

REPUTATION IN TRADE MARK INFRINGEMENT: WHY SOME COURTS THINK IT MATTERS AND WHY IT SHOULD NOT

*Mark Davison**

Australian case law on infringement of registered trade marks has placed an increasing emphasis on the reputation of the owner of the registered trade mark in determining whether infringement has occurred. Consideration of the trade mark owner's reputation has been included in determining whether the sign used by the defendant is deceptively similar to the registered trade mark and, more recently, in determining whether the defendant has used its allegedly infringing sign 'as a trade mark'. Neither development is consistent with either the law relating to registered trade marks or the underlying policy reasons for the system of registration. This article discusses the case law which has introduced the tendency of the courts to consider the reputation associated with an owner of a registered trade mark in determining infringement proceedings, the reasons why such an approach is not consistent with the legislation nor with the rationale underlying our registered trade mark system.

In particular, one of the objectives of the registered trade mark system is to provide a bright line that delineates the property rights of the registered owner. The bright line is publicly available information as to who has the rights in a trade mark and what those rights are.¹ These rights are defined by reference to the act of registration, not by reference to the rights to protection of the reputation of the registered owner conferred by a passing off action which are independent of the rights flowing from registration. Consequently, if the rights conferred by registration are diminished or enhanced by reference to the trade mark owner's reputation, the exercise of delineating the rights of the owner in advance would be rendered nugatory to the extent that they are so diminished or enhanced. For that reason alone considerable caution should be exercised before introducing evidence of a trade mark owner's reputation in the process of determining whether its trade mark has been infringed.

PASSING OFF: THE NATURE OF THE LEGAL PROTECTION

While the trade mark registration system grew out of the original tort of passing off, there are fundamental differences between the way in which the registered system confers protection on trade marks and the way in which the tort of passing off

* Professor, Faculty of Law, Monash University and Special Counsel, Knightsbridge Lawyers.

¹ Robert Burrell and Michael Handler, 'The Intersection between Registered and Unregistered Trade Marks' (2007) 35 *Federal Law Review* 375.

indirectly confers protection on trade marks.² Under the tort of passing off, protection is not conferred on the trade mark per se. Instead, the protection is conferred on the reputation associated with the trade mark. This fundamental proposition was the cause of some debate for many years but is now an entrenched and irrefutable proposition. The leading English authority on the point is the House of Lords decision in *Spalding and Brothers v AW Gammage Ltd* ('*Spalding v Gammage*'),³ decided soon after the turn of the 20th century.

The facts of the seminal case exemplify the point. The plaintiff, Spalding, produced various types of balls. Each was described as an 'Orb' with various epithets such as 'Improved Orb' or 'Improved 1910 Orb' or 'Improved Sewn Orb' being ascribed to different types of the Orb ball. As a consequence, Spalding acquired a significant reputation with the public that was associated with 'Orb' balls. The balls described as 'Improved Orb' or 'Improved 1910 Orb' were moulded and regarded as inferior balls to the 'Improved Sewn Orb' which, as the name suggests, was sewn together. Spalding discontinued the manufacturing and sale of the moulded balls in order to make and sell the 'Improved Sewn Orb'. The defendant obtained a supply of the moulded balls but advertised them for public sale with the description of 'Improved Sewn Orb'.

Consumers were misled by the defendant's conduct. Spalding had acquired independent reputations for both of its Orb balls and consumers were generally aware of the two types of balls and the respective qualities and prices of each. The defendant's conduct passed off the moulded balls as the sewn, higher quality balls. The House of Lords held that the nature of the property owned by Spalding was not in the name itself but in the goodwill of the trader.

There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing off actions. The more general opinion appears to be that the right is a right of property which naturally demands an answer to the question – property in what? Some authorities say property in the mark, name, or get up properly used by the defendant. Others say, property and business or goodwill likely to be injured by the misrepresentation. If the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view. In the first place, cases of misrepresentation by the use of a mark, name, or get up do not exhaust all possible cases of misrepresentation. If A says falsely, 'These goods I am selling are B's goods,' there is no mark, name or get up infringed unless it be B's name, and if he falsely says, 'These are B's goods of a particular quality' where the goods are in fact B's goods, there is no name that is infringed at all. Even in the case of what are sometimes referred to as common law trade marks the property, if any, of the so-called owner is in its nature transitory, and only exists so long as the mark is distinctive of his goods in the eyes of the public or a class of the public. Indeed, the necessity of proving this distinctiveness in each case as a step in the proof of the false representation relied on was one of the evils sought to be

² For the purposes of this article, passing off and related statutory causes of action such as those relying on s 52 of the *Trade Practices Act 1974* (Cth) will be treated as identical. See Mark Davison, Kate Johnston and Patricia Kennedy, *Shanahan's Australian Law of Trade Marks and Passing Off* (4th ed, 2008) 823–31.

³ (1915) 84 LJ Ch 449.

remedied by the *Trade Marks Act 1875* (UK), which conferred a real right of property on the owner of a registered mark.⁴

Consequently, the issue is whether the defendant has engaged in misleading conduct that involved wrongly associating it or its product with the plaintiff's reputation. In order to determine that question, the totality of the defendant's conduct must be weighed against the reputation associated with the plaintiff's product.⁵

The full details of the nature and extent of the plaintiff's reputation must be determined in each case, as stated by the House of Lords in *Spalding v Gamage*. As also pointed out by the House of Lords, the evidentiary implications of such a requirement in every case are significant for both parties, particularly the plaintiff which must establish the nature and extent of its reputation. Indeed, the more important the reputation of the plaintiff, the more likely that it will incur greater legal costs in proving that reputation. A large and extensive reputation will usually be the product of many years of business and marketing of that business. The plaintiff will have to provide evidence of how long it has been in business, the geographical extent of its business, its distribution network, the volume of its sales over time, details of its marketing and promotion activities, including details of the forms of media in which it has advertised and the nature of the advertising.

