "great name."<sup>15</sup> An officer of Murray-Goulburn thought it was "so perfect" that he could not "believe" it would be available for the company to use.<sup>16</sup> Like the Dairy Corporation, Murray Goulburn was a farm co-operative, in fact in 1988 it was the second largest farm co-operative in Australia with an annual turnover exceeding \$420 million (AUS).<sup>17</sup> An urgent trademark search disclosed that the MOO registration was owned by Healthway and, as it turned out, Murray-Goulburn's patent attorneys also acted for this company.<sup>18</sup> The MOO registration was renewed and Murray-Goulburn bought it for \$10 on September 8, 1987.<sup>19</sup> This minuscule price, for what can now be described as a very valuable piece of property, was said to reflect the fact that Healthway no longer had an interest in the mark as it had fallen into disuse.<sup>20</sup>

In November 1987, in the State of Queensland, Murray-Goulburn launched a cheese product under its newly acquired MOO trademark. In the following February of 1988 the assignment was registered and Murray-Goulburn launched a MOO cheese product in New South Wales, the "home" state for the Dairy Corporation. By March the Dairy Corporation was aware of this use but it did nothing until July when it learned of Murray-Goulburn's plans to use MOO on milk. The Dairy Corporation then applied to the Registrar to remove the MOO mark on the grounds of nonuse. In the following month Murray-

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13. See §69 of the 1955 Act. Use or a justification for nonuse need not be shown on a renewal application.

14. *Supra* note 12, 14 IPR at 39, per Gummow J.

15. *Id.* at 70.

16. *Ibid.*

17. (1988) 12 IPR 587 at 590 per Wilcox J.

18. *Supra* note 12, 14 IPR at 70, per Gummow J.

19. *Id.* at 39.

20. *Id.* at 70.

Goulburn began to actually sell a flavored milk product under the trademark MOO. The Dairy Corporation sued it on August 5th seeking an interlocutory injunction in the Federal Court on the basis of alleged nonuse of MOO and infringement of MOOVE. It also claimed that Murray-Goulburn had engaged in misleading and deceptive conduct contrary to Section 52 of the Trade Practices Act 1974 (Cth).

## II. THE INTERLOCUTORY PROCEEDINGS

These proceedings were heard by Justice Wilcox in August 1988. On September 8, 1988 he delivered judgment<sup>21</sup> denying relief, although a limited undertaking offered by the respondent, discussed below, was accepted. His Honor found that while each of the parties remained the registered proprietor of its respective marks, each was "entitled to use its mark in connection with the sale of dairy products."<sup>22</sup> This was so despite the nonuse removal application under Section 23 because that application was based on unsupported speculation and was "opposed" to the available evidence.<sup>23</sup>

On the misleading and deceptive conduct claim under Section 52 of the Trade Practices Act 1974 his Honor found that, so far as visual comparisons were concerned, there was not a serious issue to be tried<sup>24</sup> because the packaging was "utterly dissimilar."<sup>25</sup> However, a limited undertaking by Murray-Goulburn was apparently offered in anticipation of his Honor's concerns about the aural confusion which would be caused by the concurrent use of MOO and MOOVE.<sup>26</sup> The judge said:

Although there is presently no expert evidence before the court as to the aural similarity between the words "Moo" and "Moove," it seems to me that there is a serious question to be tried that, in a case where sales depend upon aural communication, there is at least a likelihood of confusion between these words. Not all people, particularly in Australia, clearly articulate word endings. "Moove" may come out as "Moo."

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21. *Supra* note 17.

22. *Id.* at 593.

23. *Id.* at 595.

24. The first threshold test for interlocutory injunctions was announced in *American Cyanamid Co. v. Ethicon Ltd.*, [1975] AC 396 and approved of by Wilcox J. earlier in his *Moove* judgment (*supra* note 17 at 591) as being the appropriate test. Thus a submission that a different test applied in intellectual property cases was rejected, *supra* note 17 at 592.

25. *Supra* note 17 at 597.

26. *Id.* at 598-99.

"Moo" may be taken, particularly by a hearer unfamiliar with the word, as an under-articulated version of "Moove."<sup>27</sup>

The Dairy Corporation applied to the Full Court of the Federal Court ("Full Court") for leave to appeal against the denial of the interlocutory injunction. On October 14, 1988 the Full Court dismissed this application but directions were given for an expedited trial. That began on November 28, 1988 before Justice Gummow.

### III. THE TRIAL

At the trial the Dairy Corporation's application against Murray-Goulburn rested upon actions under the Australian Trade Marks Act 1955, a claim for misleading and deceptive conduct under Section 52 of the Trade Practices Act 1974 and the law of passing off. The Trade Marks Act claim was fourfold: First, that the MOO registration was liable to removal on the grounds of nonuse under Section 23(1). Second, that the MOO assignment entry on the Register should be canceled because the entry was induced by a false representation that the transfer was with good will when there was no good will to transfer. In the alternative and third, that the MOO registration be canceled on the ground that, at the time of the institution of the proceedings, it offended Section 28.<sup>28</sup> Finally, Dairy Corporation sued Murray-Goulburn for infringement of its trademark under Section 62 of the Act. Obviously this last claim could only succeed if the MOO mark was canceled. Murray-Goulburn crossclaimed, but only on the ground that MOOVE infringed MOO.

The Dairy Corporation won.<sup>29</sup> Although the passing off, Trade Practices Act, nonuse and invalid assignment claims all failed, the Dairy Corporation's expungement action under the Trade Marks Act succeeded on the ground that MOO lacked distinctiveness and was likely to cause deception and confusion in use. Thus, the registration was canceled insofar as it related to milk. The Dairy Corporation then had the basis for a permanent injunction because Murray-Goulburn's use of MOO infringed MOOVE, at least so far

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27. *Id.* at 598.

28. For the corresponding provisions in other British practice jurisdictions, see *supra* note 3.

29. *Supra* note 12, 14 IPR 26.

as milk was concerned.<sup>30</sup> Justice Gummow's reasons deserve closer analysis.<sup>31</sup>

### A. *Nonuse*

On the issue of nonuse under Section 23(1) of the Trade Marks Act his Honor found that after the MOO mark had been registered by Healthway in 1966 it had in good faith made use of the mark.<sup>32</sup> Second, although Healthway had not used the mark after 1974, Murray-Goulburn had used it on cheese and milk between November 1987 and June 6, 1988, the latter date being one month before the application for removal. Thus, this claim failed.

### B. *The Invalidity of the Assignment*

This claim also failed. The Dairy Corporation submitted that the assignment entry, showing a transfer from Healthway to Murray-Goulburn, was invalid and wrongly made because it was induced by a false representation in the deed of the assignment that it was with good will when it was clear that it was not.<sup>33</sup> It also submitted that the assignor had not used the mark in good faith contrary to Section 82(2)(a). Justice Gummow held, however, that even if there was a false representation it was not shown "that the making of the entry on the register . . . was induced by that representation."<sup>34</sup> His Honor noted that under the Act assignments without good will were not forbidden.<sup>35</sup> Such assignments may in some cases be invalid under Section 82 but that was "a different question."<sup>36</sup> On the issue under Section 82(2)(a) his Honor found that the assignor had used the mark. Even though it had only used the mark on a reduced cream cheese product this was sufficient to protect the assignment entry for all dairy products, even though such products were not necessarily goods of the same description.

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30. In Australia it is important to note that infringement proceedings under §62 of the Act may only be brought in respect of the goods or services for which the mark is actually registered. There are, however, proposals in both the United Kingdom and Australia to broaden this test which will bring it in line with the Lanham Act in the United States.

31. See also W. Covell, MOO removed, [1989] 5 IPA 20; J.L. Lahore, J.J. Garnsey, J.D. Dwyer, A. Dufty and W. Covell, Intellectual Property in Australia, ch 4.3 and 4.7 (1980-); D.R. Shanahan, Australian Law of Trade Marks and Passing Off 256-59 (2d ed 1990) [hereinafter referred to as Shanahan].

32. *Supra* note 12, 14 IPR at 42.

33. *Id* at 41.

34. *Ibid*.

35. *Ibid*.

36. *Ibid*.

### C. Deception and Loss of Distinctiveness

The Dairy Corporation was ultimately successful before Justice Gummow because it proved that MOO “wrongly remained” on the Register since it offended Section 28 on two grounds—it had become likely to cause confusion contrary to Section 28(a) and it had lost its distinctiveness contrary to Section 28(d). But in order to understand this conclusion his Honor said it was necessary to understand “the relationship between the law of unregistered trade marks and the modern registration system.”<sup>37</sup> At common law, Justice Gummow said, for a trademark to obtain protection it must be “distinctive of his goods in the eyes of a substantial number of the relevant sections of the public.”<sup>38</sup> By contrast, under the Trade Marks Act 1955 a mark may be registered and obtain protection even though it is not factually distinctive at common law but nevertheless it must be “inherently adapted” to distinguish under Section 26(2) of the Act.<sup>39</sup> The “general effect” of the legislation was that while a mark could be registered without prior use rendering it distinctive in fact, the scheme of the legislation, and the nonuse provisions in particular, was to “encourage” “the acquisition and retention of distinctiveness by user.”<sup>40</sup> His Honor noted that although the scheme of the Act had “been to deal separately with each concept . . . there will be cases where the concepts of lack of distinctiveness and deceptiveness tend to coalesce.”<sup>41</sup>

Justice Gummow then summarized the role of Section 28. He said it must be accepted that it is concerned with both “the putting on and keeping up of the register.”<sup>42</sup> Thus the section has a role to play in both opposition proceedings under Section 49 and expungement proceedings under Section 22. The latter section provides for rectification of the Register where an entry has been wrongly made or where it wrongly remains on the Register. The issue before his Honor was not whether the MOO registration was “wrongly made” when it was registered in 1966 but, rather, whether it was “wrongly remaining” at the time of

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37. *Id* at 45-46.

38. *Id* at 46.

39. *Ibid*, citing in support *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.*, (1980) 145 CLR 457, 477-78; *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd. (No. 2)*, (1984) 156 CLR 414, 432-33; 3 IPR 545; [1985] RPC 219 (HCA).

40. *Id* at 47.

41. *Id* at 50. The concept is discussed in detail by his Honor at 50-53 and illustrated by reference to *Bayer Pharma Pty. Ltd. v. Farbenfabriken Bayer AG*, (1965) 120 CLR 285.

42. *Id* at 53, a result which is specifically challenged by Deane and McHugh JJ. on appeal in the High Court.

the institution of the proceedings in August 1988.<sup>43</sup> In that regard Justice Gummow referred to an important question raised by Justice Windeyer in *Berlei Hestia Industries Ltd. v. Bali Co. Inc.*:

Is a mark which was valid when registered to be removed because later events, perhaps the assiduous efforts of an infringer, have created a likelihood of confusion?<sup>44</sup>

Justice Gummow answered this by saying:

Registered Proprietors may be expected to be astute to exercise their rights to stop assiduous infringers. If they are not, then they run the risk that when they do come to sue for infringement, there will be a defence under sub-s.64(1)(b) that the activity of the defendant is use in good faith of a description of the character or quality of the goods in question. Further, inactivity by registered proprietors may imperil the registration themselves [sic]. Section 56 plainly proceeds on this basis, with the fate of the "Pyrex" mark as a generic description of goods a salutary reminder.<sup>45</sup> Why should not s 28 produce a comparable result where a registered mark becomes likely to deceive or cause confusion?<sup>46</sup>

In order to reach that conclusion another obstacle stood in Justice Gummow's path, the speech of Lord Diplock in the *GE* case.<sup>47</sup> This decision had been accepted by another Federal Court judge, namely, Justice Fox in *HTX International Pty. Ltd. v. Semco Pty. Ltd.*<sup>48</sup> and more recently by a majority in the *Riv-Oland* case.<sup>49</sup> According to Lord Diplock a registered mark which has become deceptive and confusing since it was entered on the Register should not be expunged under the United Kingdom Act of 1938 as an entry wrongly remaining unless the likelihood of the deception or confusion has resulted from some blameworthy act of the registered proprietor.

Justice Gummow challenged this on two main grounds: First, he criticized his Lordship's historical analysis<sup>50</sup> which suggested that the evident purpose of the Registration of Trade Marks Act

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43. *Id* at 53. Thus the case was to be distinguished from the recent Full Court decision in the *Riv-Oland* case, *supra* note 10, where the issue was whether the registration was wrongly made.

44. (1968) 118 CLR 128, 133.

45. See *James A. Jobling & Co. Ltd. v. James McEwan & Co. Pty. Ltd.*, [1933] VLR 168.

46. *Supra* note 12, 14 IPR at 54.

47. *Supra* note 2.

48. (1983) 1 IPR 403; 49 ALR 636.

49. *Supra* note 10.

50. *Supra* note 12, 14 IPR at 48.

1875 (United Kingdom) was not to change the main characteristics of trademarks at common law.<sup>51</sup> According to Justice Gummow this was inaccurate. The Act and the common law had always had different concepts of distinctiveness and the "character of the legislation [in Australia] and the United Kingdom had not remained static."<sup>52</sup> Justice Gummow concluded:

The fact is that after a century or more, the trade mark registration system has, as I have endeavoured to show, developed through successive statutes so many special characteristics of its own that it is unsafe to construe a modern statutory provision as if registered and unregistered trade marks were *ejusdem generis*.<sup>53</sup>

Second, his Honor challenged Lord Diplock's reliance on equitable principles. Justice Gummow noted that the issue in the GE case was whether Section 11 in the United Kingdom, corresponding to Section 28 in the Australian Act, authorized the retention on the Register of a mark which has become likely to deceive or cause confusion.<sup>54</sup> Lord Diplock's answer is "yes" because he imports the requirement of fault on the part of a registered proprietor before his or her mark can be removed. Although this concept is not to be found in the statutes, according to his Lordship it is to be imported under Section 11 because disentitlement to protection in a court of justice, which originally meant a court of equity, was meant to be the main ground of objection. "Blameworthiness" was thereby imported "by reading into the statute concepts drawn from the treatment of unregistered marks in equity."<sup>55</sup> In particular, equity only protects those who come to its court with clean hands. Justice Gummow then refers to four propositions put forward by his Lordship which govern the operation of the 1938 United Kingdom Act:

- (1) The fact that the mark is entered upon the register is *prima facie* evidence of the validity of the original registration and of the right of the registered proprietor to the exclusive use of the mark, subject however to the rights of concurrent user by any registered proprietor of an identical mark or one nearly resembling it.
- (2) If the mark was likely to cause confusion at the time when it was first registered it may be expunged from the

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51. GE case, *supra* note 2 at 327.

52. *Supra* note 12, 14 IPR at 48.

53. *Id.* at 55.

54. *Ibid.*

55. *Ibid.*

register as an "entry made without sufficient cause" [s 32 of the 1938 United Kingdom Act] unless the proprietor of the mark at that time would have been entitled to have it entered on the register by reason of his honest concurrent use of the mark as a trade mark before the original registration of the mark.

- (3) If the likelihood of causing confusion did not exist at the time when the mark was first registered, but was the result of events occurring between that date and the date of the application to expunge it, the mark may not be expunged from the register as an entry wrongly remaining on the register, unless the likelihood of causing deception resulted from some blameworthy act of the registered proprietor of the mark or of a predecessor in title of his as registered proprietor.
- (4) Where a mark is liable to be expunged under (2) or (3) the court has a discretion whether or not to expunge it and as to any conditions or limitations to be imposed in the event of its being permitted to remain on the register.<sup>56</sup>

Justice Gummow does not specifically address proposition (4) although he does later briefly refer to the court's discretion.<sup>57</sup> His Honor did find that proposition (1) was "plainly representative of the Australian law" and "consistent with the effect of ss 58, 59 and 34 of the 1955 Act."<sup>58</sup> Proposition (2) was also representative of Australian law but if, and only if, the "blameworthiness" of the applicant for registration was an irrelevant consideration at the time of first registration. Indeed, Justice Gummow did not think that Lord Diplock was trying to read in the requirement of "blameworthiness" at the application for registration stage because any "such holding would have been inconsistent with the reasoning of the House of Lords in *Eno v. Dunn* (1890) 15 App Cas 252" and in Australia it would conflict "with the steady march of unbroken authority in the High Court in applying that reasoning."<sup>59</sup> Those authorities showed that Section 28(a) was designed to protect the public against deception and confusion.<sup>60</sup>

Justice Gummow observed that proposition (3) was not directed to use by the registered proprietor concurrent with honest use by another party. Nevertheless, such was the "tenor of [Lord

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56. GE case, supra note 2 at 334-35 per Lord Diplock and see *Moove*, supra note 12, 14 IPR at 58-59, per Gummow J.

57. Supra note 12, 14 IPR at 65.

58. *Id.* at 59.

59. *Ibid.* The High Court authorities are cited at 60.

60. *Ibid.*

Diplock's] remarks if understood by a reader having in mind both the main ground of appeal before the House, and the historical analysis in [his] speech which culminated in this summary."<sup>61</sup> Further, Lord Diplock's "analysis was much concerned with the way in which equity courts had resolved questions of honest concurrent use between traders, and with blameworthy conduct as an application of the maxim as to unclean hands."<sup>62</sup> Lord Diplock's application of the unclean hands maxim to trademark law was, however, questionable. First, the Registration Acts provide their own statutory remedies and there was a question whether an equitable defense such as unclean hands was available<sup>63</sup> unless the statute expressly or by necessary implication made it so.<sup>64</sup> Second, even in equity the maxim did not always apply. Justice Gummow referred to *Money v. Money (No 2)*<sup>65</sup> where the maxim was disregarded because if it had been applied, public deception would have ensued due to the circulation of false documents. Justice Gummow concludes:

The aptness of an analogy with the removal of registered marks deceptive of the public is fairly plain. I have mentioned these matters to indicate their omission from the process of reasoning employed by the House of Lords. Had they been taken into account, one may only surmise what, if any, effect this would have had.<sup>66</sup>

In any event his Honor said the situation before him was different from the one before the House of Lords. Unlike either of the registrations in issue in the GE case here the MOO mark "had fallen into desuetude over many years."<sup>67</sup> But was the loss of distinctiveness a sufficient ground for removal? Justice Gummow quotes from paragraphs 11-17 of Kerly's *Law of Trade Marks and Trade Names*<sup>68</sup> which expresses the view that a trademark cannot be removed where it had merely lost its distinctiveness unless it fell within Section 15 of the 1938 Act, concerned with some generic marks. In Australia the reasoning of Justice Fox in *HTX International Pty. Ltd. v. Semco Pty. Ltd.*<sup>69</sup> was to the same effect. But here Justice Gummow adds:

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61. *Id.* at 60.

62. *Ibid.*

63. *Ibid.*, citing *In re Gilbert*, (1946) 46 SR(NSW) 318.

64. *Ibid.*, citing *World Series Cricket Pty. Ltd. v. Parish*, (1977) 16 ALR 181.

65. [1966] 1 NSW 348.

66. *Supra* note 12, 14 IPR at 61.

67. *Ibid.*

68. T.A. Blanco White and Robin Jacob (12th ed 1986).

69. *Supra* note 48, 1 IPR at 413; 49 ALR at 646.

[W]hilst [Fox J] referred to the GE Trade Mark [1973] RPC 297, his attention was not directed to Lord Diplock's comment at 329 that the words "or otherwise" in the equivalent s 28 may possibly have been included to cover the cases of marks the title to which may have been lost by disuse. Nor was his Honour referred to the dictum of Kitto J in the Bayer case (120 CLR at 303) that issues of deceptiveness and lack of distinctiveness could tend to run into one another. In my view, the words "or otherwise" do cover cases where trade marks have lost distinctiveness by disuse (being marks not otherwise of strong inherent adaptation to distinguish) at least where the consequence is likelihood of deception or confusion. The present is such a case.<sup>70</sup>

The result was that the MOO mark was to be partially expunged even though it was found that there had been no "blameworthiness," in the sense propounded by Lord Diplock<sup>71</sup> on the part of its proprietor. Nor had the proprietor been an assiduous infringer.<sup>72</sup> The MOO registration was canceled for "milk"<sup>73</sup> and later Justice Gummow exercised his discretion activated under Section 23 of the Act to restrict the registration to "cheese."<sup>74</sup>

#### *D. Trademark Infringement*

The Dairy Corporation submitted that after the expungement for "milk" the use of the MOO mark for that product should be enjoined.<sup>75</sup> Justice Gummow granted the injunction under Section 65 of the Act because unless he did so the respondent proposed to continue the conduct complained of.<sup>76</sup>

#### *E. Passing Off and Misleading and Deceptive Conduct*

Under the Trade Marks Act 1955 his Honor had found that the concurrent use of MOO and MOOVE on milk would cause purchasers to wonder whether the two products came "from the same source."<sup>77</sup> However, such confusion would not ordinarily be sufficient to establish statutory misleading and deceptive conduct

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70. Supra note 12, 14 IPR at 63.

71. Id at 72-73.

72. Id at 64.

73. Id at 65.

74. Id at 75.

75. Id at 66.

76. Id at 68.

77. Id at 36.

under Section 52 of the Trade Practices Act unless, in his Honor's view, an intention to mislead or deceive on the part of the guilty party could be shown.<sup>78</sup> This the applicant could not do.<sup>79</sup> The failure to succeed here also meant that the passing off claim failed.<sup>80</sup>

#### IV. THE APPEAL TO THE FULL COURT OF THE FEDERAL COURT

Murray-Goulburn appealed to the Full Court and argued: First, that the concurrent use of MOO and MOOVE was not likely to cause deception and confusion within the meaning of Section 28(a) of the Trade Marks Act 1955. Second, that the trial judge, Justice Gummow, erred in expunging the MOO mark because even if the use of MOO was likely to deceive and cause confusion, there had been no blameworthy conduct by the registered proprietor. The Dairy Corporation cross-appealed on the grounds that Justice Gummow should have found that Murray-Goulburn had engaged in misleading and deceptive conduct contrary to Section 52 of the Trade Practices Act 1974 and that the MOO assignment was invalid.

The appeal was heard over two days in August 1989. Six months later, in February 1990, the Full Court, comprised of Justices Lockhart, Pincus and Von Doussa, handed down its decision.<sup>81</sup> In a joint judgment their Honors upheld the appeal brought by Murray-Goulburn.

##### A. *The Interpretation of Section 28 of the Trade Marks Act*

The Full Court, agreeing with Justice Gummow, said that the use of MOO was likely to deceive or cause confusion.<sup>82</sup> The Court added that there was "both a phonetic similarity between the marks and a similarity in the association with cows."<sup>83</sup> It also agreed that Section 28 continued to operate.<sup>84</sup> But these conclusions, the first of fact and the second of law, were not sufficient to justify the expungement of MOO. The Full Court, relying upon

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78. Id at 36, citing in support *Bridge Stockbrokers Ltd. v. Bridges*, (1984) 4 FCR 460 at 474-75 per Lockhart J.

79. Id at 72.

80. Id at 36.

81. (1989-1990) 16 IPR 289; see also W. Covell, *Restoring the MOO removed by MOOVE*, [1990] 4 IPA 23.

82. Id at 298.

83. Id at 297-98.

84. Id at 298.

the majority judgments of Chief Justice Bowen and Justice Lockhart in the Riv-Oland case<sup>85</sup> for the proposition that paragraph (d) in Section 28 qualifies paragraph (a), accepted that there will be cases where deceptive and confusing marks will only be expunged if the proprietor has been blameworthy. However, their Honors qualified this by saying that if a mark made a false representation as to the nature or quality of goods and therefore would offend Section 28(a), it would not be entitled to protection regardless of blameworthiness.<sup>86</sup> But, that was not the situation before the Court. In addition, the MOO mark may have lost its distinctiveness but the Full Court did not accept that Section 28 was concerned with a loss of distinctiveness.<sup>87</sup> Their Honors were of the view that the only sections facilitating removal for nonuse and loss of distinctiveness were Sections 23, dealing with removal where there is either no use of a mark in good faith or nonuser for three years, and Section 56, dealing with the cancellation of some generic marks.<sup>88</sup> Further, Justice Gummow's interpretation of Section 28 presented difficulties for Part B marks. Under Section 25 a mark capable of being distinctive may obtain registration even though it is not factually distinctive. Certainly a Part B mark could be removed for nonuse under Section 23 but in their Honors' view it was difficult to see how consistently with the spirit of Section 25 such a mark could be canceled on the ground that in equity it was not entitled to protection due to a "lack of distinctiveness."<sup>89</sup>

### *B. The Trade Practices Cross-Claim*

The Dairy Corporation submitted that the trial judge's finding that the appellant had not engaged in misleading and deceptive conduct contrary to Section 52 of the Trade Practices Act should be rejected. It argued that where there was confusion as to source an "awareness" by Murray-Goulburn of a risk of such confusion was sufficient to amount to a contravention of Section 52. The Full Court rejected the submission. Their Honors said that it did

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85. *Supra* note 10.

86. *Id* at 301-02, citing in support *Bass, Ratcliff & Gretton Ltd. v. Nicholson & Sons Ltd.*, [1932] AC 130 at 146 per Lord Warrington of Clyffe; the *Australian Berlei case*, at first instance, *supra* note 44 at 142 per Windeyer J.

87. *Id* at 304-05, citing in support the judgments of Windeyer J. in *Kimberly-Clark Corp. v. Vereinigte Papierwerke Schickedanz & Co.*, (1967) 118 CLR 79, 84; Fox J. in *HTX International Pty. Ltd. v. Semco Pty. Ltd.*, *supra* note 48; and Lord Wilberforce in "York" trademark, [1984] RPC 231, 256.

88. *Id* at 303.

89. *Id* at 305.

not "fairly reflect the findings of fact made by the trial judge."<sup>90</sup> Although Justice Gummow found that the appellant was "well aware that there was a significant aural similarity" between MOO and MOOVE and that it was also aware that the latter mark had been used by the Dairy Corporation on its "flavoured milk products for a number of years" nevertheless Murray-Goulburn had not acted fraudulently in the sense of deriving benefit from the confusing similarity.<sup>91</sup>

### C. *The Assignment Cross-Claim*

The Full Court upheld the trial judge's finding that the assignment was valid.<sup>92</sup> Even though the assignment was expressed to be with good will when in fact there was no good will this did not affect the validity of the assignment, because it was the intention of the parties to the assignment "to transfer all the title."<sup>93</sup>

## V. APPEAL TO THE HIGH COURT OF AUSTRALIA

The Dairy Corporation sought and was granted special leave to appeal to the High Court. The assignment validity issue was raised but special leave on this ground was withdrawn at the hearing. Thus, the surviving ground of the appeal was the construction and interpretation of Section 28. The main questions were:

1. Whether Section 28 should be confined to the original registration of a mark or whether it extended to require or authorize the expungement of a registered mark properly entered on the Register but which by reason of later events has come to offend against the section.
2. Whether paragraph (d) of Section 28(a) qualified paragraph (a) and, if so, was a mark which had become likely to deceive or cause confusion in use only liable to expungement if the registered proprietor was guilty of blameworthy conduct.

The appeal was heard by the seven members of the High Court on two days in May 1990. Just before Christmas, on December 20, 1990, the Court handed down its decision.<sup>94</sup> The Dairy Corporation lost by a bare majority of four judges to three.

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90. *Id* at 308.

91. *Ibid*.

92. *Id* at 309.

93. *Ibid*.

94. *Supra* note 1.

The result: Murray-Goulburn may continue using MOO even though the mark had lost its distinctiveness and was confusingly similar to MOOVE contrary to Section 28(a).

### A. *The Majority*

The majority who dismissed the appeal was comprised of Justices Deane, Dawson, Toohey and Gaudron. Justices Dawson and Toohey wrote a joint judgment.

#### 1. Justice Deane

As regards the “mere language” of Section 28 his Honor felt that “the direct operation of s 28 [was] confined to the act of registration.”<sup>95</sup> Justice Deane said that if “the use of an unregistered mark is likely to deceive or cause confusion, one can see compelling reasons of policy why, subject to some limited exceptions (see, e.g., ss 34 and 36), registration of it should be denied.”<sup>96</sup> However, although “there are considerations of policy which favour the removal from the register of any registered mark whose use is likely to deceive or cause confusion” such considerations are “modified by the availability of ordinary criminal or civil procedures to prevent dishonesty, fraud and passing off and by the fact that registration of a trade mark does not ordinarily constitute a license for what would otherwise be unlawful conduct. . . .”<sup>97</sup> Thus Section 28 was not concerned with removal of a mark which had become deceptive and therefore the appeal was to be dismissed.

On the construction of Section 28, his Honor did express an obiter view. Paragraphs (a), (b), (c) and (d) of Section 28 were “clearly disjunctive.”<sup>98</sup> The word “otherwise” in paragraph (d) could “be readily explained by the fact that each of the circumstances indicated in paragraphs (a), (b) and (c) could, depending upon the facts, deprive a mark of entitlement to protection in a court of justice.”<sup>99</sup> However, if contrary to his Honor’s own view Section 28 was to be construed as having a continuing effect, paragraph (a) needed to be confined by some device because the Act did contemplate deception and confusion in some provisions

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95. 171 CLR at 394; [1991] RPC at 167; 18 IPR at 408, citing in support both the judgment of Eve J. in *Woodward Ltd. v. Boulton Macro Ltd.*, (1915) 32 RPC 173, 198 and Lord Reid in the GE case, *supra* note 2; and distinguishing on the facts *Berlei Hestia*, *supra* note 44.

96. *Id.* at 396; [1991] RPC at 169; 18 IPR at 409.

97. *Id.* at 396; [1991] RPC at 169; 18 IPR at 409-10.

98. *Id.* at 398; [1991] RPC at 170; 18 IPR at 410.

99. *Ibid.*

and it would not have been the legislative intent in the context of those provisions for a mark to be expunged where the use by an infringer had also caused the proprietor's use to be deceptive and confusing.<sup>100</sup> Justice Deane added that Murray-Goulburn was not blameworthy because it had neither the intention to cause deception and confusion nor the intention to appropriate "to itself any of the MOOVE goodwill."<sup>101</sup>

## 2. Justices Dawson and Toohey

In a joint judgment their Honors concluded that the words "shall not be registered as a trade mark" in Section 28 were capable of and should be given a "two-fold meaning," that is, the provision is aimed at both the placement and continuance of marks on the Register.<sup>102</sup>

On the construction of the paragraphs within Section 28 their Honors held:

Section 28(a) must be read together with s 28(d) so that the reference in s 28(a) to a "use . . . which would be likely to deceive or cause confusion" is a reference to a use which would not only be likely to deceive or cause confusion but would not be entitled to protection in a court of justice. The word "otherwise" in s 28(d) is thus given some work to do. It means that the inquiry must in every case be whether some remedy would or would not be available.<sup>103</sup>

In support of this construction their Honors cite the argument that the efforts of an assiduous infringer should not be rewarded where that person has produced "a situation in which the use of the registered mark would be likely to deceive or cause confusion."<sup>104</sup> Also the Act contemplated some confusion when regard was had to the honest concurrent user provisions<sup>105</sup> and the

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100. Id at 398; [1991] RPC at 170; 18 IPR at 411.

101. Id at 399; [1991] RPC at 171; 18 IPR at 412.

102. Id at 402-03; [1991] RPC at 173; 18 IPR at 414, citing in support the terms of §61(1), which provides presumptive validity in certain cases except where the mark "offends against" §28.

103. Id at 406; [1991] RPC at 175; 18 IPR at 416-17.

104. Id at 406-07; [1991] RPC at 176; 18 IPR at 417.

105. Section 34. This section provides: "(1) In case of honest concurrent use or of other special circumstances which, in the opinion of the Registrar, make it proper so to do, the Registrar may permit the registration of trade marks which are substantially identical or deceptively similar, or, but for the honest concurrent use or other special circumstances would be deceptively similar, for the same goods or services or other goods or services, by more than 1 proprietor subject to such conditions and limitations (if any) as the Registrar imposes."

"(2) Where a person has, by himself or his predecessors in business, continuously used a trade mark before the use, or before the date of registration, whichever is the

assignment provisions.<sup>106</sup> Thus, while the protection of the public was an "important purpose" under the Act, it was "not the only purpose." Since the Act permitted "some deceptively similar marks to remain on the register, the protection of the proprietary interest in a registered trade mark [was] another."<sup>107</sup>

In order to protect this proprietary interest their Honors referred to the "blameworthy act" concept developed in the speech of Lord Diplock in the GE case.<sup>108</sup> However, they thought this phrase was "no more than a shorthand method of referring to all those circumstances which might disentitle an applicant to relief in a court of equity."<sup>109</sup> It would be "quite wrong" to use the phrase "blameworthy act" so as to "erect an independent standard against which the registered proprietor's conduct must be judged."<sup>110</sup>

As regards the facts, the loss of distinctiveness in the MOO mark was not a situation which by itself would disentitle it to protection in a court of justice; nor would that result be different if, as in this case, that fact was coupled with a likelihood of deception and confusion.<sup>111</sup> On this latter point their Honors reiterated their earlier finding that the Act permitted the registration of deceptively similar marks.<sup>112</sup> Although equity "may have refused protection to the MOO mark if the respondent had sought to benefit from the establishment of the MOOVE mark in the market by waiting for a substantial period before entering the market with MOO flavoured milk," the findings of Justice Gummow precluded such a result because he found that Murray-Goulburn did not intentionally set out to "cause confusion in the market place."<sup>113</sup>

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earlier, of another registered trade mark by the registered proprietor of that other trade mark, by his predecessors in business or by a registered user of that other trade mark, the Registrar shall not refuse to register the first-mentioned trade mark by reason of the registration of that other trade mark."

106. Section 82.

107. *Supra* note 1, 171 CLR at 408; [1991] RPC at 176; 18 IPR at 418.

108. *Id.* at 408-09; [1991] RPC at 177; 18 IPR at 418.

109. *Ibid.*

110. *Ibid.* Such an independent test has in fact been proposed, that is, a "no fault test" in the Australian Trade Marks Office Discussion Paper (1991).

111. *Id.* at 412; [1991] RPC at 179; 18 IPR at 421.

112. *Ibid.*

113. *Id.* at 412-13; [1991] RPC at 180; 18 IPR at 421.

### 3. Justice Gaudron

In a short judgment her Honor criticized the assumption that Section 28 had a continuing operation.<sup>114</sup> But on the basis that it did have such an operation she agreed with Justices Dawson and Toohey by saying that it “must be confined by a requirement of blameworthy or disorienting conduct and that no such findings could be made in the present case.”<sup>115</sup>

#### *B. The Minority*

The minority who upheld the Dairy Corporation’s appeal was comprised of Chief Justice Mason and Justices Brennan and McHugh.

#### 1. Chief Justice Mason

Agreeing with Justices Dawson and Toohey, the Chief Justice said that Section 28 operates in relation to the initial act of registering a mark and has a secondary operation in relation to the continuance of the mark on the Register after its initial registration.<sup>116</sup> Criticizing the view expressed by Justice Deane, that is, that Section 28 should be confined to the act of initial registration, he said:

it is curious, to say the least of it, that a mark the use of which is deceptive should remain on the register (except where the Act permits it to remain on the register) and any restriction on the registered proprietor’s entitlement to exercise his statutory rights turns on the availability of relief against him by way of passing off or perhaps under s 52 of the Trade Practices Act 1974 (Cth).<sup>117</sup>

As to whether Section 28(d) qualified the operation of Section 28(a), the Chief Justice said that a “natural reading of the section with the four paragraphs separated by the disjunctive ‘or’” accorded with both the Dairy Corporation’s submission that the paragraphs were to be read disjunctively and the decision of the New Zealand Court of Appeal in *Pioneer Hi-Bred Corn Co. v. Hy-*

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114. *Id* at 414; [1991] RPC at 181; 18 IPR at 423.

115. *Id* at 414; [1991] RPC at 181; 18 IPR at 422.

116. *Id* at 372; [1991] RPC at 151; 18 IPR at 391.

117. *Id* at 383; [1991] RPC at 159; 18 IPR at 399. Lord Diplock takes a similar view in the *GE* case. In referring to the 1875 Act he said it would be unreasonable “to impute to Parliament in 1875 an intention that a mark, which truthfully . . . described the goods . . . at the time of its first being entered on the register, should continue to enjoy the protection accorded to registered marks even though the proprietor subsequently deliberately altered the character of goods so that the registered mark told a lie about them.”