The latter may well be the very basis of the passing off action as the defendant's alleged passing off may be based on the adoption of a similar marketing approach. For example, in the iconic Australian passing off case of *Cadbury Schweppes v The Pub Squash Co Ltd* ('*Pub Squash Case*'),⁶ one of the major features of the case was the plaintiff's claim that it had established a reputation for its soft drink Solo that was associated in the minds of consumers with its advertising theme which, in turn, associated Solo with the kind of lemon squash that country pubs used to make. In making out its case, Cadbury Schweppes provided detailed information about its advertising and its sales that was both commercially sensitive information and time consuming to gather and collate. It gave a breakdown of how much it had spent on television and radio advertising in each state as well as details of its spending on billboards and cinema advertising.⁷ Within each of these categories of advertising, it needed to establish what amount of the advertising related to the pub theme and what amount related to other themes such as that of the Solo man, a macho individual who engaged in rugged outdoor activities before slamming down a can of Solo. Precise details of its sales in 1974 and 1975 were provided with the all of its competitors then knowing that it sold two million seven hundred and eleven thousand dozen cans of Solo in 1974 and the breakdown of those sales by state and territory.⁸

After establishing the extent and nature of the plaintiff's reputation, the full details of the defendant's conduct must also be examined. All manner of facts might influence the final decision. For example, in the *Pub Squash Case*, one of the issues was whether

⁴ *Spalding v Gammage* (1915) 84 LJ Ch 449, 284-5.

⁵ In Australian law, the relevant inquiry is whether the plaintiff has a reputation associated with the trade mark in question rather than a goodwill. The former does not require the plaintiff to have traded in the relevant jurisdiction. See *Conagra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302.

⁶ (1980) 2 NSWLR 851.

⁷ *Ibid* 444.

⁸ *Ibid* 444-6.

the defendant intended to pass off its Pub Squash lemon squash as being associated with Solo. Intention to deceive consumers was relevant to the issue of whether deception had in fact occurred because if such an intention exist, it is a relatively small step to conclude that the defendant had achieved its objective. Consequently, considerable energy was devoted to the discovery of documents relating to the timing of the defendant's decisions about issues such as its packaging and its advertising program, analysis of those documents and cross-examination of the defendant's officers about the processes and discussions that took place in the course of putting its Pub Squash lemon squash on the Australian market.⁹ Again, considerable time and money were invested in this inquiry and it is worth noting that Cadbury Schweppes won this battle and lost the war. Powell J concluded that while the defendant had intended to pass off its products as being associated with Solo, it had not actually done so and the small step from intention to actual outcome had not been taken by the defendant.¹⁰

Other aspects of the defendant's conduct had to be examined in the light of previous practice. For example, one of the claims made by the plaintiff was that the defendant's use of a yellow can for its lemon squash was part of its deceptive conduct as the plaintiff's Solo can was yellow. In turn, this required consideration of the practice in the Australian soft drink industry about the use of yellow cans for lemon flavoured soft drinks.¹¹ All of these issues of minutiae meant that the trial itself went for 26 days with 64 witnesses and 65 exhibits.¹²

In some circumstances, such as the *Pub Squash Case* itself, it is impossible to avoid the forensic technicalities of passing off actions and their statutory equivalents. However, if such actions can be avoided by the use of bright legal lines that clearly delineate the rights of the respective parties,¹³ the transaction costs of expensive litigation and the costs of the uncertainties surrounding such litigation can be avoided or at least dramatically reduced. It is precisely for this reason that the registered trade mark system was created.

Yet the advantage of such a system is seriously eroded if considerations such as the reputation of a registered trade mark are introduced into the determination of questions such as whether the registered trade mark has been infringed.

REGISTERED TRADE MARKS

The relationship between common law trade marks that are protected indirectly via passing off which protects the owner's reputation and registered trade marks is often difficult to determine with precision. Those difficulties are exacerbated by the fact that many trade marks might be protected by both actions for passing off and actions for infringement of the registration of that trade mark.

⁹ *Pub Squash Case* (1980) 2 NSWLR 851, 475–84.

¹⁰ *Ibid* 484.

¹¹ *Ibid* 483.

¹² *Ibid* 435.

¹³ See, eg, Andrew Griffiths, 'A Law and Economics Perspective on Trade Marks' in Lionel Bently, Jennifer Davis and Jane Ginsburg (eds), *Trade Marks and Brands: An Interdisciplinary Critique* (2008), 241, 255. See also the comments of Gummow J (then of the Federal Court) in *Wingate Marketing Pty Ltd v Levis Straus* (1994) 49 FCR 89, [11]–[17].

One distinction between the two causes of action is clear. In contrast to the position in passing off where property exists only in the reputation associated with a business, a registered trade mark is property in itself. In addition, the legislation clearly defines the bundle of rights that constitute that property and what conduct will contravene the registered owner's property rights.¹⁴

Infringement of registered trade marks

The basic starting point for consideration of infringement of registered trade marks is s 120 of the *Trade Marks Act 1995* (Cth). Section 120(1) states that:

A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

There are two key aspects of this subsection. The first is that the defendant must be using a sign as a trade mark. The second is that the sign used by the defendant and the plaintiff's registered trade mark must be substantially identical or deceptively similar. Neither need nor should involve a consideration of the reputation of the owner of the registered trade mark, yet Federal Court decisions have managed to introduce the concept into consideration of infringement proceedings on a regular basis.

Use as a trade mark

The concept of use as a trade mark is fundamental to infringement of registered trade marks. Without use of the trade mark as a trade mark, none of the infringement sections of the legislation apply.

The concept takes its meaning from the definition of a trade mark in s 17 of the Act which states that:

A *trade mark* is a sign used ... to distinguish goods or services ... provided in the course of trade by a person from goods or services ... provided by any other person.

In the context of trade mark infringement, this means that the question is whether the defendant is using its trade mark (the allegedly infringing trade mark, not the registered trade mark) as a means of differentiating its goods from other goods.

The circumstances in which a defendant uses its allegedly infringing sign would be relevant. For example, if the defendant uses a word in a manner which gives it greater prominence than other words on the packaging of the product, this may suggest that the word is being used as a trade mark whereas the use of the same word in a less prominent manner may suggest the opposite. An example of this is the decision in *Re Johnson and Johnson Australia Pty Limited v Sterling Pharmaceuticals Pty Limited*.¹⁵ The applicant in that case had registered the word CAPLETS in respect of its paracetamol product. The shape of the drug in question was that of a capsule but it was in tablet form, without the usual slick coating of a capsule, and so the word CAPLETS had both a distinctive aspect to it and a descriptive aspect. On its packaging, the appellant used the word prominently together with the well known ® symbol to indicate that CAPLETS was the name of its product rather than a word describing the shape of the pharmaceutical in the box. The respondent used the word 'CAPLETS' on its packaging but in a very different manner. The word was 'one-third the height and much thinner

¹⁴ In particular, ss 20, 21, 22 and 120 of the *Trade Marks Act 1995* (Cth).

¹⁵ (1991) 30 FCR 326.

than the word TYLENOL¹⁶ and was used in conjunction with the name of the generic drug, paracetamol, in such a way as to emphasize its descriptive nature. 'At the bottom of the front panel of the packet in small blue print appear the words: "Each caplet contains PARACETAMOL 500 mg." The word "paracetamol" predominates.¹⁷ The respondent was found not to be using CAPLETS as a trade mark.

The concept of using a sign as a trade mark has no relationship whatsoever to the reputation of the owner of the trade mark that has allegedly been infringed. The only consideration is what the defendant has done with its sign.

As the Full Federal Court decision in *Coca-Cola Co v All-Fect Distributors Ltd*¹⁸ ('*Coca-Cola Case*') demonstrates, the appropriate inquiry is to identify what is the sign that the defendant is using so as to distinguish its goods or services from those of other traders.¹⁹ This inquiry is divorced from any consideration of what is the plaintiff's trade mark or a comparison of the defendant's mark and the plaintiff's trade mark. Nor, in this inquiry, is there any consideration of the plaintiff's reputation or any conduct of the defendant that may be perceived as riding on that reputation. The focus is exclusively on identifying what words, graphics, shapes, sounds, scents or combination of them have been used by the defendant and whether they have been used to distinguish its goods or services from other goods or services.

In that case, the defendant²⁰ sold a black, cola flavoured lolly that was folded and then wrapped in paper. When unwrapped and unfolded, the lolly had a shape that physically resembled the shape of the well known Coca-Cola bottle. It also had the word 'Cola' in the middle of the lolly. Coca-Cola had registered since 1934 the two dimensional drawing of its bottle²¹ and it alleged that the cola flavoured lolly infringed its trade mark. The matter was brought under s 120(2) of the legislation but the issue of 'use as a trade mark' is identical to the issue under s 120(1).

At first instance,²² Merkel J found for the defendant on the basis that it had not used the shape of its confectionery as a trade mark. But in doing so, he conflated the issues of use 'as a trade mark', the similarity of the defendant's sign and the plaintiff's registered trade mark and the issue of whether consumers were or would be confused by the defendant's conduct.

The 'use' of a mark is actual use as a trade mark indicating origin, in the sense of a 'badge of origin': see *Johnson v Johnson* at 335 per Lockhart J and the cases there referred to. The 'badge of origin' concept is reflected in s 17 which defines 'trade mark' as a sign used or intended to be used to distinguish goods or services dealt with 'in the course of trade' by a person from goods or services dealt with or provided by any other person. A trade mark is *used* for the purpose of infringement if the mark is presented to actual or

¹⁶ Ibid 332.

¹⁷ Ibid.

¹⁸ (1999) 96 FCR 107.

¹⁹ Ibid 115-6.

²⁰ Most of the decisions considered in this article are Federal Court decisions and, as such, the correct terms are 'applicant' and 'respondent'. For the sake of consistency, the terms 'plaintiff' and 'defendant' are used to refer to the 'applicant' and the 'respondent'.

²¹ Registered Trade Mark No 63697.

²² *Coca-Cola Co v All-Fect Distributing Co trading as Millers Distributing Co* [1998] FCA 1638 (Unreported, Merkel J, 18 December 1998).

potential consumers in a manner which has the likely effect of indicating in their minds a connection between the goods in question and the goods protected by the trade mark.²³

On appeal, the Full Court pointed out that the issue of use as a trade mark was quite separate from the issue of whether consumers would perceive any connection between the defendant's goods and the plaintiff's goods. In expressing its views, it drew upon the seminal High Court decision on the point in *The Shell Co of Australia v Esso Standard Oil (Aust) Ltd ('Shell Oil Case')*.²⁴ Shell had screened television advertisements that used an oil drop depicted as a cartoon character that changed its shape during the course of the advertisement. At one or two points in the advertisement, the oil drop took on a shape similar to Esso's registered trade mark. The similarity between that shape and Esso's registered trade mark was not relevant to the question of trade mark use, that is, whether Shell's cartoon character was being used to indicate a connection between Shell's oil products and Shell.

With that decision firmly in mind, the Full Court had this to say about use as a trade mark:

The authorities provide no support for the view that in determining whether a sign is used as a trade mark one asks whether the sign indicates a connection between the alleged infringer's goods and those of the registered owner. ... the question is whether the sign used indicates origin of goods in the user of the sign; whether there is a connection in the course of trade between the goods and the user of the sign. Thus in *Shell* at 424-425 Kitto J, with whom Dixon CJ, Taylor and Owen JJ agreed, said:

Was the appellant's use, that is to say its television presentation, of those particular pictures of the oil drop figure which were substantially identical with or deceptively similar to the respondent's trade marks a use of them 'as a trade mark'?