Line Chicks Pty. Ltd.<sup>118</sup> However, the existence of the honest concurrent user provisions, namely Sections 34 and 58(3),<sup>119</sup> were "inconsistent" with a "statutory intention that likelihood of deception and confusion ipso facto leads to disentitlement to protection in a court of justice or to liability to expungement."<sup>120</sup> These sections justified "an implication that s 28(a) looks to supervening likelihood of deception or confusion only if that likelihood is the result of blameworthy conduct on the part of the registered proprietor."<sup>121</sup> Further, it was legitimate to lean against a construction of Section 28 which would not protect the registered proprietor from "the assiduous efforts of a misappropriating user."<sup>122</sup> The Chief Justice, however, said that it might not be necessary to read Section 28(a) as though it were governed by Section 28(d), as this was a "difficult exercise as a matter of construction," but it might be sufficient to say in the "context of the entire statutory scheme" a mark should only be expunged if the likelihood of deception or confusion is "due to the fault or blameworthy conduct of the registered proprietor."<sup>123</sup>

In contrast with the majority, the Chief Justice found that the registered proprietor had engaged in blameworthy conduct because of a combination of two factors: First, the assignor's failure to exercise its statutory rights to protect the integrity of the MOO mark and second, the assignee thereafter commencing use of the mark so that it became deceptive and confusing.<sup>124</sup>

## 2. Justice Brennan

His Honor agreed with Chief Justice Mason and Justices Dawson and Toohy on the first issue, that is, Section 28 should have a continuing operation.<sup>125</sup> On the second issue, namely whether Section 28(d) qualified Section 28(a), Justice Brennan adopted an approach similar to that of the Chief Justice.<sup>126</sup> His Honor approved of the blameworthy conduct test as put forward by Lord Diplock in the GE case but on the basis that "blameworthy" was "any conduct (whether by act or omission) on the part of the

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118. [1978] 2 NZLR 50; cited in *Moove*, supra note 1, 171 CLR at 383; [1991] RPC at 159; 18 IPR at 399.

119. Mason CJ reasons that §58(3) relates back to §34: id 171 CLR at 385-86; [1991] RPC at 161; 18 IPR at 401.

120. Id at 384; [1991] RPC at 160; 18 IPR at 400.

121. Ibid.

122. Ibid, citing from the judgment of Bowen CJ in the *Riv-Oland* case, supra note 10.

123. Id at 384; [1991] RPC at 160; 18 IPR at 400-01.

124. Id at 388; [1991] RPC at 163; 18 IPR at 403.

125. Id at 388-89; [1991] RPC at 163-64; 18 IPR at 404.

126. Id at 390; [1991] RPC at 164-65; 18 IPR at 405.

registered proprietor or his predecessor in title which he knew or ought to have known would result in the likelihood that the use of the mark would deceive or cause confusion and which has in fact caused or contributed to that result."<sup>127</sup> The issue of blameworthiness arose when the issue was whether a mark wrongly remained on the Register under both Sections 22 and 28.<sup>128</sup>

On the facts Justice Brennan, like Chief Justice Mason, found that there had been blameworthy conduct on the part of the proprietor of MOO because:

If a proprietor of a registered trade mark abstains for a time from using it in respect of a class of products so that the mark loses its distinctiveness, and he permits another during that time to use a different mark so as to foster in the public mind a connection between the latter mark and products of the relevant class to the exclusion of any connection between the former mark and such products, with the result that any further use of his own mark would be likely to deceive or cause confusion, the conduct of the registered proprietor is, in my opinion, blameworthy in the relevant sense.<sup>129</sup>

Justice Brennan observed that the registered proprietor had done "nothing" while the MOOVE trademark was being established.<sup>130</sup> Further, an assignee of a registered trademark stood in "no better position than the assignor when an application for expunction is made and reliance is placed by the party seeking expunction on the blameworthy conduct of the assignor."<sup>131</sup>

### 3. Justice McHugh

His Honor said, first, that his inclination was that Section 28 does not have a continuing operation.<sup>132</sup> Thus he agrees with Justice Deane on this point. However, the conduct of the case required the court to "proceed on the basis that the section applies to events occurring after registration."<sup>133</sup> On this issue Justice McHugh thought that Section 28 should still be given its natural meaning,<sup>134</sup> that is, its paragraphs should be read disjunctively so

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127. *Id* at 391; [1991] RPC at 165; 18 IPR at 405.

128. *Ibid*.

129. *Id* at 392; [1991] RPC at 165-66; 18 IPR at 406.

130. *Id* at 392; [1991] RPC at 166; 18 IPR at 406.

131. *Id* at 393; [1991] RPC at 166; 18 IPR at 407. This is to the same effect as Mason CJ, see 171 CLR at 386; [1991] RPC at 161; 18 IPR at 402. See also *Pratten v. Peacock*, (1899) 20 NSWLR Eq 147, 152, per Simpson CJ.

132. *Id* at 417-26; [1991] RPC at 183-89; 18 IPR at 425-31.

133. *Id* at 426; [1991] RPC at 189; 18 IPR at 431.

134. *Id* at 431; [1991] RPC at 193; 18 IPR at 435.

that a mark offends Section 28 if it is likely to cause deception or confusion at "the time of registration or later."<sup>135</sup> Blameworthy conduct was an irrelevant consideration and contrary to the essential purpose of Section 28 which was to protect the public.<sup>136</sup> Unlike Chief Justice Mason, Justices Deane, Dawson and Toohey, his Honor was not persuaded by the assiduous infringer argument. Like Justice Gummow, Justice McHugh was of the view that registered proprietors had a "duty to be vigilant in protecting their rights." Indeed, "the registered proprietor of a mark which is constantly infringed by the assiduous efforts of an infringer is, to some extent, also guilty of blameworthy conduct."<sup>137</sup> His Honor also held that the argument that "some degree of deception and confusion seems to be inherent in the system"<sup>138</sup> was not a "ground for reading down s 28(a)."<sup>139</sup> He also expressed doubt as to whether the assignment, licensing and concurrent use provisions imported a likelihood of deception into the Act.<sup>140</sup>

## VI. LEGAL EFFECT

The exact legal effect of the *Moove* case is obscure in several ways but it has removed doubt in two areas of interpretation under Section 28 of the 1955 Act. First, it confirms that Section 28 governs both the application of a mark for registration and the use of a mark after it has been registered. That much was decided by Chief Justice Mason, Justices Brennan, Dawson and Toohey. Justices Deane and McHugh disagreed with this conclusion. Justice Gaudron declined to finally decide the matter but does express a preference for the finding of Justice Deane.

Second, all of the judges, with the exception of Justice McHugh, agreed that the blameworthiness concept should be imported into the Act but the method of importation differs. The four majority judges who dismissed the appeal held that Section 28(d) does qualify paragraph (a) so that the equitable defense of unclean hands was relevant to the section, that is, the concept of "blameworthiness" was merely a shorthand method of summarizing the effect of that defense. Justices Dawson and Toohey directly held this to be so while Justices Deane and Gaudron did so obliquely in order to decide the second issue as argued in the

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135. *Ibid.*

136. *Id* at 430-31; [1991] RPC at 193; 18 IPR at 434-35.

137. *Id* at 430; [1991] RPC at 193; 18 IPR at 434.

138. *Id* at 428; [1991] RPC at 191; 18 IPR at 433, quoting from the judgment of Bowen CJ in the *Riv-Oland* case, *supra* note 10.

139. *Ibid.*

140. *Ibid.*

case. These judges also found that on the facts of the case there had been neither blameworthy conduct nor any other reason which rendered the MOO mark not entitled to protection in a court of justice. Chief Justice Mason and Justice Brennan also imported blameworthy conduct into the Act, and by contrast found that there had been blameworthy conduct. Further, their method of importation did not flow from the construction of Section 28 but rather from the construction of the Act as a whole or other provisions in the Act, most notably Sections 22 and 58.

## VII. CRITIQUE

The majority who dismissed the appeal ruled that MOO could remain on the Register even though it had lost its distinctiveness and its use had become deceptive and confusing. There are five interwoven foundations which may be found in the reasoning of the majority:

- A. The policy emphasis behind the legislation has changed so that the protection of the public from deceptive marks is no longer a predominant purpose.
- B. The construction and interpretation of the United Kingdom and Australian trademark legislation compelled the importation of the "blameworthiness" concept.
- C. The Act should not reward the assiduous efforts of infringers who may render a registered proprietor's use of a mark deceptive.
- D. Deception is "inherent" in the trademark registration "system" and therefore an absolute prohibition on deceptive marks is not feasible.
- E. Loss of distinctiveness was not, even if coupled with a likelihood of consumer confusion and deception, a ground for expungement.

Within this framework the views of the minority will also be discussed.

### *A. Trademark Legislation Policy*

We know that some of the judges in the Moove case pushed the plane of reasoning back to policy. Whether policy should have played a central role in the judicial reasoning of the High Court is an important jurisprudential question in itself. Here, we need not be troubled by its presence, but rather, take the opportunity to scrutinize what the judges think the policy objectives of the

current 1955 trademark statute should be. In the majority Justices Dawson and Toohey said:

In previous legislation the emphasis may have been upon avoiding the deception of the public. . . . But now it is clear that, whilst the protection of the public no doubt remains an important purpose, it is not the only purpose. Plainly, since the Act permits some deceptively similar marks to remain on the register, the protection of the proprietary interest in a registered trade mark is another.<sup>141</sup>

Neither Justice Deane nor Justice Gaudron ventured an opinion on policy but Chief Justice Mason (in the minority) in a similar, but not identical, vein postulates<sup>142</sup> that "historically, the object or policy of the earlier Trade Marks Acts was to protect the public interest rather than the private interests of traders."<sup>143</sup> Still:

On the other hand, the Act now contains certain provisions which are designed to protect the private interests of traders by permitting trade marks to remain on the register in some circumstances in which use of the marks would formerly have generated a likelihood of deception or confusion [citing as examples Sections 34, 56, 58(3), Part IX (registered users) and Section 82]. . . . Although these provisions . . . significantly alter the old predominance of public interest over private interests, the provisions do not justify a general implication that identical or deceptively similar trade marks are permitted to continue in the register and are not liable to be expunged.<sup>144</sup>

Justice Brennan, also in the minority, preferred an approach which balanced the two interests,<sup>145</sup> while Justice McHugh offered the following analysis:

It has often been said that the purpose of s 28 itself is the protection of the public. . . . If no more appeared, that purpose would be a powerful reason for giving the section a continuing operation, for the public is as easily deceived or confused by a mark which has become deceptive or confusing after registration as it is by a mark which would be deceptive or confusing if registered. But the Act has other competing

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141. Id at 408; [1991] RPC at 176; 18 IPR at 418.

142. Id at 379 and see 382; [1991] RPC at 157 and see 159; 18 IPR at 396 and see 399.

143. Ibid, citing *Eno v. Dunn*, (1890) 7 RPC 311; *Radio Corp. Pty. Ltd. v. Disney*, (1937) 57 CLR 448.

144. Id at 382; [1991] RPC at 159; 18 IPR at 399.

145. Id at 390; [1991] RPC at 164; 18 IPR at 405.

purposes. Since the decision in *Eno v. Dunn*, the scope of the legislation has changed. Thus, 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. Since the decision in *Eno v. Dunn*, the enactment of provisions with respect to registered users (ss 73 to 81) and assignment of trade marks without good will (s 82) has changed the focus of the Act. The registered user provisions, the assignment provisions and the limited indefeasibility given to registered proprietors tend to suggest that, after registration, the interests of traders are preferred to the competing interests of consumers in being protected from the use of marks which are likely to deceive or confuse.<sup>146</sup>

The important issue to emerge from these extracts is that trademark legislation has indeed changed. Common to all these quotations is the argument that since the Act now permits, or has evolved to permit, deception and confusion in the "system" it follows that the consumer interest is subordinated to traders' interests and that somehow traders have benefited from this evolution. But, this ignores the fact that appellant Dairy Corporation lost its battle with Murray-Goulburn. Its rights in the MOOVE trademark were severely diluted by the confusing and damaging conduct of its competitor using MOO. To say, as Justices Dawson and Toohey do in the majority, that the proprietary interests of traders are also an "important purpose" under the Act is no doubt true, but, nonetheless, myopic when you consider that their judgment assisted in weakening the appellant's proprietary interest. Further, there were two losers in their judgment—the appellant and the unrepresented consumer. This is where their views strike at the very heart of trademark jurisprudence.

The main argument in favor of providing protection for the trademark monopoly is that it is a monopoly in the public interest. That is, trademark laws protect, or are in the interests of, both traders and consumers. The trader should be protected from the loss of business good will through deceptive competition because although such protection provides a marketing advantage it also protects the consumer from deception.<sup>147</sup> By protecting the

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146. *Id* at 421; [1991] RPC at 186; 18 IPR at 428.

147. To be sure, some laws, and in particular those aimed at antidilution, provide legal protection where no little or no consumer deception is evident. But it must be remembered that it is a different issue whether laws should provide protection even though consumer deception is evident. As regards the former there are those who argue that, even though consumers are not deceived, both consumers and the competitive system as a whole are not

consumer in this way the consumer is able to differentiate between competing products. Such differentiation is essential to the functioning of a modern competitive system because only with it will consumers be able to effectively choose which traders or products should benefit from their purchasing power. In this sense the interests of traders and consumers in fair or non-deceptive trade are complementary. Sounds nice and, indeed, it is that reasoning which was put forward as a justification for the legal trademark monopoly prior to the enactment in the United States of the Lanham Act in 1946<sup>148</sup> and is still being used as a justification in many jurisdictions such as Australia.<sup>149</sup> Trademark statutes ordinarily grant proprietary rights, in which sense they have not merely been concerned with the protection of the public from deception and confusion. But the suggestion that the grant of a proprietary interest is diametrically opposed to the public interest ignores the fact that historically such grants were only given where they were not inconsistent with the public interest. Indeed without the public there is no trademark. That is why it has been observed that it "is in fact, the public that creates the trade mark rights, and not the trader."<sup>150</sup> However, in light of the foregoing it is probably more accurate to say that such rights emerge from a symbiotic relationship between the trader and the consumer.

In any event, the importance of product differentiation in a modern competitive system is in fact illustrated by the *Moove* case where we find that consumer deception or confusion will result in some consumers' purchasing power erroneously heading towards Murray-Goulburn. Thus, as mentioned above, the proprietary interest which the Dairy Corporation had invested in MOOVE is weakened. Murray-Goulburn is able to "reap without sowing." True, the deception or confusion caused was claimed not to be

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necessarily served well by powerful trademark monopolies which "distort" consumer spending through "brand loyalty," see for example, W. Cornish, *The Economic Function of Trademarks: An Analysis with Special Reference to Developing Countries*, 13 IIC 65 (1982).

148. See for example, Professor Milton W. Handler's paper, *Are the State Antidilution Laws Compatible With the National Protection of Trademarks?*, delivered at the 1985 Meeting of The United States Trademark Association and printed in 75 TMR 269 (1985).

149. See for example, Shanahan, *supra* note 31 at 1; and see Dan Shanahan, *The Trademark Right: Consumer Protection or Monopoly?*, 72 TMR 233 (1982) where the author uses the complementary objectives stance to help dispel criticisms of granting legal protection to trademarks; see also the Australian Trade Marks Office, p. 1, Discussion Paper (1991).

150. E. Waters, *Goodwill in Relation to Trade Marks*, Institute of Patent Attorneys of Australia, Proceedings 54 and see 58-59 (1920-1921); cf *Le Plastrier* at 56-57. See also the comments of C.A. Hack, Institute of Patent Attorneys of Australia, Proceedings 69 (1923-1924).

intentional; but that is hardly a convincing answer. The harm caused to the Dairy Corporation and consumers is the same whether or not it has been caused by an intentional act.<sup>151</sup> So, in the end, it is difficult to resist the conclusion that the court's disregard of consumer deception "strikes" at a "major justification for the intervention of the law in the competitive process."<sup>152</sup>

Deception, then, obviously has an important role to play in the policy debate, or what the law ought to be. But its role in what the law is, or was, is just as significant. Before considering the registration statutes it is worth remembering that they evolved out of the law of passing off.<sup>153</sup> Long before any analysis on the meaning and effect of "deception" in trade, economics or the competitive process, "deception" amounting to a misrepresentation or the likelihood thereof had always played a central role in the law of passing off. Until recently it was generally accepted that the origins of the law of passing off were "lost in obscurity."<sup>154</sup> But this uncertainty was laid to rest by Baker who found the original report of what appears to be the first case of passing off.<sup>155</sup> The report confirms that the action was brought and won by the clothier and not by the deceived consumer as some had speculated.<sup>156</sup> Thus passing off began as a variety of deceit available to traders. An essential component, at least at its birth, was deception of the consumer but, in contrast with deceit, the consumer did not need to bring the action. Whether the deception component needed to be intentional or fraudulent or not and whether it needed to be potential or actual were two issues later to be addressed by the courts. In *Millington v. Fox*<sup>157</sup> Lord Cottenham decided that so far as equity and passing off were concerned it was not necessary to show an intention to deceive the public; but nonetheless it was essential to show that the defen-

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151. To adapt the words of Salmon LJ in the GE case, *supra* note 2, [1970] RPC at 368; and see *Singer Mfg. Co. v. Wilson*, (1877) 3 App Cas 376, 389, per Lord Cairns, at 396 per Lord O'Hagan; the *Moove* case, *supra* note 1, 171 CLR at 426-27; [1991] RPC at 190; 18 IPR at 431-32, per McHugh J.

152. W.L. Morison, *Unfair Competition and "Passing-Off," The Flexibility of a Formula*, 2 *Sydney Law Review* 50, 52 (1956).

153. Gummow J, however, notes at first instance in the *Moove* case that "the trade mark registration system has . . . developed through successive statutes so many special characteristics of its own"; *supra* note 12, 14 IPR at 55; and see 60-61.

154. Morison, *supra* note 152 at 53.

155. See the latest summary of the case in J.H. Baker, *An Introduction to Legal History* (3d ed 1990).

156. The discovery was pointed out to *The Trademark Reporter*® readers by Timothy H. Hiebert, *Foundations of the Law of Parallel Importation: Duality and Universality in Nineteenth Century Trademark Law*, 80 TMR 483, 492 (1990).

157. (1838) 3 My & Cr 338; 40 ER 956.

dant's conduct caused or would cause public deception.<sup>158</sup> This approach was later approved by the House of Lords in *Singer Manufacturing Co. v. Loog*<sup>159</sup> who defined passing off in terms of a misrepresentation made either innocently or fraudulently to the public. The requirement of actual fraud, however, remained an ingredient in the passing off action at common law<sup>160</sup> and also in deceit.<sup>161</sup> In modern equitable actions for passing off actual fraud is still not required but deception of the public or the likelihood thereof remains an essential ingredient, as recently demonstrated in the House of Lords in *Reckitt & Colman Products Ltd. v. Borden Inc. and Ors.*<sup>162</sup> The High Court has also reinforced this conclusion by squarely rejecting a general tort of unfair competition not referable to misrepresentations aimed at the public.<sup>163</sup> It is beyond the scope of this article to consider passing off in depth, but what can be said is that without deception passing off becomes nonsensical. The essence of passing off is deception of the public. But what has been the place of deception in the trade mark registration system? To answer this we need to look closely at the construction and interpretation of Section 28 in the 1955 Act and its predecessors.