With the aid of the definition of 'trade mark' in s 6 of the Act [the *Trade Marks Act 1955* (Cth)], the adverbial expression may be expanded so that the question becomes whether, in the setting in which the particular pictures referred to were presented, they would have appeared to the television viewer as possessing the character of devices, or brands, which the appellant was using or proposing to use in relation to petrol for the purpose of indicating, or so as to indicate, *a connection in the course of trade between the petrol and the appellant*. Did they appear to be thrown on to the screen as being marks for distinguishing Shell petrol from other petrol in the course of trade?

And later his Honour said:

... no viewer would ever pick out any of the individual scenes in which the man resembles the respondent's trade marks, whether those scenes be few or many, and say to himself: 'There I see something that the Shell people are showing me as being a mark by which I may know that *any petrol in relation to which I see it used is theirs*.' (Emphasis in the original.)²⁵

There are two fundamental propositions that flow from the Full Court's re-statement of the position in the *Shell Oil Case* and the application of that position in the *Coca-Cola Case*. The first is that 'use as a trade mark' has absolutely nothing to do with whether consumers have been confused or deceived or are likely to be confused or deceived by the defendant's conduct. For that reason alone, the reputation of the owner of the allegedly infringed registered trade mark is necessarily irrelevant to the inquiry.

²³ Ibid.

²⁴ (1963) 109 CLR 407.

²⁵ *Coca-Cola Case* (1999) 96 FCR 107, 115-6.

The second and related proposition is that even if a consideration of substantial identity or deceptive similarity involves the reputation of the owner of the registered trade mark (and it is argued that they do not), trade mark use is an entirely separate concept from substantial identity or deceptive similarity.

The point is being made here because some recent case law has suggested that determining whether a defendant has used its sign use as a trade mark may be related to the reputation of the owner of the registered trade mark. In *Alcon Inc v Bausch & Lomb (Australia) Pty Ltd ('Alcon Case')*²⁶ the plaintiff objected to the defendant's use of the plaintiff's registered trade mark 'BSS' on its small bottles of ophthalmic irrigation products. The trade mark infringement issue focussed almost exclusively on whether the defendant had used the plaintiff's trade mark 'as a trade mark' because, quite obviously, the sign used by the defendant and the plaintiff's trade mark were identical. The defendant claimed that it was using 'BSS' to describe its products or an aspect of the products. In particular, it claimed that 'BSS' stood for Balanced Salt Solution and, consequently, that it was only seeking to use a shorthand expression on its labelling to indicate that its products were a balanced salt solution.

The case revolved primarily around the issues of whether Bausch & Lomb had used the trade mark as a trade mark and related issues as to whether the trade mark should remain registered, primarily on the grounds that it was not distinctive.

The actual label used by the defendant on its 19 ml bottles read as follows:

AQSIA™
BSS 19 ml
STERILE
CE
1275
BAUSCH
& LOMB
4010000

Whether the defendant was using the letters 'BSS' as a trade mark required a detailed analysis of the context of that use. Set out below are some of the facts relied upon by Foster J in forming the conclusion that the defendant was using 'BSS' as a trade mark:

The following factors are relevant to the present question:

- (a) The letters 'BSS' appear in block white letters in the top section of the label with the royal blue background. The trade mark 'AQSIA™' appears in the same part of that label. The letters used to form 'AQSIA™' are larger than those used to form 'BSS'. This part of the label is intended to be separate from and more prominent than the rest of the label. The impression created by the positioning of 'AQSIA' and 'BSS' is that this part of the label is dealing with branding of the product;
- (b) The word 'sterile' appears immediately underneath the blue backgrounded top part of the label. It is a description, at least to some extent, of the contents of the bottle.

²⁶ [2009] FCA 1299.

- (c) The name 'BAUSCH & LOMB' appears on the bottom half of the label in block blue letters against a white background;
- (d) There is no other indication on the bottle or on the plastic sachet as to the contents of the bottle;
- (e) The sachets are supplied in the cardboard box described at [5] above. That box is a dispenser. Importantly, in a number of places, the words 'balanced salt solution' appear on the box but the letters 'BSS' do not;
- (f) The trade mark 'AQZIA™' and the corporate name 'BAUSCH & LOMB' also appear prominently on the box;
- (g) The Product Information Leaflet in the box does not mention 'BSS' but does refer to 'balanced salt solution'.
- (h) *The letters 'BSS' have brand significance in the relevant trade in Australia. They are known to be the applicant's trade mark. The applicant has a reputation in the product identified by reference to the mark (Alcon BSS).* (Emphasis added.)²⁷

Points (a)-(g) above have a clear and direct connection to the issue of trade mark use. In addition, they involve a relatively limited and simple inquiry. The evidentiary costs of establishing this information are small. They also focus exclusively on the defendant's conduct and whether it constitutes conduct designed to distinguish its ophthalmic irrigation products from other such products by use of the sign 'BSS'.

The last point is vastly more problematical. The introduction of the relevance of the reputation of the plaintiff for 'BSS' immediately introduces the evidentiary complexities that arise in passing off actions, the limitation of which is one of the purposes of the registered system. Further, the comparison of the defendant's conduct in using 'BSS' on its labels together with a reference to the reputation of 'BSS' implies that some analysis of confusion of consumers, actual or likely, is taking place. At this point in the consideration of infringement of the registered trade, such an analysis is inappropriate as explained by the Full Court in the *Coca-Cola Case*.

There are some arguments for considering the trade mark owner's reputation in this case which can be seductive. The defendant's basic argument was that 'BSS' was a generic term within the relevant industry that was shorthand for balanced salt solution. It gave considerable evidence based on various articles in trade journals in an attempt to establish the point but that evidence was ultimately rejected. Instead, the plaintiff both questioned the defendant's evidence of the descriptive use of 'BSS' in Australia and provided evidence of its use of 'BSS' as a trade mark in Australia. Foster J accepted the plaintiff's evidence that BSS was not a descriptive term within the industry in Australia but one which was distinctive of its products.

The difficulty for a judge faced with determining whether use as a trade mark has occurred is that he or she needs to assess the meaning of the sign that has been used by the defendant as part of the process of deciding whether the use was use as a trade mark or some other use such as a descriptive use. In the case of word signs, some decision has to be made as to the meaning of the word. Consequently, the approach of Foster J was to consider the evidence of the trade usage of BSS and decide whether BSS meant balanced salt solution or whether it was considered to be distinctive of the plaintiff's goods.

²⁷ Ibid [155].

As the defendant was arguing that it was using the term descriptively, there is no doubt that the defendant's evidence of the descriptive meaning of the sign had to be considered. The case is somewhat unusual in that the defendant had to justify its claim that the sign was 'descriptive' in nature. Usually, when the sign is descriptive or has a descriptive meaning that may be attributable to it in the context in which it is used, its descriptiveness or, at least, its potential descriptiveness will be obvious. In rare circumstances, such as these, it may be necessary for the defendant to adduce evidence on the point.

Yet the consideration of that evidence of the descriptive nature of the sign at that point in the infringement inquiry did not mean that it was appropriate to consider the evidence of the reputation of the trade mark owner.²⁸ Even if a sign is descriptive according to its primary meaning, it may still be used as a trade mark. If the situation were otherwise, a sign that is devoid of inherent distinctiveness within the meaning of s 41(3) of the *Trade Marks Act 1995* (Cth) could never acquire distinctiveness via use and registration as a trade mark. In fact that is not the case as s 41(5) and (6) permit registration of signs that either have a small degree of inherent distinctiveness or none at all. It is only by the use of such a descriptive sign as a trade mark (as opposed to other non-trade mark use) that it can become distinctive for the purposes of s 41 and registration.

Similarly, an inherently distinctive trade mark may be used in a manner which is not use as a trade mark as well as being used as a trade mark. Again, if it were otherwise, the test of infringement under the previous legislation would not have needed the implied requirement of use as a trade mark that was imposed by the High Court in the *Shell Oil Case*.²⁹

Hence, any sign is potentially distinctive and may potentially be used as a trade mark. It is true that descriptive signs are more likely to be used descriptively and inherently distinctive signs are more likely to be used as trade marks than in a descriptive manner.³⁰ For that reason, evidence as to whether the letters BSS were capable of being descriptive in nature, that is whether the letters BSS had any meaning, was relevant to the question of use of a trade mark. However, evidence of the reputation of the plaintiff's trade mark was not relevant because the issue was whether BSS was being used by the defendant as a trade mark, not whether there had been extensive use by the plaintiff of BSS as a trade mark. There is no need for an inquiry into whether the plaintiff's registered trade mark is distinctive, that is, whether it is capable of distinguishing its goods or services from other goods or services. By definition, the plaintiff's registered trade mark is distinctive and capable of being used as a trade mark. If it were not, it would not be entitled to registration or to continuing

²⁸ Another example of the point may be the decision in *Pepsico Australia Pty Ltd (trading as Frito-Lay Australia) v The Kettle Chip Co Pty Ltd* (1996) 135 ALR 192 where evidence was led that the term 'kettle' in respect of potato crisps referred to a particular style of cooking of crisps resulting in a particular texture and flavour. Evidence as to the descriptive use of 'kettle' was relevant to determining whether the defendant was using 'kettle' as a trade mark or in its descriptive meaning.

²⁹ Under the *Trade Marks Act 1955* (Cth) which was the relevant legislation for the *Shell Oil Case*, a trade mark could not be registered unless it had at least some inherent distinctiveness.

³⁰ *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (1999) 91 FCR 167, 182-3.

registration.³¹ If a lack of distinctiveness is the allegation then that is a separate inquiry to be made when considering any claim for rectification of the register. It is not relevant to the inquiry into 'use as a trade mark' by the defendant which should focus exclusively on the defendant's conduct and not engage in any comparison between the defendant's conduct and the plaintiff's reputation.

While such a result may seem counter-intuitive, the contrary view generates even greater difficulties. The compartmentalisation of the different elements of infringement (and, if relevant, the validity of the registration) is critical to the integrity of the registration system. To do otherwise invites a descent into a generalised consideration of whether consumers were confused or likely to be confused by the defendant's conduct, assessed in its entirety, having regard to the trade mark owner's reputation. Once that point is reached, the value of registering a trade mark is significantly diminished as too are the general advantages associated with the system of registration.³²

In addition, if the reputation of the registered trade mark is to be considered in the question of use, the defendant's reputation for any signs it uses in conjunction with its allegedly infringing signs should also be considered. For example, in the *Alcon Case*, if the trade mark 'AQSIA' had a strong reputation, its presence on the label next to or above 'BSS' would be even more relevant to whether the former was the sole trade mark being used by the defendant and may support the proposition that 'BSS' was being used descriptively. Such evidence of the defendant's reputation for a trade mark used by it in conjunction with the allegedly infringing sign should also be ignored in the context of trade mark infringement.

The Philips Case

An example of how the Full Federal Court correctly addressed the issue of reputation in the context of trade mark infringement is the decision in *Koninklijke Philips Electronics NV v Remington Products Australia Pty Limited* ('*Philips Case*').³³ Philips claimed that its two-dimensional trade mark, a drawing of its triple-headed rotary razor, was infringed by Remington's sale of triple-headed rotary razors.³⁴

Philips' claim of trade mark infringement was denied on the basis that Remington had not used its (Remington's) triple headed rotary razors as a trade mark. It used them to shave faces, not to distinguish its goods from other goods. The conclusion that Remington had not used the shape as a trade mark, both at first instance and on appeal, did refer to the fact that the word 'Remington' was displayed prominently on the shavers in question. However, both assiduously avoided pointing out the fact that Remington was a well known trade mark with a large reputation for electrical goods and no suggestion was made that the defendant's reputation for its trade mark

³¹ *Trade Marks Act 1995* (Cth) ss 41, 88.