### *B. Construction and Interpretation of Section 28*

All of the judges in the *Moove* case apart from Justice McHugh rely heavily on Lord Diplock's historical analysis in the *GE* case despite differences in the United Kingdom and Australian legislation. Justice Gummow described that analysis as "something of an adventure in statutory interpretation."<sup>164</sup> But how much of an "adventure" was it? To understand Lord Diplock's analysis and its applicability in Australia we need to re-examine the history of trademark legislation.

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158. See also *Perry v. Truefitt*, (1842) 49 ER 749.

159. (1882) 8 App Cas 15.

160. Christopher Wadlow, *The Law of Passing-Off* 15 (1990). Whether it still does so is controversial, see R.P. Meagher, W.M.C. Gummow and J.R.F. Lehane, *Equity Doctrines and Remedies* 846-47 (2d ed 1984).

161. *Derry v. Peek*, (1889) 14 App Cas 337.

162. [1990] RPC 341, 406; 17 IPR 1, 7, per Lord Oliver of Aylmerton; and see *Erven Warnick Beslotten Vennootschap v. J. Townsend & Sons (Hull) Ltd.* (the *Advocaat* case), [1980] RPC 31 (HL).

163. *Moorgate Tobacco*, supra note 39, (1984) 156 CLR 414; 3 IPR 545; [1985] RPC 219.

164. Supra note 12, 14 IPR at 55.

### 1. Nineteenth Century Trademark Legislation

Although all the Australian states prior to federation in 1901 had their own colonial trademark registration statutes,<sup>165</sup> they were largely based upon nineteenth century British trademark legislation. In the first United Kingdom piece of legislation providing for the registration of trademarks, the Trade Marks Registration Act 1875, Section 6 prohibited the registration of certain species of marks. In particular the second part of that section provided:

It shall not be lawful to register as part of or in combination with a trade mark any words the exclusive use of which would not, by reason of their being calculated to deceive or otherwise, be deemed entitled to protection in a court of equity; or any scandalous designs.

This section was considered by the courts in a number of cases.<sup>166</sup> In the GE case Lord Diplock found that the use of "to register" in this section referred to both the acts of putting the mark on the Register and continuing the mark on the Register.<sup>167</sup> His Lordship said:

It would not be reasonable to impute to Parliament in 1875 an intention that a mark, which truthfully described the goods at the time of its first being entered on the register, should continue to enjoy the protection accorded to registered marks even though the proprietor subsequently deliberately altered the character of the goods so that the registered mark told a lie about them.<sup>168</sup>

In the late part of the nineteenth century, however, the House of Lords did not have an opportunity to examine the section until it was re-enacted in similar terms in Section 73 of the Patents, Designs and Trade Marks Act 1883, which provided:

It shall not be lawful to register as part of or in combination with a trade mark any words the exclusive use of which would by reason of their being calculated to deceive or otherwise be deemed disentitled to protection in a court of justice, or any scandalous design.

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<sup>165.</sup> *Attorney-General (NSW) v. Brewery Employees' Union (NSW) (the Union Label case)*, (1908) 6 CLR 469, 527-29 and see Sam Ricketson, *The Law of Intellectual Property* 601 (Law Book Co 1984).

<sup>166.</sup> See for example *In re Horsburgh & Co.'s application*, (1878) 53 LJ Ch 237; *In re Farina (2)*, (1879) 27 WR 456; *In re Worthington & Co.'s trade mark*, (1880) LR 14 ChD 8 (CA).

<sup>167.</sup> *Supra* note 2, [1973] RPC at 329.

<sup>168.</sup> *Ibid.*

Two main alterations were apparent. The apparent explanation for the substitution of "court of justice" for "court of equity" was the passing of the Judicature Act in 1875. The second change was to omit the second "not" in Section 6 of the 1875 Act but in order to deliver the same effect "disentitled" was substituted for "entitled."<sup>169</sup>

In the landmark case of *Eno v. Dunn*,<sup>170</sup> a case ignored by Lord Diplock in his historical analysis, the House of Lords considered the new section. The respondent, Mr. Dunn, had applied to register as a trademark for baking powder, a label showing a woman holding up a dish of cakes with the words "Dunn's Fruit Salt Baking Powder. The cook's best friend." However, the trademark "Fruit-Salt" was already on the Register and the proprietor of that registration, Mr. Eno, opposed the application on the basis of his registration and because for a considerable time he had used the words "Fruit Salt" as a trademark for an effervescent preparation. Mr. Dunn applied to the court for the expungement of Mr. Eno's mark. Mr. Eno consented to the expungement of his mark but persisted with the opposition. That latter proceeding failed before the Court of Appeal, but by a majority of three judges<sup>171</sup> to two<sup>172</sup> was successful in the House of Lords. Lord Macnaghten in the majority held:

The learned judges who were in favour of Mr. Dunn in the Court below seem to have come to the conclusion that Mr. Dunn's object was to obtain the benefit of the celebrity which the name adopted by Mr. Eno has acquired, but that it was not his object to steal Mr. Eno's trade. So far I am disposed to agree; but I do not think that those propositions cover the real question. The question is one between Mr. Dunn and the public, not between Mr. Eno and Mr. Dunn. It is immaterial whether the proposed registration is or is not likely to injure Mr. Eno in his trade. Equally immaterial, as it seems to me, is the fact that for a considerable time Mr. Eno had on the register as his trade mark, the words "Fruit-Salt." Mr. Eno may have gained some advantage to which he was not properly entitled; but that is hardly a reason for permitting Mr. Dunn to practise a deception upon the public.<sup>173</sup>

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169. Cf D.M. Kerly and F.G. Underhay, *The Law of Trade Marks and Trade Names* 308 (4th ed 1913).

170. *Supra* note 143.

171. Lords Watson, Herschell and Macnaghten.

172. The Lord Chancellor and Lord Morris.

173. 7 RPC at 319.

Eno v. Dunn was later cited as authority for the proposition that Section 73 and its later re-enactments were designed to protect the public from the use of deceptive marks<sup>174</sup> regardless of the good faith of the parties.<sup>175</sup> It should also be noted that the section was concerned with the "use" of marks after registration since under the 1875 and 1883 Acts<sup>176</sup> registration was deemed to be the equivalent of public use.

But how much protection did those Acts afford the public? One issue, possibly shortcircuited by Mr. Eno's consent to the expungement of his mark, was if a mark had become deceptive since its entry on the Register, was it liable to expungement?<sup>177</sup> The policy reasons supporting Eno v. Dunn would demand its removal, but, whether there was machinery in the Act to achieve that result was unclear. In speaking of assignments one writer argued, without citing authority, that Section 73 was "only aimed at an attempted registration of a mark . . . and not to a registration of a subsequent proprietor of a mark which has lost its right to protection through a change in circumstances."<sup>178</sup> But, as we have already seen, this view is contrary to Lord Diplock's later interpretation in the GE case. Another issue which was not directly addressed in Eno v. Dunn was that of public deception in cases of honest concurrent user. This doctrine became Lord Diplock's main vehicle for importing the "blameworthiness" concept into the Act. That important point is returned to below.

## 2. The 1905 United Kingdom and Australian Acts

Notwithstanding the uncertainty regarding Section 73 of the 1883 Act it was re-enacted in substantially the same terms in Section 11 of the Trade Marks Act 1905. In that year Australia enacted its first federal trademark Act, the Trade Marks Act 1905, which to a large degree was modeled on the British legislation<sup>179</sup> although there were some important differences. In particular

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174. See Australian Wine Importers' trademark, (1889) 6 RPC 311 (CA); Lever Bros. Ltd. v. Lewis Grant Abrams, (1909) 8 CLR 609.

175. As was argued in Eno v. Dunn itself and see Riviere's trademark, (1884) 26 Ch D 48.

176. See §§2 and 75 respectively.

177. Similar issues were also sidestepped by consent orders in Faulder & Co.'s trademark, (1901) 18 RPC 37, 535 (CA); Macmillan v. Ehrmann Brothers Ltd., (1904) 21 RPC 357, 647 (CA).

178. L.B. Sebastian, *The Law of Trade Marks* 103 (4th ed 1899); cf Valentine Extract Company Limited's trademark, (1901) 18 RPC 175.

179. See *Shell Co. of Australia v. Rohm and Haas Co.*, (1948-1949) 78 CLR 601, 629, per Dixon J (as he then was).

Section 114, the equivalent of Section 11 in the 1905 British Act, Section 114, provided:

No scandalous design, and no mark, the use of which would by reason of its being *likely to deceive* or otherwise be deemed disentitled to protection in a Court of Justice, or the use of which would be contrary to law or morality, shall be *used or registered* as a trade mark or part of a trade mark.

Italicized are two phrases not used in the in Section 11 of the 1905 British Act. The first, "likely to deceive," was an immaterial substitution for "calculated to deceive" because, although the latter suggests the need for an intention to deceive, the courts had interpreted these two phrases as legal synonyms.<sup>180</sup>

The second italicized phrase, "used or registered," marks an important departure from the equivalent British section in that the latter was only concerned with the application and registration of trademarks and the use of such trademarks, whereas the Australian section was broad enough to cover the use of trademarks generally.<sup>181</sup> Prima facie this meant that the section governed not only the use of marks which had achieved registration, and thus Section 114 would have a continuing application to registered marks, but also the use of unregistered or common law marks.<sup>182</sup> Thus, it would affect the law of passing off. However, it does not appear that this issue was discussed in any of the decided cases. Nonetheless, in *James McKenzie & Co. v. Leslie*,<sup>183</sup> Justice Isaacs clearly thought that Section 114 "applied to both the use and registration of trade marks."<sup>184</sup> So did another High Court judge, namely Justice Dixon, as he then was, in *Jafferjee v. Scarlett*,<sup>185</sup> and later in *Sym Choons & Co. Ltd. v. Gordon Choon Nuts Ltd.*<sup>186</sup> Unfortunately, none of these pieces of obiter dicta appear to have been cited in the *Moove* case. Chief Justice Mason, for example, suggests<sup>187</sup> that when Section 114 of the 1905 Act was

180. See Kutnow's trademark, (1893) 10 RPC 401; and the discussion in *Lever Bros. v. G. Mowling & Son*, (1908) 6 CLR 136; *In re McDowell's application*, (1927) 44 RPC 335 (HL) at 341 per Viscount Cave LC; 43 RPC 313 (CA) at 333 per Lord Hanworth MR; at 339 per Sargant LJ.

181. As noted by J.B. Hack in a "Moot Trial" before A. Dean, published in *Institute of Patent Attorneys of Australia, Proceedings* 39 (1933-1934); and see Mason CJ in the *Moove* case, supra note 1, 18 IPR at 395; Deane J at 410; McHugh J at 428.

182. *Ibid.*

183. (1909) 9 CLR 247.

184. *Id* at 257.

185. (1937) 57 CLR 115, 124.

186. (1949) 80 CLR 65, 76.

187. Supra note 1, 171 CLR at 377; [1991] RPC at 155; 18 IPR at 395; and see Deane J, 171 CLR at 397; [1991] RPC at 169; 18 IPR at 410; McHugh J, 171 CLR at 421-22; [1991] RPC at 186-87; 18 IPR at 428.

replaced with Section 28 of the 1955 Act, the architects of the latter, the Dean Committee, did not regard ongoing use as the concern of Section 114. But clearly the dictum just cited would suggest otherwise; indeed the leading architect of the 1955 Act, Sir Arthur Dean, shared this view. Dean had presided over a "moot" where the Justice Isaacs dictum was cited and he later said in his "judgment" of the moot that the section "prohibits not only registration, but also the use of a deceptive mark."<sup>188</sup> Dean also appeared as counsel in the Jafferjee case where Justice Dixon expressly accepted that Section 114 extended to the use of marks. True, this issue was never directly litigated and, admittedly, this sort of analysis may be regarded as being of "secondary importance."<sup>189</sup> Nonetheless in the Moove case the background to the enactment of the successor to Section 114 did play an important role in the judgments of Chief Justice Mason,<sup>190</sup> Justices Deane,<sup>191</sup> Dawson and Toohey,<sup>192</sup> and McHugh.<sup>193</sup>

More importantly, there was a transparent judicial consensus on the purpose of Section 114 in the 1905 Act. Quite plainly it was designed to protect the public from the use of deceptive marks. That was the ratio decidendi in *Eno v. Dunn*, consistently applied by the High Court in no less than nine Section 114 cases<sup>194</sup> to the point where it became trite law. In one of the last cases decided under the 1905 Act, *Cooper Engineering Co. Pty. Ltd. v. Sigmund Pumps Ltd.*,<sup>195</sup> the High Court comprised of Justices

188. Dean, *supra* note 181, Institute of Patent Attorneys of Australia, Proceedings at 51; see also C.A. Hack, Business Names, Institute of Patent Attorneys of Australia, Proceedings 49 (1927-1928); and see the view of E. Waters, at 53.

189. To borrow the phrase of Mason CJ, *supra* note 1, 171 CLR at 377; [1991] RPC at 155; 18 IPR at 395.

190. *Id* at 377; [1991] RPC at 155; 18 IPR at 395.

191. *Id* at 397; [1991] RPC at 169; 18 IPR at 410.

192. *Id* at 404-05; [1991] RPC at 174; 18 IPR at 415-16.

193. *Id* at 421-22; [1991] RPC at 186-87; 18 IPR at 428.

194. See *Lever Bros. Ltd. v. Abrams*, (1909) 8 CLR 609, at 617-18 per Griffith CJ and at 619 where the Chief Justice says that it "is a section for the protection of the public"; at 621 and 623 per O'Connor J; at 624 per Higgins J; *Robert Harper & Co. Pty. Ltd. v. A. Boake Roberts & Co. Ltd.*, (1914) 17 CLR 514 at 519 per Griffith CJ; Barton J agreeing at 520; Isaacs J at 520; *Don v. Burley*, (1916) 22 CLR 136 at 141 per Rich J, in dissent, but on the issue of fact and not of law; *Standard Paint Co. v. Hales Ltd.*, (1919) 27 CLR 350 at 353-54 per Isaacs J; at 354 per Rich J; *Thomson v. B. Seppelt & Sons Ltd.*, (1925) 37 CLR 305; *A. & F. Pears Ltd. v. Pearson Soap Co. Ltd.*, (1925) 37 CLR 340 at 342 per Knox CJ and Starke J; Isaacs J at 346-48; Higgins J at 348-49; Rich J at 350; *Radio Corp.*, *supra* note 143, 57 CLR at 453 per Latham CJ; at 456-59 per Dixon J (as he then was); at 460-61 per McTiernan J; *Reckitt & Colman (Australia) Ltd. v. Boden*, (1945) 70 CLR 84; *Sym Choon*, *supra* note 186, 80 CLR at 78 per Williams J; *Cooper Engineering Co. Pty. v. Sigmund Pumps Ltd.*, (1952) 86 CLR 536 at 538 per Dixon, Williams and Kitto JJ.

195. *Supra* note 194.

Dixon, Williams and Kitto said that "s 114 is intended to protect the public from being deceived by the use of confusing marks."<sup>196</sup>

This principle had also been applied in the United Kingdom although there had been some reservations expressed about the continuing operation of Section 11 of the British Trade Marks Act of 1905.<sup>197</sup>

### 3. The United Kingdom Act of 1938

In 1938 the United Kingdom Parliament passed its current Trade Marks Act. A new Section 11 was substituted for the old section of the same number, but the only change was to substitute the phrase "likely to deceive or cause confusion" for "calculated to deceive." As already mentioned in relation to Section 114 of the Australian 1905 Act, this apparently involved no change in the meaning. The 1938 Act did, however, introduce two "radical" changes to the law of registered trademarks, namely, the ability to assign a mark without good will and the ability to license a trademark. As mentioned at the outset these changes were not designed to lead to the "material" deception of consumers. Rather, they were meant to provide greater flexibility in trademark dealings but at the same time provide public protection. They reversed the former law that any dealing in a trademark without good will was necessarily a fraud upon the public even though it did not actually cause public deception. This point is picked up below under the heading D. Deception in the "System."

Returning to the section under analysis, Section 11 of the United Kingdom Act provides:

It shall not be lawful to register as a trade mark or part of a trade mark any matter the use of which would, by reason of its being likely to deceive or cause confusion or otherwise, be disentitled to protection in a Court of Justice, or would be contrary to law or morality or any scandalous design.

It has been recently observed that Section 114 of the Australian 1905 Act took substantially the same form as Section 11 of the United Kingdom Act of 1938,<sup>198</sup> but this was obviously wrong. The leading case on the interpretation of Section 11 is the

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196. *Id.* at 537.

197. *Woodward Ltd. v. Boulton Macro Ltd.*, *supra* note 95; cf *Thorne & Sons Ltd. v. Pimms Ltd.*, (1909) 26 RPC 221 at 227, per Neville J. See also *In re Pan Press Publications Ltd.'s application*, (1948) 65 RPC 193; the GE case, *supra* note 2, [1970] RPC at 367-68 per Salmon LJ.

198. See *Dawson and Tbohey JJ, the Moove case*, *supra* note 1, 171 CLR at 405; [1991] RPC at 174; 18 IPR at 416.

GE case decided in 1973, but, before dealing with that interpretation it is worth noting that in the late 1930s Australia was also in the process of reviewing its trademark legislation.

#### 4. The 1948 Australian Amendments and the Act of 1955

The Australian Knowles Committee was appointed in the wake of recent changes being recommended and adopted in Britain. In 1939 it presented a report together with a draft Trade Marks Bill. The Second World War, however, prevented the Bill from making it past the second reading stage in Parliament.<sup>199</sup> After the war, in 1948, two of its recommendations were carried into effect, namely, to permit assignments without good will and licensing subject to what were regarded as adequate safeguards. Shortly after, in 1954, the Dean Committee was appointed to "Consider What Alterations [were] Desirable" to the Australian Law of Trade Marks. Following the Committee's Report, a new bill containing substantial alterations was enacted in 1955 and came into force in 1958. Apart from some minor amendments, the 1948 assignment and licensing provisions were retained. As mentioned in the introduction, the Dean Report said that the assignment provisions were "to some extent an experiment" and that they were not intended to cause "detriment to the public interest."<sup>200</sup> Presumably this had to mean that if a registered mark had become deceptive in the hands of the assignee it would be prima facie liable to expungement because the mark would offend Section 28 in the 1955 Act, being the successor to Section 114 in the 1905.

The construction of Section 11 of the 1938 British Act had just prior to the Dean Report caused some judicial anxiety. In *In re Broadhead*,<sup>201</sup> the court commented upon the "somewhat curious syntax" of the section. It is likely that this led Australia, as well as New Zealand and India, to abandon the aggregate form as found in Section 11 of the 1938 United Kingdom Act and Section 114 of the 1905 Australian Act in favor of the disjunctive form as found in Section 28 of the present Australian Act. Such a causal link, however, is not made in the Dean Report of 1954. At paragraph 63 it merely stated:

63. Clause 28, while in different words, has in substance the same effect as s 114 of the present Act, but it relieves the Registrar or the Court from consideration of "morality."

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199. See the Dean Report, *supra* note 7 at ¶2. The report of the Knowles Committee is attached to the Dean Report.

200. *Id.* at 17.

201. (1950) 67 RPC 209, 212.

But what was the exact effect of Section 114? Although this question troubled the High Court in the *Moove* case, it cannot be ignored that in Australia at the time of the Dean Report in 1954 the substance and policy behind Section 114 of its 1905 Act was abundantly clear. As mentioned above, the principle enunciated in *Eno v. Dunn* and affirmed in Australia by the High Court in at least nine cases was that the fundamental policy of the section was the protection of the public; and, in particular, the use of a mark which was likely to deceive or cause confusion was ipso facto disentitled to protection in a court of justice.<sup>202</sup> Further, at least two High Court judges and the leading architect of the 1955 Act, Sir Arthur Dean, clearly thought that the predecessor to Section 28 protected the public from both the use and registration of deceptive marks. In this light the disjunctive paragraphs in Section 28 do render its construction easier<sup>203</sup> and according to the Dean Report it should still have "in substance the same effect" as its predecessor.<sup>204</sup> There was, however, one thing that the committee appears to have overlooked. Prima facie Section 114 extended to the use of unregistered marks whereas Section 28 clearly does not. But it is clear in the introduction to the Report that the committee felt that this was best left to the law of passing off.<sup>205</sup>

According to its ordinary and natural meaning a mark offends against Section 28 once it is found that it offends against a particular sub-paragraph. Surely this is what its architects intended. For example, once it is found that a mark is likely to lead to deception and confusion in use then the mark is not eligible for registration; and where it is already registered it is liable to be expunged on application to the Court by either a "person aggrieved" or the Registrar under Section 22 of the Act. Likewise, if the use of a mark would be contrary to law or the mark contains or comprises scandalous matter the same result should follow. Similarly, marks which are otherwise not entitled to protection in a court of justice should not be registered or if they are already registered they should be liable to expungement. This is how Justice Northrop in the *Riv-Oland* case interpreted Section 28:

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202. See *Kendall Co. v. Mulsyn Paint and Chemicals*, (1962-1963) 109 CLR 300 at 305 per Kitto J.

203. The disjunctive format is a well-known device in British trademark statutes due to the judgment of the House of Lords in *Eastman Photographic Materials Co. Ltd.'s application*, (1898) 15 RPC 476; in particular see Lord Shand at 487.

204. Cf *Dawson and Toohey JJ, Moove*, supra note 1, 171 CLR at 406; [1991] RPC at 175; 18 IPR at 418.

205. Dean Report, supra note 7 at ¶9.

in my opinion there is no reason [why] s 28 of the Act should not be construed according to normal canons of construction. Each paragraph is separate and distinct from each of the other paragraphs and s 28(d) does not qualify the operation of s 28(a).<sup>206</sup>

In the *Moove* case a majority of judges, namely, Chief Justice Mason,<sup>207</sup> Justices Brennan,<sup>208</sup> Deane<sup>209</sup> and McHugh,<sup>210</sup> agreed with this construction so far as applications for registration and expungements of registrations wrongly made are concerned.<sup>211</sup> These views are also in accordance with earlier High Court authority. But only Justice McHugh was prepared to hold as Justice Northrop did, that if the section applied to registrations wrongly remaining, the same construction should apply.<sup>212</sup> Justices McHugh and Northrop's construction also finds support in the Act from a subsection entirely overlooked by all their Honors in the High Court, namely Section 22(4), which when read with Section 22(1) empowers the Registrar to apply for the rectification of an entry wrongly remaining where "he considers the application desirable in the public interest."<sup>213</sup> While there is no reported application of this section, its inclusion in the Act strongly suggests that the fundamental purpose of Section 28 to protect the public from objectionable marks is not altered by the issue of whether the section is raised in proceedings for the expungement of a registration "wrongly made" as opposed to the expungement of a registration "wrongly remaining." True, in the latter proceedings issues of prescriptive validity may have to be considered. Sections 60 and 61 foreclose certain grounds of attack on a registered mark through the passage of time. One ground of attack, however, explicitly left open is whether the mark "offends against the provisions of s 28." Hence, there is nothing in Sections 60 and 61 suggesting that the purpose and operation of Section 28 should differ.

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206. *Supra* note 10 at 342 (dissent).

207. *Supra* note 1, 171 CLR at 383; but see his comments at 385; [1991] RPC 159 and 161; 18 IPR 399 and 400.

208. *Id* at 389-90; [1991] RPC 164-65; 18 IPR at 404.

209. *Id* at 398; [1991] RPC 170; 18 IPR at 410-11.

210. *Id* at 426-31; [1991] RPC 189-93; 18 IPR at 431-35.

211. Cf Australian Trade Marks Office Practice Note of September 19, 1991, reproduced in J. Lahore, J. Garnsey, J. Dwyer, A. Dufty and W. Covell, *Intellectual Property in Australia 2* (1980-). The Practice Note erroneously assumes that the High Court affirmation of the result in the Full Court is also an affirmation of its legal reasoning.

212. *Moove*, *supra* note 1, 171 CLR at 426-31; [1991] RPC 189-93; 18 IPR at 431-35.

213. The equivalent sub-sections in the 1905 Australian Act were 71(1) and (2).

It must also be noted that the High Court sidestepped the issue of the Court's discretion under Section 22 in considering whether to cancel a registration. This discretion is also guided by public interest considerations. Justice Woodward summarized the effect of the authorities in *Paragon Shoes Pty. Ltd. v. Paragini Distributors (NSW) Pty. Ltd.*<sup>214</sup> and held:

The existence of the discretion is clear—the primary verb used in s 22 is “may,” and see the *Carl Zeiss Pty. Ltd.* case (1969) 122 CLR 1 at 5 and the *Hunter Douglas* case, *supra*, at 58-9 (122 CLR 49). Cases in which that discretion has been considered and which I found helpful, though not directly in point, are *Astronaut* (1922) 39 RPC 655 at 672, *Magneta Time Co. Limited* (1927) 44 RPC 169 at 173, and *Phantom* [1978] RPC 245 at 251.

There are several points which emerge from this line of authority. The first is the importance of the public interest—whether anyone has been deceived or is likely to be if the mark remains on the register; whether, on the other hand, the public has an interest in the preservation of an established mark. The second is the significance of an unimpeached title to the mark and its continuous use in good faith by the person entitled to it. Finally, if the public interest is not adversely affected and such title and use are shown, then technicalities or defects in legal formalities may be overlooked.<sup>215</sup>

Yet, despite such public interest considerations which may be found in the court's discretion, the history of Section 28's predecessor, in the construction of Section 28 itself, in the Registrar's standing in rectification proceedings and in the words of the architect of the 1955 Act, six of the High Court judges in the *Moove* case were compelled to apply Lord Diplock's unruly blameworthiness test. Part of the justification was said to flow from the doctrine of honest concurrent user.

##### 5. Concurrent User and Blameworthiness Under the United Kingdom Acts

In the *GE* case Lord Diplock held that where a registered mark had become deceptive and confusing since its entry on the Register it should not be expunged under the 1938 Act as an entry wrongly remaining unless the likelihood of deception and confusion resulted from some blameworthy act of the registered proprietor. In order to import this test of moral culpability into

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214. (1988) 13 IPR 323.

215. *Id* at 345.

the Act his Lordship undertook an historical analysis of the trademark legislation. He traced Section 11 back to Section 6 of the 1875 Act and turned his attention to the type of marks which would be not "entitled to protection in a Court of Equity." Here, his Lordship referred to the first part of Section 6 which he said imposed a prohibition on the Registrar permitting identical marks to be registered for the same goods but left "it open to the court to permit the registration of identical marks notwithstanding the inherent risk of the public's being thereby deceived as to the origin of the goods."<sup>216</sup>

Though no doubt the court did have a discretion to override the Registrar, Lord Diplock's corollary was that the court could provide protection in spite of public deception. However, the second part of Section 6, Section 11's true ancestor, placed an absolute prohibition on the registration of certain types of marks. His Lordship's answer was that the second part of Section 6 did permit public deception in cases of honest concurrent use where there had been no blameworthy conduct on the part of the proprietor. Thus, the "mere fact that the use of a mark involved a risk of deceiving the public was not enough to disentitle it to protection against infringement by a usurper provided that the risk of deception was due to honest concurrent user."<sup>217</sup>

The reason for importing the requirement of blameworthy conduct was said to flow from the attitude of courts of equity towards concurrent users. Lord Diplock notes that the equitable remedy by way of injunction is discretionary and "the way in which the discretion should be exercised [in cases of concurrent user] had become settled by the Court of Chancery by the time the 1875 Act was passed."<sup>218</sup> In support of this proposition he cites two nineteenth century cases, *Dent v. Turpin*<sup>219</sup> and *Southorn v. Reynolds*.<sup>220</sup> In both cases the plaintiffs succeeded in passing off actions even though the good will of the founders of the relevant business had been split. In the former case a watchmaker died and left his business and the right to use the trademark DENT to his two stepsons. One of them, Frederick, received two places of business while the other, Richard, received only one. The administratrix of Frederick's estate sued a third party, the defendants, for passing off. The defense contained in the demurrer of the defendants was that the action brought by the admini-

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216. GE case, *supra* note 2 at 328.

217. *Id.* at 329.

218. *Id.* at 326.

219. (1861) 30 LJ Ch 495; 4 LT 637; 9 WR 548; 70 ER 1003.

220. (1865) 12 LT 75.

stratrix could not succeed unless joined by the other stepson. This argument was squarely rejected by Vice Chancellor Page-Wood. The case, however, was simply concerned with the issue of whether it was a "proper case for two suits" which, in the view of Vice Chancellor Page-Wood, it "clearly [was] not."<sup>221</sup> Indeed, it seems there was no evidence of any resulting deception from the split and one basis for relief was the protection of the public from the palming off of inferior goods.<sup>222</sup>

The other case cited, Southorn's case, was almost a replay of the facts in Dent's case and was decided in a similar fashion by the same judge. Neither case was directly concerned with resolving or approving public deception as between two concurrent users. They merely showed that good will could be shared<sup>223</sup> and that one of the owners could bring an action for passing off without the need for the other(s) to be joined. To put it another way "the plaintiff need not have an exclusive right to the mark if the defendant has no right to it at all."<sup>224</sup> To conclude, as Lord Diplock did in the GE case, that equity's attitude to the "accommodation" of the interests of the general public in not being deceived and the rights of concurrent users had been "settled" by 1875 was, with great respect, incorrect. That specific issue had not arisen and had not been considered. Indeed in 1875 the law of passing off was in its infancy.<sup>225</sup>

It was also incorrect to suggest that the issue of concurrent users had been properly addressed in the first United Kingdom Registration Act of 1875. The first part of Section 6 was not used, at least initially, as an honest concurrent user provision. There were in fact several cases of honest concurrent user of confusingly similar marks<sup>226</sup> and the lack of an express provision for their registration caused severe hardship.<sup>227</sup> Indeed there was evidence that there were over 44,000 marks, many identical or similar, used upon Manchester cotton pieces.<sup>228</sup> There was also evidence that many of them did not "clash" because they had been "used

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221. *Supra* note 219, 70 ER at 1006.

222. *Id.* at 1005.

223. See Wadlow, *supra* note 160 at 103.

224. *J. Bollinger v. Costa Brava Wine Co., Ltd.*, [1960] 1 Ch 262 at 277-78 per Danckwerts J; and see the *Union Label* case, (1908) 6 CLR 469 at 568 per Isaacs J.

225. A point later conceded by Lord Diplock in the *Advocaat* case, [1980] RPC 31 when discussing *Native Guano Co. v. Sewage Manure Co.*, (1889) 8 RPC 125 (HL).

226. S. Venkateswaran, *The Law of Trade and Merchandise Marks* 266 (1963).

227. See *Jelley, Son & Jones* application, (1878) 51 LJ Ch 639 per Jessel MR; and Venkateswaran, *supra* note 226.

228. *Union Label* case, *supra* note 224 at 567 per Isaacs J.

upon goods exported to various markets."<sup>229</sup> In response, however, to possible hardship being caused by the denial of registration the Commissioners of Patents<sup>230</sup> devised and promulgated the "Three Marks Rule." This rule allowed the court to order the registration of up to three marks under the first part of Section 6 of the 1875 Act even if the marks were identical and for the same goods. But, if more than three persons had acquired rights in the mark it could not be registered as it was classified as common property.<sup>231</sup> The rule applied only to what were known as "old marks," that is, marks which had been used prior to the coming into force of the 1875 Act. In the first instance it was applied by the "Committee of Experts" appointed under the Trade Marks Rules, 1876.<sup>232</sup> The Committee could only make a recommendation for registration, however, because its view could be overruled by the court. But its operation in cases of public deception was obscure.<sup>233</sup> Lord Diplock suggests that as a matter of "judicial policy" the court exercised power to preserve the "doctrine of honest concurrent user" even where there was an "inherent risk of the public's being thereby deceived as to the origin of goods."<sup>234</sup> However, the exact scope of that doctrine at the time of the 1875 Act was by no means certain and it appears that the ad hoc device just described was developed for dealing with concurrent users so far as the Registration Act was concerned. Neither concept suggests that the issue of public deception had been squarely faced. In fact, as already mentioned, his Lordship skips over the next critical development under the 1883 Act, namely, *Eno v. Dunn* which decided that the successor to Section 6 was designed to protect the public. *Eno v. Dunn* obviously cannot be reconciled with Lord Diplock's analysis. But then again we do not know what would have been the attitude of the House of Lords in the nineteenth century to the issue of honest concurrent user.

This doubt aided Lord Diplock's analysis in the GE case; but to his Lordship's credit he removed doubt in the United Kingdom trademark legislation which had existed for many years prior to his judgment. Further, he made it clear that Section 11 had a

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229. *Ibid.*

230. Who were actually four eminent persons, namely, the Lord Chancellor, the Master of the Rolls, the Attorney-General and the Solicitor-General.

231. Venkateswaran, *supra* note 226.

232. *Id.* at 266-67.

233. R.S. Mushet, *The Law Relating to Trade Marks* (1885), suggests at 96 that although the court had the power to overrule the Committee of Experts on the issue of deception, citing *Orr-Ewing v. Registrar of Trade Marks*, (1879) 4 App Cas 479 (HL), it would give great weight to its opinion. See also Kerly and Underhay, *supra* note 169 at 129-30.

234. GE case, *supra* note 2 at 328.

continuing operation and thus his decision provides far more protection to the British public than that of Lord Reid who, in the same case, held that Section 11 should be confined to the act of putting a mark on the Register.<sup>235</sup> True, the Court of Appeal's interpretation provided even more protection.<sup>236</sup> In its view the Section 11 prohibition on deceptive marks was a continuing standard not to be decided by reference to "blameworthiness" except where the court's discretion is aroused. The difficulty, however, with this result is that at first glance it does not sit easily with the House of Lords' decision in *Bass Ratcliff and Gretton Ltd. v. Nicholson and Sons Ltd.*<sup>237</sup> where it was held that Section 11 of the 1905 Act was subject to the specific exception provided by the honest concurrent user provision.<sup>238</sup> However, it cannot be ignored that the House of Lords in the *Bass* case exercised its discretion to impose a condition on the registration of the mark which had been concurrently used and that the explicit purpose of doing this was to avoid a "reasonable danger that deception might arise."<sup>239</sup> Thus, the prevailing view was that a likelihood of public deception should not be permitted and where such a risk arose the court had the power to impose conditions and limitations. Whether the court would actually sanction the deceptive use of a trademark was not addressed until the *GE* case, when the House of Lords did in fact sanction such a use.

Unfortunately, even though there have been two United Kingdom trademark law committees since the *GE* case, neither has addressed the issue in detail. Soon after the *GE* case the Mathys Committee was appointed to examine "British Trade Mark Law and Practice." In its 1974 report it considered Section 11 of the United Kingdom Act of 1938 and made the recommendation that the prohibition on marks likely to cause deception and confusion should be made absolute. Its proposal was that the words referring to disentanglement in a court of justice should be deleted.<sup>240</sup> However, the Committee did not expressly consider whether a mark should be canceled where it had become deceptive since its entry on the Register. In any event the recommended change, as with many of the Mathys Committee recommendations, was never taken up. More recently, the Department of Trade and Industry in its 1990 White Paper, *Reform of Trade Marks Law*,

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235. *Id.* at 316.

236. *Id.* [1970] RPC 339.

237. (1932) 49 RPC 88. Cf. *Compagnie Industrielle des Petrole's application*, (1907) 24 RPC 585.

238. *Id.* at 101 per Lord Buckmaster; at 104 per Lord Warrington.

239. *Id.* at 102 per Lord Buckmaster; at 112 per Lord Macmillan.

240. Mathys Report, ¶139 (Cmd 5601 1974).

had the opportunity to reconsider the issue. Two key recommendations were made. First, that a mark should be subject to cancellation where "in consequence of the use made of it by the proprietor or with his consent, it has become liable to mislead."<sup>241</sup> This is tantamount to Lord Diplock's "blameworthiness" test. But, second, that approach is tempered by the recommendation that registrations will not be able to acquire conclusive validity, excepting proceedings where the distinctiveness of a registered mark is contested; in such cases acquired distinctiveness may be taken into account.<sup>242</sup>

### 6. *Concurrent User and Blameworthiness Under the Australian Acts*

As observed earlier, prior to federation the States had their own registration statutes but, like the first United Kingdom Registration Act, there was no provision for the registration of marks which had been used concurrently. Further, in New South Wales it had been held that the "Three Mark Rule" did not apply.<sup>243</sup> The first Federal Act, in 1905, did contain an honest concurrent user provision, Section 28, modeled on a similar provision in the United Kingdom Act of 1905 and recognition was also given to the "Three Marks Rule." The first High Court decision concerned with concurrent and deceptive use was *James F. McKenzie & Co. v. Leslie* (the *Excelsior* case).<sup>244</sup> In that case Chief Justice Griffith was reluctant to accept the view, later propounded by the House of Lords in the *Bass* case, that the honest concurrent user provisions in the 1905 Act should override the general prohibition on deceptive marks contained in the predecessor to Section 28 in the 1955 Act, namely Section 114. The Chief Justice postulated an alternative by saying "the case of possibility of deception provided for in s 114 would make it practically mandatory on the court to impose conditions as to the mode or place of user." However, that did not need to be decided on the facts of the case.<sup>245</sup> The issue was still open by the time of the *Moove* case, although it must be noted that the honest concurrent user provision in the 1905 Act, Section 28, differs substantially from its successor in the 1955 Act, Section 34. In

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241. Reform of Trade Marks Law, ¶4.32 (1990).