³² See generally Burrell and Handler, above n 1.

³³ (2000) 100 FCR 90.

³⁴ There were other allegations that part of Remington's packaging also infringed the trade mark but these are not relevant for present purposes.

Remington reduced the likelihood that consumers would regard the shape as being used as a trade mark.³⁵

Yet on the issue of passing off and s 52 of the *Trade Practices Act*, the reputation of Remington was relevant to the more general question of whether Remington's conduct was likely to mislead or deceive.³⁶ Both at first instance and on appeal, reference was made to the reputation of 'Remington' as being relevant to dispelling any suggestion that the use of the shape of the triple-headed rotary razor misled or deceived consumers. In the consideration of passing off, it was not just the prominence of the word 'Remington' on the packaging but also the extent of its pre-existing reputation that were relevant to the manner in which consumers would make their decision as to which razor they might buy. The word 'Remington', especially given its reputation, acted as a disclaimer which said to consumers: 'This triple headed rotary razor is supplied by the well known company of which you are already aware rather than any other company'.

Again, the initial view may be that it is counter-intuitive to ignore Remington's reputation when considering 'use as a trade mark' for infringement purposes but to consider it when determining whether passing off has occurred. Yet, again, a contrary view would lead to a situation where the plaintiff's statutory property rights could be trumped by alleging that no deception of consumers had occurred.

If the view had been formed that Remington had used the triple-headed rotary shape as a trade mark, the reputation of Remington may have overcome or countered any deception arising from such use. For that reason, a finding of passing off would not have been available but the lack of deception of consumers is not a defence to trade mark infringement, at least for the purposes of s 120(1). The registered owner has an absolute right to prevent the use of signs as trade marks in relation to goods or services for which it has registration if those signs are substantially identical or deceptively similar to its registered trade mark. It does not have to prove deception of consumers and, equally, even if the defendant disproves deception, it does not avoid infringement.

Even for the purposes of s 120(2), a lack of actual deception of consumers in the particular context of the defendant's conduct is only of limited use to the defendant. Section 120(2) reads as follows:

A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to:

- (a) goods of the same description as that of goods (*registered goods*) in respect of which the trade mark is registered; or

...

However, the person is not taken to have infringed the trade mark if the person establishes that using the sign as the person did is not likely to deceive or cause confusion.

The defence contained within s 120(2) is not satisfied simply by demonstrating that in the particular circumstances of use by the defendant there was not likelihood of

³⁵ See, eg, the first instance decision, *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (1999) 91 FCR 167, 178-9.

³⁶ See, eg, *ibid* 204 [111] and 206 [117], and the appeal decision *Koninklijke Philips Electronics NV v Remington Products Australia Pty Limited* (2000) 100 FCR 90, 116.

deception or confusion. The defendant must prove that its use 'is' not likely to deceive or cause confusion. It is not enough to prove that the particular use 'was' not likely to deceive or cause confusion. This wording is the consequence of the nature of the rights conferred by registration. The registered owner is entitled to protection on the basis of the scope of its permitted use of its registration, not the actual reputation flowing from that use. Consequently, the defendant must prove that its use would not be likely to cause deception or confusion under any circumstances where that use is compared to the plaintiff's potential use of its registration.³⁷

In other words, the effect of both s 120(1) and s 120(2) is that it is entirely possible to have a situation where passing off has not occurred but trade mark infringement has occurred. It is also possible to have the reverse situation where passing off has occurred but no registered trade mark has been infringed. Such possibilities point away from the relevance of the reputation of either party in determining trade mark infringement issues.

Substantial identity and deceptive similarity

Once it has been established that the defendant has used its sign as a trade mark, the next issue to determine is whether that sign is substantially identical with or deceptively similar to the plaintiff's trade mark. Substantial identity requires a side-by-side comparison of the sign and the trade mark.³⁸ There is no suggestion in the case law that the comparison will in any way take into account the reputation of the trade mark or the trade mark owner. The purely physical comparison provides no opportunity for a consideration of such matters.

When it comes to the issue of deceptive similarity, the courts have, from time to time, asserted that the reputation of the registered trade mark owner may be relevant to determining whether the defendant's sign is deceptively similar to that trade mark. If that approach is correct, precisely the same difficulties are introduced into trade mark infringement proceedings as those that would be introduced if the issue were introduced into the consideration of trade mark use. Those cases will be analysed below. However, before beginning that analysis, some general discussion of the concept of deceptive similarity in the context of s 120 is necessary.

The legislation defines deceptive similarity as follows:

A trade mark is taken to be deceptively similar to another trade mark if it so nearly resembles that other trade mark that it is likely to deceive or cause confusion.³⁹

Some case law suggests that resemblance between trade marks may be affected by the reputation of one or other of the trade marks. Yet the statutory definition makes no reference to the likelihood of deception or confusion arising as a consequence of that reputation. It refers exclusively to a comparison between two trade marks and the likelihood of deception or confusion as a consequence of their resemblance.

Imperfect recollection

The most commonly cited test of deceptive similarity that is applied by the courts in determining deceptive similarity is known as the imperfect recollection test. Whereas

³⁷ See, eg, *E & J Gallo Winery v Lion Nathan Australia Pty Limited* (2009) 175 FCR 386, 409 [78].

³⁸ *Shell Co (Aust) Ltd v Esso Standard Oil (Aust) Ltd* (1961) 109 CLR 407, 414-5.

³⁹ Section 10 of the *Trade Marks Act 1995* (Cth).

in considering substantial identity, the two trade marks are placed side by side and physically compared, imperfect recollection involves a hypothetical test. In the hypothetical test, the court considers the impact on consumers of exposure to the two trade marks at different times. The question then becomes whether consumers who are exposed to one of the trade marks at one time and the other on a later occasion would, as a result of imperfect recollection, be likely to be deceived into thinking that the two trade marks were the same. This is particularly the case where the idea of the two trade marks is similar and the two trade marks look and/or sound alike in some respects, even though those visual and/or aural similarities are not sufficient to establish substantial identity.⁴⁰

The issue is explained by this quote from Latham CJ in *Jafferjee v Scarlett*:⁴¹

It is important to consider what has been described as the 'idea of the mark,' that is, the idea which the mark will naturally suggest to the mind of one who sees it. Lord Herschell's committee (quoted in *Kerly on Trade Marks*, 6th ed. (1927), at p. 270) put the point very clearly in the following passage: — 'Two marks, when placed side by side, may exhibit many and various differences, yet the main idea left on the mind by both may be the same; so that a person acquainted with the mark first registered, and not having the two side by side for comparison, might well be deceived, if the goods were allowed to be impressed with the second mark, into a belief that he was dealing with goods which bore the same mark as that with which he was acquainted. Take, for example, a mark representing a game of football; another mark may show players in a different dress, and in very different positions, and yet the idea conveyed by each might be simply a game of football. It would be too much to expect that persons dealing with trade-marked goods, and relying, as they frequently do, upon marks, should be able to remember the exact details of the marks upon the goods with which they are in the habit of dealing.'⁴²

Again, in keeping with the theme of this article, the similarities in ideas of the two trade marks can be assessed without evidence on the point about the reputation of either of the two trade marks in question. Yet the matter can become somewhat complicated by the reference to the idea or ideas of the two trade marks. Once reference is made to the meaning of the two trade marks as opposed to simply the visual and aural similarities between them, the temptation exists to argue that the reputation of either of the trade marks is relevant in considering what is the 'idea' of that trade mark.

The Woolworths Case

One of the first cases to introduce the reputation of a trade mark into the consideration of deceptive similarity was the decision in *Registrar of Trade Marks v Woolworths Ltd*⁴³ ('*Woolworths Case*'). The particular context of the consideration was not an infringement action but an application by Woolworths for registration of a trade mark that was alleged by the Registrar to be deceptively similar to a pre-existing registration. The Registrar declined registration under s 44 on the grounds that Woolworths trade mark was deceptively similar to a pre-existing trade mark that was registered in respect of goods closely related to the services for which Woolworths was seeking registration. Woolworths' trade mark consisted of the words 'Woolworths Metro' together with a

⁴⁰ See, eg, *Cooper Engineering Co Pty Ltd v Sigmund Pumps Ltd* (1952) 86 CLR 536, 539.

⁴¹ (1937) 57 CLR 115.

⁴² *Ibid* 121–2.

⁴³ (1999) 93 FCR 365.

device mark consisting of some wavy lines. The pre-existing mark was the word 'Metro'. The basic contention of Woolworths was that its well known brand name so differentiated its trade mark from Metro that the two trade marks were not deceptively similar.

At first instance,⁴⁴ Wilcox J took the view that when comparing the totality of the Woolworths trade mark with the totality of the Metro trade mark, the presence of the word 'Woolworths' in front of 'Metro' was so significant as to be the element of the mark most likely to be remembered. It would therefore dispel any deceptive similarity between the marks and the problem created by having the word 'Metro' in both marks:

One must come back to the critical question posed by s 44(2) of the Act: whether **Woolworths** mark, considered as a whole, is deceptively similar to a mark consisting merely of the word 'metro' (or 'metro 22') printed in block letters or cursive writing in a rectangular box. **Woolworths** mark is similar, to the extent it includes the word 'metro'. But it also includes the word '**Woolworths**' and a pattern of wavy lines. I place little weight on the latter feature; it is something a purchaser might fail to notice or recall. However, it is impossible to brush aside the word '**Woolworths**'. The word appears in smaller script than 'metro', but it is printed in solid bold capitals. It constitutes a strong visual element of the mark, to my eye an element at least as strong as the word 'metro'. Moreover, it is a word inherently likely to be noted and remembered. *The word is familiar to all Australians, as the name of an Australia-wide chain of stores that has existed for generations* [emphasis added]. Although I take Ms Baird's point about imperfect recollection, I cannot accept that viewers of the mark would overlook or forget that it refers to '**Woolworths** metro', not merely 'metro'. The word that is unique to this mark, as against each of the cited marks, constitutes a major feature of it. Applying the *Australian Woollen Mills* test, the impression or recollection of the subject mark a viewer would carry away and retain is quite different from that which he or she would retain in respect of any of the cited marks. To put the matter in terms of s 10 of the current Act, **Woolworths'** mark does not so nearly resemble any of the cited marks as to be likely to deceive or cause confusion.

Similar comments may be made about the fourteenth cited mark, for distribution services. There is likely to be some similarity between the services in respect of which registration of that mark is sought and the services offered by **Woolworths**. As the name would not be displayed on goods, the aural impression may here be more important than the manner of visual presentation. But it is only possible to say the oral use of the term '**Woolworths** metro' is deceptively similar to 'metro' if one ignores or discounts the word '**Woolworths**'. In comparing the marks, it is not legitimate to ignore a major element in one of them; and, for the reasons I have given, I do not think that word should be discounted. On the contrary, having regard to its aural prominence *and familiarity to Australians* [emphasis added], it is the element of the mark most likely to be noticed and remembered.⁴⁵

There are a couple of points about Wilcox J's judgment worthy of note before considering the Full Court decision which, by a majority, affirmed his decision. The first is that it appears that there was no evidence actually given to the Registrar of the reputation of Woolworths. It appeared that the nature and extent of Woolworths' reputation was accepted as a matter of judicial notice. If the relevance of a trade mark's reputation is restricted to circumstances where judicial notice can be and is taken of that reputation, the evidentiary implications of considering reputation are considerably

⁴⁴ *Woolworths Ltd v Registrar of Trade Marks* [1998] FCA 1268.