242. See id ¶4.33; cf Australian Trade Marks Office Discussion Paper, ¶3.3 (1991).

243. *Blogg v. Anderson*, (1900) 21 LR (NSW) Eq 238.

244. *Supra* note 183; although the history of the concept was discussed in some detail by Isaacs J (in dissent) in the *Union Label* case, *supra* note 224 at 566-69. The case of *Bedgood & Co. v. Graham*, (1909) 7 CLR 752 was also concerned with honest concurrent use but not with the relationship between §§28 and 114.

245. *Supra* note 183 at 255-56.

the older provision, honest concurrent user would only be permitted where the mark was the "same" or "nearly identical" and "for the like goods or class of goods." Identical expressions were used in Section 27 of the 1905 Act<sup>246</sup> concerning rival claims to the same or similar marks, and that provision was considered by the High Court in *Innes v. Lincoln Motor Co.*<sup>247</sup> The court held that these expressions did not raise an "inquiry" into whether the marks were "likely to be confused with one another or are calculated to deceive" but, rather, "whether there is one mark, or what the statute treats as one mark, and which of two or more persons is entitled to that mark."<sup>248</sup> Further, the latter consideration was expressed to be subject to the former, that is, the mark could ultimately be refused registration if its use would cause public confusion and deception.<sup>249</sup>

The *Innes* case did prompt a discussion on the number of different phrases in the 1905 Act "in relation to similarities or approximations" of marks.<sup>250</sup> There were at least thirteen different phrases used for comparing marks under the Act.<sup>251</sup> The view was expressed that the "Parliamentary draftsmen should endeavour to use, wherever appropriate, the same expressions or phrase throughout the Act."<sup>252</sup> This appears to have been taken up in the 1955 Act where there are only two different phrases. Unfortunately it has led to some difficulties in interpretation. The most common phrase in the 1955 Act is "substantially identical or deceptively similar." That standard is the one used in most infringement proceedings,<sup>253</sup> and is also used in the honest concurrent user provision, Section 34. "Substantially identical" is not defined in the Act but under Section 6(3) a trademark is "deemed to be deceptively similar to another trade mark if it so nearly resembles that other trade mark as to be likely to deceive or cause confusion." On the other hand Section 28(a) uses neither "substantially identical" nor "deceptively similar" but rather uses the expression "the use of which would be likely to deceive or cause confusion."<sup>254</sup> The deeming provision in Section 6(3) has led

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246. Corresponding with §20 in the United Kingdom Act of 1905.

247. (1921) 29 CLR 277.

248. *Id* at 281.

249. *Id* at 282.

250. See E. Waters, *A Comparison of Expressions in the Trade Marks Act*, Institute of Patent Attorneys of Australia, Proceedings (1923-1924).

251. *Id* at 54-55.

252. *Id* at 56-57 per Le Plastrier.

253. See §62. Where the exact mark is used the action may be brought under §58(1) which refers to the exclusive use of a mark.

254. See also §§36(1)(b) and 118.

at least one commentator to the conclusion that the test of "deceptive similarity" is "assimilated" to the inquiry under Section 28(a).<sup>255</sup> But a caveat should be noted. Section 28(a) is not confined to considering "deceptively similar marks," nor for that matter is it confined to considering deception arising from the use of "substantially identical" marks. It extends to deception and confusion in use howsoever that arises. The importance of that is that an inquiry which only compares the marks may reveal that they are either "substantially identical" or "deceptively similar" and prima facie that suggests that there may be confusion or deception. In the case of "deceptively similar" marks the presumption in Section 6(3) may be used to show that deception or confusion is likely. However, that is by no means the end of the matter. For example, it is well-established under Section 33 of the Act that even if a mark is "substantially identical" or "deceptively similar" to another mark its registration may nevertheless be permitted not in spite of deception or confusion, but, because deception or confusion is unlikely because the goods or services in question are different. Nevertheless, if it is shown that deception or confusion in use is likely even though the goods or services differ, this will in some cases lead to a possible objection under Section 28(a).<sup>256</sup> In this sense Section 33 is always made subject to Section 28, and Section 6(3) does not in any way alter that conclusion.

The point may also be illustrated by the fact that prima facie two marks may be considered "deceptively similar" until evidence of trade usage is adduced. For example, the marks MONSOL and MULSOL, both for pharmaceuticals, could be considered deceptively similar if no reference was made to the fact that SOL and MON are common to the trade. Arguably the concurrent use of these marks would not cause deception and confusion because of the well-established proposition of fact that where a common to the trade or descriptive suffix or prefix is used, consumers usually pay more attention to differences in the marks.<sup>257</sup> Take away that fact and you have prima facie deceptive similarity which would offend Section 6(3). However that section is only a deeming provision concerned not with use, but rather, with prima facie deceptive similarity. As noted, that presumption can in some cases be negated under Section 33 by showing that the goods or

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255. See Shanahan, *supra* note 31 at 151 and 169.

256. See Shanahan, *id* at 166-67.

257. The example is taken from the passing off case of *Mond Staffordshire Refining Co. Ltd. v. Ellis Harlem and Anor*, (1929) 41 CLR 475. An example under the 1905 Trade Marks Act is *Cooper Engineering*, *supra* note 194, comparing "Rainmaster" and "Rain King."

services differ and in other cases under Section 28(a) by showing that the use of the mark is not likely to lead to deception and confusion in use. Thus, in the example above, MONSOL and MULSOL may coexist on the Register despite prima facie deceptive similarity.

The same arguments may be used to explain the relationship between Sections 28 and 34. As mentioned above, Chief Justice Griffith declined to finally decide the nature of their coexistence under the 1905 Act in the *Excelsior* case. Justice Mason (as he then was) also refused to resolve the matter under the 1955 Act in *Berlei Hestia Industries Ltd. v. Bali Co. Inc.*,<sup>258</sup> but he did observe:

The meaning of the words "the use of which will be likely to deceive or cause confusion" in s 28(a) is influenced by the language in which s 28(d) is expressed when it refers to a mark "which would otherwise be not entitled to protection." Thus, a special problem may confront the Court when a mark which is not likely to deceive or cause confusion at the time of its original registration subsequently becomes so or when two marks substantially identical or deceptively similar have been registered following honest concurrent user (see s 34).<sup>259</sup>

However, it cannot be ignored that the use of the phrase "substantially identical or deceptively similar" in Section 34 suggests that it, like Section 33, was meant to be treated as having a similar relationship with Section 28. This view would mean that the court or Registrar in considering questions of honest concurrent user should only permit registration if it is shown that actual deception and confusion in use does not occur or has been minimized so that it is unlikely. This is in fact what happened in the *Bass* case in the United Kingdom. In such a regime, both sections contemplate and assist the other. That is, both sections deal with the issue of deception and confusion but their approach is from differing perspectives. Section 28 is clearly concerned with both proposed use and actual use whereas Section 34 is concerned only with the actual use of "substantially identical or deceptively similar" marks. But as pointed out in relation to Section 6(3) above, even if a mark is prima facie "substantially identical or deceptively similar" to another this does not necessarily lead to deception and confusion in use. If, however, the Registrar finds that prima facie the proposed use of a mark is likely to deceive or cause confusion then he or she should be able to refuse registration under Section 28(a). Where a case of concurrent user under Section 34 is put forward, then the

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258. (1973) 129 CLR 353.

259. *Id* at 361.

Registrar should allow the applicant to obtain registration if the evidence of actual concurrent user satisfies the Registrar that the public will not in fact be deceived and confused. Where the Registrar is not so satisfied, then, pursuant to both Sections 34 and 44(1) he or she has a discretion to impose conditions as to the mode or place of user to ensure that the possibility of deception and confusion is reduced or minimized. If reduced to a point where deception and confusion in use is unlikely, then there can be no contravention of Section 28(a).<sup>260</sup> This is in accord with the view that the appropriate way to judge under Section 28 whether there is a likelihood of deception or confusion is not to just look at *prima facie* substantial identity and deceptive similarity but to also look at the hypothetical normal and fair use which can be made of a mark.<sup>261</sup> A common judicial device used in trademark cases is to have regard to actual use so as to make "patent" what was previously "merely latent" and therefore give a basis for the drawing of appropriate inferences.<sup>262</sup> This evidence is vital under Section 34.<sup>263</sup> In this light it could easily have been argued that both sections contemplate and support the other.

Unfortunately, in the *Moove* case the issue of honest concurrent user was not a matter to be decided and was not fully explored. Nonetheless it played an important subsidiary role because, apart from Justice McHugh, all the judges expressed views coinciding with the those of Justices Dawson and Toohy who said:

At common law the right to a trade mark was an adjunct of the goodwill in a business and incapable of an existence separate from it. If, however, the goodwill of a business was divided, the need to recognise more than one user of a trade mark arose, despite the possibility of confusion. For each proprietor to have been able to seek an injunction against the other would have been to undermine ownership. In addition.

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260. In *Maeder's application*, (1916) 33 RPC 77, Sargant J (as he then was) at 81 adopts a similar view but see the House of Lords' comments on this case in *Alexander Pirie & Sons Ltd.'s application*, (1933) 50 RPC 147 and see Court of Appeal, (1932) 49 RPC 195 at 213 per Lord Hanworth MR.

261. See *In re Jellinek's application*, (1946) 63 RPC 59; *Southern Cross Refrigerating Company v. Toowoomba Foundry Pty. Ltd.*, (1954) 91 CLR 592 at 594 and 595 per Kitto J; "Bali" trademark, [1969] RPC 472; *Bali Brassiere Co. Inc. v. Berlei Ltd.'s application*, (1968) 118 CLR 128.

262. See, the *Moove* case, *supra* note 12 at 33 per Gummow J; cf *Samuel Taylor Pty. Ltd. v. The Registrar of Trade Marks*, (1959) 102 CLR 650, 657-58; *In the matter of Helena Rubinstein Ltd.'s application*, [1960] RPC 229, 231; and Lord Diplock in the *GE* case, *supra* note 2 at 321.

263. See *Alexander Pirie*, *supra* note 260, 50 RPC at 159 per Lord Tomlin and see *Johnson & Johnson v. S.C. Johnson & Co. Inc.*, (1984) 3 IPR 429; *Olin Corp. v. Pacemaker Pool Supplies*, (1984) 4 IPR 526.

the increase in the ease of communications during the nineteenth century meant that goods displaying deceptively similar marks, which previously had been restricted to a particular locality, might be offered to a wider set of purchasers, thus producing a greater likelihood of confusion through simultaneous use. The doctrine of honest concurrent user, now embodied in the legislation, developed at common law as a response to this. It prevented one owner of a trade mark from bringing an action of infringement against the proprietor of a substantially identical or deceptively similar mark, but permitted either owner to obtain an injunction to restrain the use of the mark by a usurper.<sup>264</sup>

This analysis is a reworked version of Lord Diplock's analysis in the GE case discussed above. It assumes that the "doctrine of honest concurrent user" was fully developed by the time of the first registration Act in 1875. Clearly it had not been so developed. In any event, Justices Dawson and Toohey conclude that the "doctrine of honest concurrent user meant that a degree of confusion had to be tolerated within the system," and that it explained the form of both Section 114 in the 1905 Act and Section 28 in the 1955 Act:

Section 28(a) must be read together with s 28(d) so that the reference in s 28(a) to a "use . . . which would be likely to deceive or cause confusion" is a reference to a use which would not only be likely to deceive or cause confusion but would not be entitled to protection in a court of justice. The word "otherwise" in s 28(d) is thus given some work to do. It means then that the enquiry must in every case be whether some remedy would or would not be available.<sup>265</sup>

Justices Dawson and Toohey then quote in support the following passage from the judgment of Justice Dixon (as he then was) in the Radio Disney case:

If the circumstances are such that its adoption will give the applicants no right to protection by injunction or other remedy under the general law, then it should be kept off the register.<sup>266</sup>

However, their Honors appear to misunderstand both the words of Justice Dixon and his reasoning. True, in the Radio Disney case the applicant was not in a position to claim an injunction or any other remedy. But his Honor had noted earlier

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264. *Supra* note 1, 171 CLR at 405; [1991] RPC at 175; 18 IPR at 416.

265. *Id* at 406; [1991] RPC at 175; 18 IPR at 416-17.

266. *Supra* note 143 at 459.

that the opponent, Radio Disney, would not have been entitled to an injunction at general law<sup>267</sup> and yet it succeeded in keeping the applicant's mark off the Register. It did so because under Section 114 of the Trade Marks Act the applicant's use would have been deceptive and confusing and therefore contrary to *Eno v. Dunn* which was expressly approved of by Justice Dixon (as he then was).<sup>268</sup> That finding by itself did not entitle the opponent to obtain an injunction or any other remedy at general law but, nevertheless, it did not stop him succeeding in the opposition. As it turned out the applicant for registration, in addition to having a mark likely to lead to deception and confusion in the use, did not have, as noted above, a right to an injunction at general law. This appears to have influenced Justice Dixon's reasons. If you apply that reasoning to the *Moove* case then again neither party had a right to an injunction nor any other remedy against the other at general law, and there had certainly been no honest concurrent user within the meaning of Section 34. But *MOO* was found to cause confusion within the meaning of Section 28(a) and thus it should have been taken off the Register. Of course, the *Radio Disney* case was an opposition case whereas the *Moove* case was an expungement action; but that distinction is ignored in Justices Dawson and Toohey's citation of the *Radio Disney* case.

#### 7. Unclean Hands and Blameworthiness

Even if you accept Justices Dawson and Toohey's view that regard should be had to the "blameworthiness" of the registered proprietor before a mark is canceled for being deceptive and confusing, that still leaves one difficulty adverted to by Justice Gummow at first instance.<sup>269</sup> In Justices Dawson and Toohey's view a "blameworthy act" is "no more than a shorthand method of referring to all those circumstances which might disentitle an applicant to relief in a court of equity."<sup>270</sup> Thus if the registered proprietor does not come to the court with clean hands, that "may be blameworthy conduct."<sup>271</sup> But as Dr. I.C.F. Spry notes in discussing the equitable defense of unclean hands:

[A]n injunction is ordinarily refused when it is sought in furtherance of a deception that is being practised either on the defendant or particular third persons or else on the public at large. Thus it may be found that the plaintiff is seeking

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267. *Ibid.*

268. *Id.* at 458.

269. *Supra* note 12 at 61.

270. *Supra* note 1, 171 CLR at 409; [1990] RPC at 177; 18 IPR at 418.

271. *Ibid.*

to protect a trade mark that is calculated to deceive the public in a material respect, so that the assistance of a court of equity is inappropriate.<sup>272</sup>

Indeed, Justices Dawson and Toohey concede that the defense does not always bar relief because, for example, "it may be more important that equity grant a remedy in the public interest than it does not aid a wrongdoer."<sup>273</sup> But, ultimately they take the view that a deceptive mark is not a situation where in equity the public interest should prevail, at least where that deception is unintentional. By contrast, Justice Gummow adopts the Spry view.<sup>274</sup> This view is clearly supported by High Court authority on the 1905 Act and by the literal interpretation of Section 28 in the 1955 Act. Alas, it has been rejected. The irony is that the main vehicle for adopting Lord Diplock's interpretation was the honest concurrent user doctrine, a doctrine which was clearly not satisfied in the *Moove* case. To be sure, the concept of the "assiduous infringer" also strongly influenced Justices Dawson and Toohey as well as Chief Justice Mason, Justices Brennan and Deane.

### C. *Assiduous Infringers*

Prior to the *Moove* case the blameworthy conduct test had been applied in Australia in two cases in the Federal Court. The first was by Justice Fox in *HTX International Pty. Ltd. v. Semco Pty. Ltd.*<sup>275</sup> In applying the test he was clearly influenced by the comments of Justice Windeyer in *Bali Brassiere Co. Inc. v. Berlei Ltd.* where his Honor posed the question of whether a validly registered mark should be removed because the assiduous efforts of an infringer have created a likelihood of confusion.<sup>276</sup> Justice Fox answered this by applying the blameworthy conduct test to the 1955 Australian statute. The HTX case was approved of by a majority of the Full Court of the Federal Court in the *Riv-Oland*

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272. *Equitable Remedies* 393 (3d ed 1984), and see 401 (4th ed 1990); see also Dr. Walter Ashburner's, *Principles of Equity* (2d ed 1933), republished by Legal Books in 1983, pp 467-68; H.G. Rivington, *Snell's Principles of Equity* 27 (22d ed 1939); and see *Republic Moulding Corp. v. B.W. Photo Utilities*, 319 F2d 347, 138 USPQ 101 (CA 9 1963).

273. *Moove*, supra note 1, 171 CLR at 409; [1991] PC at 177; 18 IPR at 419, citing *Money v. Money* (No. 2), supra note 65 at 351-52; and thereby attempting to account for Gummow J's forceful argument at first instance on this point, see *id* 14 IPR at 61.

274. 14 IPR at 61. That is not surprising in view of Lord Diplock's comments in *United Scientific Holdings Ltd. v. Burnley Borough Council*, [1978] AC 904, 924 downgrading the approach of traditional equity lawyers to equity and captured in the "Preface to the Second Edition" of Meagher, Gummow and Lehane, supra note 160.

275. Supra note 48.

276. Supra note 261, 118 CLR at 133.

case.<sup>277</sup> The majority found that the respondent had not been guilty of blameworthy conduct and therefore the appellant's expungement application was dismissed. The odd aspect about applying the blameworthy conduct test here is that the period of use in question was before the mark was registered—so that the mark was wrongfully appropriated—whereas Lord Diplock was clearly referring to infringers and not misappropriators.<sup>278</sup> His Lordship was of the view that the blameworthy conduct test was relevant to attacks only upon registrations wrongly remaining and not wrongly made. The reason for this restriction probably stemmed from the fact that it had been consistently held in such cases that the public interest was paramount, even if the opponent's conduct was blameworthy.<sup>279</sup> In this regard, Justice Gummow in the *Moove* case thought that the Full Court in *Riv-Oland* was at "odds with superior authority" in the Australian High Court.<sup>280</sup> At the time, he was right.

It is clear, however, from the reasoning of the majority in the *Riv-Oland* case that the majority, like Justice Fox in the *HTX* case, were influenced by Justice Windeyer's postulation in the Australian *Berlei* case concerning the efforts of assiduous infringers. In the *Moove* case the High Court was also concerned with the effects of "assiduous infringers" and "assiduous misappropriators."<sup>281</sup> The reasoning of Justices Dawson and Toohey is to the effect that an intentional infringer is an assiduous infringer.<sup>282</sup> This is an interesting development in that apart from the use of descriptive names and personal names, the Act makes no distinction between intentional and unintentional infringers.<sup>283</sup> Even at common law, the claimed source of the "blameworthiness" concept, the distinction is not usually relevant in order to establish liability under the tort of passing off. As noted above, that was decided in equity as far back as 1838 by Lord Cottenham in *Millington v. Fox*.<sup>284</sup> The rationale of the concept is that intentional passing off causes the same damage to the good will

277. *Supra* note 10.

278. This point did not go unnoticed, however, as Bowen CJ adapted the phrase "assiduous infringers" to "assiduous misappropriation."

279. See *Lahore, Garnsey, Dwyer, Dufty and Covell*, *supra* note 31, Ch 9 and the cases cited therein.

280. *Supra* note 12 at 60.

281. *Supra* note 1, 171 CLR at 384; [1991] RPC at 160; 18 IPR at 400 per Mason CJ; 171 CLR at 389; [1991] RPC at 164; 18 IPR at 404 per Brennan J; 171 CLR at 406-07; [1991] RPC at 176; 18 IPR at 417 per Dawson and Toohey JJ; cf 171 CLR at 429-30 [1991] RPC at 192-93; 18 IPR at 433-34 per McHugh J.

282. *Id* at 412-13; [1991] RPC at 180; 18 IPR at 421.

283. See §§58(1) and 62.

284. *Supra* note 157.

associated with the trademark as unintentional passing off. Also, since *Millington v. Fox* it has been generally accepted that once it is shown that a defendant has engaged in unintentional passing off there is a presumption that the defendant's conduct is intentional if he or she thereafter continues to engage in passing off.<sup>285</sup> From that point on the defendant's conduct will sound in damages. Not so under the trademark system post the *Moove* case. Not only are *Murray-Goulburn* not required to pay any damages for their unintentional infringement, it has also been permitted with impunity to infringe the MOOVE mark in the future. This is because of the wide meaning placed on concurrent users under Section 58(3) by Justices Dawson and Toohey. Their view has the effect of denying infringement cross-actions by owners of confusingly similar registered marks even though they may not have satisfied the honest concurrent user provisions. The only check is that owners of such a mark must not intentionally infringe the other registered mark because that would constitute "blame-worthiness" and expose the mark to expungement under Sections 22 and 28.

There are at least three criticisms which can be leveled at this analysis: First, as already mentioned, the infringement provisions are not concerned with intention in order to find liability. To be sure subsections 64(1)(a) and (b) provide defenses to infringement where a name or description has been used in "good faith," but even here if confusion is inevitable "it will be difficult to satisfy the court that it was bona fide."<sup>286</sup> Second, the damage inflicted upon a trader is the same whether or not the conduct is intentional. Third, the great danger in erecting a distinction between intentional and unintentional conduct is that "the court has very imperfect means of knowing" what the defendant's motives are.<sup>287</sup> That is not to say that intention is irrelevant because, as already noted, it may help decide at what time a defendant's liability sounds in damages, or it may assist a finding of liability where intention is positively shown.<sup>288</sup> But drawing the distinction should never per se determine liability because if litigants know that their liability turns on this question then there is also a good chance that they will also know that the

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285. See, for example, *Turner v. General Motors (Australia) Pty. Ltd.*, (1929) 42 CLR 352 at 362 per Isaacs J.

286. *Shanahan*, supra note 31 at 346.

287. *Singer v. Wilson*, supra note 151 at 389 per Lord Cairns.

288. See the classic comment of Cozens-Hardy MR in *Claudius Ash, Sons & Co. v. Invicta Mfg. Co. Ltd.*, (1912) 28 RPC 597, 603: "if you find a defendant who is a knave you may presume he is not a fool."

court has "very imperfect means of knowing" what their true intention was.

Nevertheless, apart from the finding in the *Moove* case, it can be argued that the trademark system does or should aim to provide proprietors with protection from both intentional and unintentional infringements. The question remains: If an infringer uses the registered proprietor's mark to the point where the latter's use is rendered deceptive should the infringer, intentional or unintentional, be rewarded? The urge to not reward what appears to be illegal conduct is a strong one and should not be ignored. But such questions ignore the fact that the registered proprietor has a duty in relation to his or her property just as the owners of other forms of property do. True, trademarks are not tangible but nonetheless under the registration Acts they are property.<sup>289</sup> At law their existence relies purely on use and reputation; and even then they are only an adjunct of good will. If that is established they should be accorded just as much protection as tangible property during their existence; that is, there should be remedies against their theft and trespass. Although the registration system permits marks to be registered which are proposed to be used it is also true, as Justice Gummow pointed out at first instance, that this system encourages the use of marks in order to maintain the benefits of registration. Merely because a proprietor obtains a registration does not mean he or she can sit back and do nothing. Registered proprietors should be encouraged to use their marks. Further, as Justice McHugh notes, a "duty" attaches to registration. In his Honor's view, and Justice Gummow's view, that duty is "to be vigilant in protecting their rights" from infringers.<sup>290</sup> Thus, to turn the "assiduous infringer" question around, a registered proprietor should not be rewarded for his or her lack of diligence. But does this mean that a registered proprietor should be constantly suing or prepared to sue? This would be a costly alternative and as Justice Brennan notes:

It may be going too far to say that the registered proprietor must, in all circumstances, protect his statutory right by applying for an injunction; some other objection may suffice in particular circumstances.<sup>291</sup>

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289. See, for example, Keith Lupton, *Trade Marks as Property*, 2 IPJ 29 (1991).

290. *Moove*, supra note 1, 171 CLR at 430; [1991] RPC at 193; 18 IPR at 434. See also Mason CJ's comments 171 CLR at 385; [1991] RPC at 161; 18 IPR at 401; and see Shanahan, supra note 31 at 255.

291. *Id.* at 392; [1991] RPC at 166; 18 IPR at 406. His Honor noted that the original owner of the MOO registration "did nothing" while the Dairy Corporation built up its own reputation in the MOOVE mark.

For example, a letter of objection or demand should at least in some cases suffice. In most cases where a legitimate claim is pressed, such a letter will bring the offending conduct to an end. If not, the registered proprietor should apply for an injunction and ultimately press for an account of profits or damages. To abstain from suing here is surely a dereliction of duty. No doubt it is true that court proceedings are expensive but the assumption should not be made that they do not work. They do. Indeed in the situation where an infringer's use of a mark has been considerable there would be a considerable account of profits to offset some of the costs. Again this brings us back to the central question: Should the registered proprietor lose the mark in those situations where the infringer's use has been so extensive that it has rendered the registered proprietor's use deceptive and confusing? If the proprietor has been vigilant then it is unlikely that such a situation would result. But that will not always be the case. For example, an infringer may embark upon a massive advertising campaign and even if the proprietor has made some use of the mark and is vigilant the public perception of the mark may have already been altered. Another situation is where there is a failure in communication between a licensee and the registered proprietor preventing the latter from objecting. In most cases it will be in the licensee's interest to be vigilant and usually it will also be under a contractual duty to that end. But sometimes a licensee might not have an interest in being particularly vigilant. In these cases, it may be argued that it is unfair to strip the proprietor of his or her rights where an infringer has rendered the proprietor's use deceptive. Shanahan suggests the following answer:

[I]t would seem unrealistic to be overly concerned in these cases that the efforts of the infringer will have rendered the registered proprietor's future use deceptive. After all, since a mark can now be assigned without the assignor's business, it can hardly be claimed that the owner of an infringed mark will not be able to rehabilitate that mark on the departure of the infringer.<sup>292</sup>

But during this restitution period there is a risk that consumer deception would result. Perhaps the answer is that this could be limited by an appropriate condition, disclaimer or an order for corrective advertising. The court may have such a power under Section 65 of the 1955 Act when ordering an injunction to make it subject to "such terms, if any, as the court thinks fit." It may be noted that the court has the power to order delivery up,

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292. Shanahan, *supra* note 31 at 255.

destruction and erasure even those these are not expressly mentioned in the Act. In any event the rectification provision, Section 22, expressly empowers the court to insert a condition or limitation and, even though here it is limited to entries on the Register, such entries do affect the use of the mark. Such restrictions, whether imposed upon the proprietor under Sections 65 or 22, need not be permanent and would ensure that the registered proprietor restores his or her own reputation in the mark, which surely is in the proprietor's interest. If that were to happen "assiduous infringers" would not be rewarded and consumers would not be deceived. Indeed this solution achieves a much higher level of justice with less judicial invention than the blameworthy conduct test. Nonetheless, it cannot be ignored that there is a "duty" on the registered proprietor and there will be cases where, at the very least, delay and acquiescence may preclude restitution of the mark.<sup>293</sup> Or to put it another way, *restitutio in integrum* is no longer possible.

Even if the above solution is rejected it should be pointed out that there is nothing new about the assiduous infringer concept. An assiduous infringer is merely someone who is not an honest concurrent user. To elevate Justice Windeyer's original postulation into another illustration of why there needs to be deception in the "system" is mischievous.

#### *D. Deception in the "System"*

The prohibition against deceptive and confusing marks in Section 28(a) of the Trade Marks Act has never been absolute in the sense that it has always been concerned with likelihood and not mere possibility. As Justice Kitto held at first instance in *Southern Cross Refrigerating Co. v. Towoomba Foundry Pty. Ltd.*<sup>294</sup> a "reasonable probability of confusion" would offend Section 28's predecessor Section 114, but a "mere possibility of confusion" would not be enough—"for there must be a real, tangible danger of its occurring."<sup>295</sup> He also said that an "actual probability of deception leading to a passing-off" is not necessary.<sup>296</sup> His Honor

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293. See Shanahan, id 354-55; and see the recommendations of the United Kingdom White Paper on the Reform of Trade Marks Law (1990) ¶3.24.

294. *Supra* note 261.

295. *Id* at 594-95.

296. Presumably a likelihood of deception would be sufficient because of the express words of §§114 and 28 but that likelihood need not amount to an action sufficient to support a passing off action; see *Radio v. Disney*, *supra* note 143 at 549 per Dixon J (as he then was).

then propounded the following test which was later approved of on appeal to the Full Court of the High Court:<sup>297</sup>

it is sufficient if the result of the user of the mark will be that a number of persons will be caused to wonder whether it might not be the case that the two products come from the same source.<sup>298</sup>

In the *Moove* case it will be recalled that Justice Gummow applied this test in comparing the MOOVE and MOO marks and found that a "substantial number of purchasers and prospective purchasers . . . [would] be caused to wonder whether it might not be the case that the two products came from the same source."<sup>299</sup>

Justice Kitto's test was not concerned with or did not envisage any concept which detracted from confusion as to source. Yet, in the *Moove* case Chief Justice Mason,<sup>300</sup> Justices Brennan,<sup>301</sup> Deane,<sup>302</sup> Dawson and Toohey<sup>303</sup> reason it is not possible for the Act to have an absolute prohibition on deceptive marks because the Act "contemplates the use of a registered mark in a way that may cause deception and confusion"<sup>304</sup> or to put it another way, deception and confusion is "inherent in the system."<sup>305</sup> Such reasoning was an important step in their Honor's judgments because if it could be shown that the Act permitted marks to be registered even though they were likely to cause deception and confusion in use then the suggestion that the Act absolutely prohibits such marks became nonsensical. The corollary to this is that the importation of another concept permitting deception and confusion could be more readily justified. The majority view in the *Moove* case was that there was deception in the "system" in three main areas. First, under the honest concurrent user provisions. The difficulty with this conclusion has already been discussed. Second, dealings in trademarks, that is, under the registered user and assignment without good will provisions. Third, the fact that deceptive marks coexist on the Register. It is to those last two areas which we will now turn.

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297. *Supra* note 261 at 608.

298. *Id.* at 595.

299. *Supra* note 12 at 36.

300. *Supra* note 1, 171 CLR at 382; [1991] RPC at 159; 18 IPR at 399.

301. *Id.* at 390; [1991] RPC at 164; 18 IPR at 405.

302. *Id.* at 398; [1991] RPC at 170; 18 IPR at 411.

303. *Id.* at 407; [1991] RPC at 176; 18 IPR at 417 and see Gummow J at first instance, *supra* note 12, 14 IPR at 55.

304. *Supra* note 12 at 55 per Gummow J.

305. See the *Riv-Oland* case, *supra* note 10 at 327 per Bowen CJ; and see Lockhart J at 351-53 per Lockhart J; Emmerson J (1974) 9 MULR 528.

### 1. The Registered User and Assignment Provisions

It will be recalled that at first instance the Dairy Corporation submitted that the assignment entry was invalid. Two grounds were relied on: First, that the entry was wrongly made because it was induced by a false representation in the deed of the assignment that it was with good will when it was clear that it was not.<sup>306</sup> Second, that the assignor had not used the mark in good faith contrary to Section 82(2)(a). On these two narrow issues Justice Gummow found against the Dairy Corporation. On the appeal to the Full Court, only the first issue was raised, and it failed.<sup>307</sup> That court added that, although there was no good will and the assignment was expressed to be with good will, the "intention" of the parties was to transfer "all the title" of the assignee and thus in their view the validity of the assignment was not affected.<sup>308</sup>

By the time the action reached the High Court, special leave to challenge the validity of the assignment had been rescinded.<sup>309</sup> Yet, it is obvious that the ultimate validity of the assignment played a vital role in the whole proceedings. The assignment provided the means through which Murray-Goulburn could "infringe" the MOOVE mark and confuse the public, albeit unintentionally. Without the transfer of the MOO registration that was not possible. But in order for that transfer to be effective it was necessary to show that the assignment provisions contemplated a likelihood of deception and confusion and that Section 28(a) did not interfere with this conclusion. Apart from Justice McHugh, the other judges accepted that proposition without discussion. Perhaps they felt that it was entirely a separate issue not raised by the appeal. The fact remains that the MOO assignment did lead to a contravention of Section 28(a). Did the architects of the Act ever envisage such a result? As mentioned in the introduction, that was not the intended effect. It can, however, be argued that the Act provides little guidance in this respect. For example, the effect of Section 118 in the 1955 Act is to deem a mark not to be deceptive and confusing where there is a change in the form of trade connection. Prima facie this may appear to sanction a contravention of Section 28(a). However, before the Moove case the view was that this presumption could be rebutted under Section 28 where it was shown that due to circumstances other than a mere formal change of ownership the

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306. See supra note 12 at 41.

307. Supra note 81 at 309.

308. Ibid.

309. See supra note 1, 171 CLR at 369-70; [1991] RPC at 150; 18 IPR at 389.

mark in question was likely to cause deception and confusion in use.<sup>310</sup> Indeed, prior to this provision there was doubt whether a mere change in the form of trade connection necessarily led to deception and confusion. Certainly, under the 1905 Act such a change was often considered to result in a fraud upon the public. But that was usually decided as a legal matter, that is, assignments without good will were expressly forbidden without actually considering whether the change had in fact caused public deception. For example, under the old law an assignment of a mark which had not been used was without good will and therefore necessarily void despite the fact that the public could not have been deceived by the assignee's use.<sup>311</sup>

The insertion of Section 118 in the 1955 Act finds its purpose in the fact that it was accompanied by the assignment without good will provisions and the registered user provisions which had previously been inserted in the 1905 Act in 1948. However, these provisions were never intended to authorize the use of a mark in a way which was likely to cause deception and confusion.<sup>312</sup> Why that was not made explicitly clear in the Act, apart from Section 28, is perhaps best explained by the observation of the former President of the Institute of Patent Attorneys of Australia, Leslie Bartlett Davies who observed in 1937 when considering the recently recommended changes to United Kingdom law on assignments:

that the whole history of Trade Mark law has shown that whenever any radical alteration has been made in an Act the judges have generally shown a disposition to whittle down the effect of the alteration with the result that judge-made-law has seldom gone as far as the legislature intended.<sup>313</sup>

Ironically we find that by the time of the *Moove* case the reverse has happened—the judiciary has gone further than the legislature. As mentioned above, apart from Justice McHugh who expressly held that the 1955 assignment and licensing provisions were not meant to lead to consumer deception,<sup>314</sup> Chief Justice

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310. See D. Shanahan, *Australian Trade Mark Law and Practice* 26 (1982) and the Knowles Committee Report, *supra* note 199, ¶93.

311. Other examples where there would be no actual deception are given by A. Dean, 6 ALJ 398 (1933).

312. See Knowles Report, *supra* note 199, ¶93; Dean Report, *supra* note 7, ¶18; Goschen Report, *supra* note 7, ¶200; *Heublein Inc. v. Continental Liqueurs Pty. Ltd.*, (1960) 103 CLR 435, 451; *Pioneer Kabushiki Kaisha v. Registrar of Trademarks*, (1977) 137 CLR 670; the *Moove* case, *supra* note 1, 171 CLR at 429; [1991] RPC at 192; 18 IPR at 433, per McHugh J; see also Shanahan, *supra* note 310 at 223, 233-34 and 242; *Wilkinson Sword (Canada) Ltd. v. Juda*, (1968) 2 ExCR 137.

313. *Institute of Patent Attorneys of Australia, Proceedings* 26 (1937).

314. *Supra* note 1, 171 CLR at 429; [1991] RPC at 192; 18 IPR at 433.

Mason,<sup>315</sup> Justices Dawson and Toohey<sup>316</sup> all held that the assignment and registered user provisions supported the argument that deception and confusion was inherent in the system. Thus, although they were meant to provide greater flexibility without detriment to the public interest this has not happened. Yes, there might be greater flexibility but it has been at the public's expense. It is an "experiment"<sup>317</sup> which has failed. That is not to say that it never could have worked. Clearly, if Section 28 operated literally and as a continuing standard it may have worked.

Also, it has become ironic that in commenting on the current assignment provisions prior to their introduction the Dean Committee said that it "felt almost disposed to follow the bold lead given by Canada" but did not do so because of a "desire to keep Australian legislation fairly uniform with that of a majority of Commonwealth countries."<sup>318</sup> In *Charles Heintzman v. 751056 Ontario Ltd.*<sup>319</sup> the Canadian Federal Court, following the approach in *Wilkinson Sword (Canada) Ltd. v. Juda*,<sup>320</sup> canceled the trademark registration HEINTZMAN for pianos because in the hands of the assignee it was deceptive and had lost its distinctiveness.

Finally, so far as licensing is concerned it is clear that the cases support the view that these provisions were not meant to lead to public deception either.<sup>321</sup>

## 2. The Co-existence on the Register of Deceptive Marks

The assignment was the means of placing the instrument of deception or confusion in Murray-Goulburn's hands but that instrument already existed on the Register, albeit abandoned, derelict and about to expire (hence the conclusion by those concerned that it was worth \$10). When the MOO trademark was placed on the Register it was not likely to cause confusion and deception. That would have remained the case if the application

315. *Id.* at 382; [1991] RPC at 159; 18 IPR at 399. To be sure, the Chief Judge does say, however, than an assignee stands in no better position than the assignor where the latter has failed to protect the integrity of the mark. 171 CLR at 386; [1991] RPC at 162; 18 IPR at 402. Brennan J was also of this view. 171 CLR at 393; [1991] RPC at 166, 18 IPR at 407. See also *Pratten v. Peacock*, *supra* note 131.

316. *Id.* at 407; [1991] RPC at 176; 18 IPR at 417.

317. To use the word of the Dean Report, *supra* note 7, ¶17.

318. *Id.* at ¶122.

319. 38 FTR 210, 34 CPR(3d)1 [1990]; see James G. Fogo, *Notes From Canada*, 81 TMR 324 (1991).

320. *Supra* note 312; and see *Breck's Sporting Goods Co. Ltd. v. Magder*, [1976] 1 SCR 527.

321. That much is clear from the judgment of Aickin J in *Pioneer Kabushiki*, *supra* note 312.

for the MOOVE mark had been refused and MOOVE had not been used. But confusingly similar marks for the same or similar products may find their way on to the Register "simply because the point was not raised during examination and there have been no opposition or rectification proceedings since."<sup>322</sup> For example, the Examiner of a trademark application may not have cited a mark which should have been cited under either Section 33 or Section 28(a), or, where a citation should have been maintained, the Examiner does not do so because of a persuasive argument put forward by the applicant. In fact one of these alternatives appears to have occurred in the Moove case. The MOO mark should have been cited and maintained as a citation against the MOOVE application but was not. If the citation had been raised and maintained, the appellant would have been able to apply to remove the mark on the grounds of three years nonuse under Section 23(1)(b) of the Act; and there is no doubt that it would have succeeded. It also could have applied to the court to have the Register rectified on the grounds that MOO was no longer a trademark within the meaning of the Act because it was not in use and there was no intent to use it in the future or it lacked the necessary "connexion in the course of trade."<sup>323</sup> Certainly the mark would not have been entitled to presumptive validity under Section 61 because its distinctiveness had, according to Justice Gummow, wasted away. However, these proceedings were never instituted because the MOO mark was not cited or maintained as a citation against MOOVE at the examination stage.

Since the Moove case the Trade Marks Office has taken the view that such citations can be raised only under Section 33 and should not be raised under Section 28(a) unless deception is inherent in the mark.<sup>324</sup> But at the time of the MOOVE application in 1978 that was not the accepted view. This is where we find in the Moove case yet another clash with earlier High Court authority although prima facie it is not apparent. In *Berlei Hestia Industries Ltd. v. Bali Co. Inc.*<sup>325</sup> the appellant registered the mark BERLEI in 1917 and the respondent registered the mark BALI-BRA in 1947. The appellant succeeded in the High Court in 1973 in having the latter registration expunged on the basis that at

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322. Emmerson, J, (1974) 9 MULR 528 at 529. Indeed since the Moove case many more deceptive marks will find their way on to the Register because of the less vigorous examination procedures now being adopted. See also the Mathys Committee Report, supra note 240, ¶140-42.

323. See §6(1) and *Aristoc Ltd. v. Rysta Ltd.*, (1945) 62 RPC 65 applied in *WD and HO Wills (Aust.) Ltd. v. Rothmans Ltd.*, (1956) 94 CLR 182.

324. Supra note 211.

325. Supra note 258.

the time of registration its use was likely to deceive or cause confusion under Section 28(a) and therefore it was a registration "wrongly made" and subject to cancellation under Section 22(1). It was not entitled to presumptive validity under Section 61 because it still offended Section 28 at the date of the application to rectify the Register. The "blameworthiness" of the respondent was not an issue even though by the time of the action it had been registered for twenty-five years. The GE case had recently been decided; and at least one of the judges who heard the Berlei case was aware of Lord Diplock's analysis in that case.<sup>326</sup> True, one way of reconciling the GE case and the Berlei case is simply to acknowledge that the blameworthy conduct test was not formulated in relation to registrations "wrongly made" but, rather, "wrongly remaining."<sup>327</sup> It is also true that the issue in the Moove case was whether MOO wrongly remained on the Register. But the Moove case underscores the need for a test which remains the same irrespective of the distinction between wrongly made and remains. This is because Murray-Goulburn could have brought expungement proceedings against the MOOVE mark on the ground that it was "wrongly made." Had it done so it would have been able to rely on the Berlei case to establish that the registration should be expunged, at the very least, for offending Section 28(a). Once that was established Section 33 would also have been available as a ground for expungement because the Section 61 prescriptive validity would no longer be available. However, clearly the expungement of the MOOVE mark was unlikely because of the long delay by Murray-Goulburn's predecessor in bringing proceedings. In fact it never brought proceedings, in the words of Justice Brennan it "did nothing."<sup>328</sup> Another way of achieving that result would be to say that the Dairy Corporation was not guilty of blameworthy conduct<sup>329</sup> and therefore its mark should not be expunged even though the entry of its mark was wrongly made; but that would clearly be contrary to the Berlei case.

It can be seen that the decision, presuming one was made, by Murray-Goulburn not to bring expungement proceedings against

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326. See Mason J (as he then was), with whom Stephen J agreed, *id* at 360.

327. This distinction was essential to Lord Diplock's analysis because of the House of Lords decision in the Berlei case, *supra* note 261, which raised the same issues in the Australian litigation. In that case it was clear that blameworthiness was not a concept to be discussed in relation to registrations wrongly made.

328. Moove, *supra* note 1, 171 CLR at 392; [1991] RPC at 166; 18 IPR at 406.

329. Certainly there was no duty on it to apply for the expungement of MOO under §§22 and 28. That much was decided in the reverse in the majority judgments, that is, there was no duty on Murray-Goulburn's predecessor to apply for the expungement of MOOVE.

the MOOVE mark was a wise maneuver because it was bound to fail, whichever view you take, and it could have backfired. But, if that course had been taken perhaps it would have been realized that the Dairy Corporation clearly had by 1988 the better title to registration. Its use was not causing confusion in contravention of Section 28(a) and the distinctiveness of its mark had been maintained by use. Neither of these qualities could be attributed to the MOO mark which, in fact, was no longer functioning as a trademark according to the definition in Section 6(1).<sup>330</sup> Certainly, the mark was not entitled to presumptive validity under Section 61 because, irrespective of the issue under Section 28, by the time of the proceedings it lacked distinctiveness contrary to the precondition in Section 61. Unfortunately, this issue was not explored.

The upshot is that although there is an urge by the High Court in the Moove case to distinguish between registrations wrongly made and those wrongly remaining where deception is in issue, that is a perilous course to follow. There are two solutions. One is to ignore the Berlei case, the numerous other cases before it, and the express words of Lord Diplock and apply the blame-worthy conduct test to both situations. That view was without authority in Australia until the Riv-Oland case. The other view, rejected in the Moove case, is to apply Section 28(a) absolutely, subject only to the court's discretion. That was the meaning it had at the time both the MOO mark and the MOOVE mark were placed on the Register. Even though the Trade Marks Office made an error in placing MOOVE on the Register it must be said that the Registrar cannot be expected to raise all possible objections under Section 28 or know of all the facts which may lead to a mark being likely to cause deception or confusion in use. Certainly the Registrar cannot be expected to know at the application stage what entities may be transferees. The *raison d'être* for expungement proceedings is that the matter is ultimately for the court. This view was recently accepted by Justice Sheppard in *Interlego AG v. Croner Trading Pty. Ltd.*<sup>331</sup> in relation to a design registration when he said:

the provisions of s 39 of the Designs Act 1906 [The equivalent to Section 22 in the Trade Marks Act providing the court with rectification power] . . . empowers the court to order the rectification of the designs register by making any entry wrongly omitted therefrom or expunging any entry wrongly

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330. That is, it lacked, amongst other things, the quality of showing a "connexion in the course of trade": see *Aristoc*, applied in *WD and HO Wills*, *supra* note 323.

331. (1991) AIPC 90-819.

made therein. The matter is thus ultimately for the Court. It does not in the end depend upon the subjective approach of particular registrars; the test is an objective one.<sup>332</sup>

It is one thing to say that deceptive marks have found their way on to the Register. It is another for the Court to say that they can stay there.

### *E. Loss of Distinctiveness*

It was once said that "distinctiveness" was "the very essence of a trade mark."<sup>333</sup> Certainly shortly after federation the High Court in the Union Label case<sup>334</sup> shared this view<sup>335</sup> and it appears that Justice Gummow at first instance leans towards this view. His Honor also found support in the judgment of Lord Diplock in the GE case where his Lordship said that the words "or otherwise" in Section 11 of the 1938 United Kingdom Act may have possibly been included to cover those marks the title to which may have been lost by disuse.<sup>336</sup> Thus, according to Justice Gummow, the MOO mark "had fallen into desuetude over many years"<sup>337</sup> and the registered proprietor's title to it had withered away. However, the corollary fact was that the mark also offended Section 28(a). His Honor referred to the dictum of Justice Kitto in the Bayer case<sup>338</sup> that issues of deceptiveness and lack of distinctiveness could tend to run into one another. Thus, in Justice Gummow's view the words "or otherwise" do cover cases where trademarks have lost distinctiveness by disuse (being marks not otherwise of strong inherent adaptation to distinguish) at least where the consequence is likelihood of deception or confusion. The MOO mark was therefore liable to expungement.

Justices Kitto and Gummow's view that issues of distinctiveness and deception tended to "coalesce" was accepted by the Full Court<sup>339</sup> and Justices Dawson and Toohey in the High Court but they did not understand how that recognition could help resolve the construction of Section 28. The Full Court also referred to paragraph 11-17 of the latest edition of Kerly's which illustrates the view that a trademark cannot be removed were a mark loses

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332. Id at 37,745.

333. Standard Ideal Co. v. Standard Mfg. Co., (1910) 27 RPC 789, 796 per Lord Macnaghten.

334. Supra note 224.

335. Raising an interesting constitutional issue beyond the focus of this article.

336. Supra note 2 at 329.

337. Moove, supra note 12 at 61.

338. Supra note 41 at 303.

339. Moove, supra note 81 at 305.

its distinctiveness unless it falls within Section 15 of the 1938 Act,<sup>340</sup> which is aimed at certain classes of generic marks. In Australia the decision of Justice Fox in the HTX case is to the same effect. The Full Court felt that was the better view and Lord Diplock's comments in the GE case were only of "historic interest"<sup>341</sup> in relation to the United Kingdom legislation, but they were prepared to accept that historical account in every other respect despite differences in the Australian legislation. The Full Court, however, were also persuaded by the following argument:

A mark may obtain registration under s 25 [concerning Part B marks] even though it is not distinctive of goods and services in respect of which registration is sought. At least at the registration stage, s 28 could not operate to disqualify such a mark from registration on the ground that, through lack of distinctiveness, it was not entitled to relief in equity. After registration, a Pt B mark may be removed for non-use under s 23, but it is difficult to see how, consistently with the spirit of s 25, such a mark could be liable to expungement on the ground that in equity the mark was not entitled to protection because of a lack of distinctiveness.<sup>342</sup>

The Full Court criticism only holds water if Section 28(d) qualifies (a) at the application stage. If it did not so operate a contravention of Section 28(a) would disentitle either a Part A or Part B mark to protection without reference to either factual or inherent distinctiveness. If there was no contravention of Section 28(a) then consistent with the Full Court's reasons it would be permitted to remain on the Register. Of course a mark which does not or will not cause deception or confusion in use also has greater potential to be distinctive or inherently capable of being distinctive. Perhaps that is what Justice Gummow meant. Even though it has been suggested that that Justice Gummow made an assumption that paragraph (d) of Section 28 qualifies paragraph (a),<sup>343</sup> that is by no means clear. Certainly, he appears to make that assumption in relation to marks properly registered but which have later come to offend Section 28. However, his Honor's criticism of the Riv-Oland case and preference for the numerous earlier High Court authorities suggest that at the application stage paragraph (d) would not qualify paragraph (a). Thus, a Part B mark which has a capacity to distinguish but "lacked" factual

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340. Kerly's, *supra* note 68. The equivalent in Australia is §56 of the 1955 Act.

341. Moove, *supra* note 81 at 305.

342. *Ibid.*

343. Moove, *supra* note 1, 171 CLR at 417; [1991] RPC at 183; 18 IPR at 424-25; per McHugh J and see Shanahan, *supra* note 31 at 257.

distinctiveness at the application stage would not be liable for removal under Section 28 for a lack or loss of distinctiveness unless it offended Section 28(a). Consistent with his Honor's reasoning, if the mark was already on the Register and had "lost" its distinctiveness after once having had it, for example, if its use had been discontinued, and that fact also resulted in another trader gaining a reputation in a confusingly similar mark, then the combination of those factors would lead to its continued presence on the Register being prohibited by Section 28. However, mere loss of distinctiveness without more would not. This interpretation appears to be shared by another eminent judge, namely, Justice McLelland in *Ritz Hotel Ltd. v. Charles of the Ritz Ltd.*<sup>344</sup>

### VIII. REFORM

It is clear that the current trademark "system" is detrimental to the interest of consumers as well as some innocent traders, such as the Dairy Corporation. Two questions arise. How can it be changed to remedy these deficiencies? Is change possible in view of the fact that the current system has existed in the United Kingdom for over fifty years and in Australia for over thirty-five years?

#### A. *How Can the "System" Be Changed?*

The answer to this has already been suggested: the prohibition on marks likely to cause public deception and confusion in use should be absolute. There is nothing radical or new about that and it restores the value of the trademark "system" for traders and consumers. It has also been discussed how this can be done without rewarding the efforts of "assiduous infringers" and doing justice in cases of honest concurrent users. In addition both assignments without good will and the licensing provisions should be retained but always subject to the caveat that if the use of the mark becomes or is deceptive in the hands of the assignee or licensee it should be liable to expungement. Further, in granting or denying a remedy under the Act the court should retain a discretion to consider the merits of the parties and where appropriate, deny relief or impose conditions or limitations on either litigant, or consider imposing orders for corrective advertising, so as to alleviate public harm and deprive assiduous infringers of encouragement. Any other solution which subordinates the public interest in any situation will undercut the whole foundation of

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344. (1987-1988) 12 IPR 417, 478.

trademark jurisprudence, that is, that a trademark is a monopoly in the public interest.

It has been suggested, however, that an absolute prohibition on marks likely to cause confusion or deception would lead to the following difficulty:

what happens in the case of two marks the use of each of which gives rise to the likelihood of deception or confusion? If one only is to be removed, how is the choice to be made? Is it to be made against that mark which is the later registration? Or are the two marks liable to be expunged?<sup>345</sup>

In the *Berlei* case the later registration was expunged as being wrongly made, but significantly in that case the proprietor of the earlier mark clearly had the better title not only through having the first use and registration but also because the mark had never been abandoned, and had retained its distinctiveness. Accordingly, it was easier to conclude that its use was not the cause of public deception. On the other hand, in the *Moove* case the earlier MOO registration was under attack and the issue was whether it wrongly remained on the Register. There is no difficulty here either if one accepts the minority view in *MOOVE*, that is, that the proprietor of the earlier registration did not have the better title because the MOO mark had lost its distinctiveness through abandonment and its proprietor had done nothing while the *MOOVE* reputation was being established. In those circumstances it was its own use which led to consumer confusion. By contrast, the Dairy Corporation had never engaged in conduct which would lead to actual confusion. In order to reach that conclusion there is no need, as there was no need in the *Berlei* case, to apply the blameworthy conduct test.

Also, it cannot be ignored that under the law of passing off the courts have for well over one-hundred fifty years sorted out who has the better right to continue using a mark where it has been concurrently used and public confusion and deception has arisen. Indeed, in Australia similar issues frequently arise under Section 52 of the Trade Practices Act.

### *B. Is Change Possible?*

If deception now exists in the system perhaps it is too late to change it. The problem of concurrent users was serious enough in the 1870s for a specialized committee to be formed and perhaps that is one solution, albeit a costly one. Another is to let traders

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<sup>345</sup> *Moove*, supra note 1, 171 CLR at 385; [1991] RPC at 161; 18 IPR at 401 per Mason CJ.

bring the appropriate actions and for the issue be decided by the courts if and when they do. If, however, a solution is not found then the "system" will inevitably be weakened because the greater the deception there is in the "system" then the more the rights under it will be diluted.

### IX. CONCLUSION

What was described by Justice Gummow as being a "steady march"<sup>346</sup> became a chorus of nine High Court cases declaring the importance of the public interest against the deceptive use of marks. The Moove case shows how under the 1955 Act that chorus was dismantled into a cacophony of deception and confusion. But who did the dismantling? It is perhaps too easy to criticize the judicial exposition. After all, the trademark legislation and its operation are not entirely their creation. Some of the judges obviously felt that the public interest was no longer predominant. So, perhaps the villain is the legislation itself. Yet the architects of the legislation did not intend the public interest to be downgraded. But the Moove case demonstrates that this is what has happened in the courts.

The courts have been given little guidance by the Act. Indeed if the judges who heard *Eno v. Dunn* in 1890 were resurrected to hear such a case they undoubtedly would have decided the policy issue in the same way. What would they and the current High Court judges have said to the those who argue that the modern trademark system serves the complementary objectives of fair trade and consumer protection; or that trademark registrations are monopolies in the public interest? The irresistible conclusion is that such justifications should be abandoned where they support a "sadly deficient"<sup>347</sup> trademark "system" such as the ones prevailing in Australia and the United Kingdom.

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346. Moove, *supra* note 12 at 59.

347. To adopt the words of Salmon LJ in the *GE* case, *supra* note 2, [1970] RPC at 369.