⁴⁵ *Ibid* 14.

reduced. By definition, in such circumstances, no evidence is led or expected to be led on the point. However, some difficulties still remain with such an approach and maintaining the integrity of the registration system. Those difficulties are addressed later in this article.

The second point is that the same result may have been arrived at without any reference to Woolworths' reputation. The lengthy quote above demonstrates the extent to which Wilcox J focussed on the visual and aural differences between the Woolworth's trade mark as negating a finding of deceptive similarity. The reputation of the brand Woolworths was a relatively minor part of the findings. It may have been better if the case had simply been decided as it was without reference to that reputation.

The appeal decision in the *Woolworths case*

On appeal, a majority of the Full Court affirmed the decision of Wilcox J with Branson J writing a dissenting judgment. In a wide ranging judgment dealing with a number of conceptual issues relating to s 44, French J, as he then was, said this about Wilcox J's reliance on the familiarity of Australians with the Woolworths brand:

His Honour's reference to the familiarity of the name of Woolworths in Australia was appropriate. Where an element of a trade mark has a degree of notoriety or familiarity of which judicial notice can be taken, as is the present case, it would be artificial to separate out the physical features of the mark from the viewer's perception of them. For in the end the question of resemblance is about how the mark is perceived. In the instant case, the visual impact of the name 'Woolworths' cannot be assessed without a recognition of its notorious familiarity to consumers.⁴⁶

Tamberlin J, who agreed with the reasons of French J, added:

An important distinguishing feature of the mark is to be found in the impact on the perception of a viewer of the widely-known name 'Woolworths' as part of it. The name is widely understood in the Australian community to refer to a well-known chain of retail stores, such that it would play an important part in the perception of a viewer.⁴⁷

Again, the importance of the reputation of Woolworths to the issue of deceptive similarity was a relatively small part of the majority judgments, particularly that of French J.

Branson J dissented and rejected the relevance of the notoriety of Woolworths:

The question, for example, of whether or not a particular word is familiar to all Australians is irrelevant to the question of whether two marks resemble one another. The question of resemblance is to be answered by judging the appearance and the sound of the respective marks. Having regard to the fact that quite the largest part of the respondent's trade mark consists of the word 'metro', it would almost seem irresistible that any confusion likely to result from its use would be a confusion arising out of its resemblance to trade marks consisting of the word 'metro', or consisting principally of the word 'metro'...

⁴⁶ *Registrar of Trade Marks v Woolworths* (1999) 93 FCR 365, 386 [61].

⁴⁷ *Ibid* 395 [104].

[I]t was not, in my view, open to his honour to place weight on his appreciation of the familiarity of all Australians with the word 'Woolworths'.

... I accept the submission of the Registrar that, if it is appropriate to have regard to the wide recognition accorded to the word 'Woolworths' in Australia, that recognition is a factor tending to increase, rather than diminish, the risk of confusion.⁴⁸

One of the major differences between the majority judgments and the dissenting judgment revolves around the different interpretation of 'resembles'. The majority judges were of the view that 'resemblance' required an understanding of the idea or information conveyed by Woolworths. The dissenting judgment did not accept that proposition and wished to focus on the visual and aural similarities between the marks only. The former approach has some appeal in light of the preceding and accepted tests of deceptive similarity. In particular, if imperfect recollection is an important test of deceptive similarity and that, in turn, depends, in part, on the idea or meaning of the trade marks, then there is some reason to consider the meaning or the idea of either of the trade marks being compared. Yet, there are still considerable potential difficulties with such an approach. This point is discussed in more detail later under the heading 'The nature of the reputation'.

Another major difference between the majority and dissenting judgments is that in her dissent Branson J made the point that if the reputation of Woolworths is to be taken into account, it is just as likely to increase the prospects of confusion as it is to diminish those prospects. Placing the well known brand in front of 'Metro' may well make our hypothetical consumers with their imperfect recollection think that the well-known grocery and department store now owned the Metro mark that they had previously seen.

In the context of the Woolworths decision, it was the relevance of the reputation of the 'defendant's' trade mark that was considered by the court. The majority effectively decided that the statutory rights of the pre-existing mark, 'Metro', were to be confined because Woolworths had a reputation for its trade mark.

There are problems with such an approach. In particular, the limitation of the rights flowing from registration due to another's reputation undermines the value of registration vis-à-vis common law rights derived from use. As pointed out in other writings, such an approach is inefficient and leads to less transparency.⁴⁹

There is also a lack of logic behind the approach which can be demonstrated by considering a different fact scenario involving the same trade marks. The scenario is this. Imagine that the priority of the trade marks had been reversed and the question was whether 'Metro' should be registered in spite of a pre-existing registration of 'Woolworths Metro'. Woolworths Metro would rely on s 44 of the Act to oppose the registration of Metro. Taking the approach of the majority in the *Woolworths Case*, the decision would have had to be that 'Metro' was not deceptively similar to 'Woolworths Metro'. One of the reasons would be that Woolworths was so well known that consumers would not be deceived by seeing Metro alone. The absence of the well known Woolworths sign from Metro would clearly differentiate the two trade marks in the minds of our consumers with imperfect recollections and abundant familiarity with that national icon Woolworths. In other words, Woolworths would be better off not

⁴⁸ Ibid 394 [98]-[100].

⁴⁹ Burrell and Handler, above n 1.

having such an extensive reputation as the existence of that reputation allows a competitor to register a trade mark that is closer to it.

Having failed under s 44, Woolworths might also seek to oppose registration under s 60 of the Act. Section 60 provides that:

The registration of a trade mark in respect of particular goods or services may be opposed on the ground that:

- (a) another trade mark had, before the priority date for the registration of the first-mentioned trade mark in respect of those goods or services, acquired a reputation in Australia; and
- (b) because of the reputation of that other trade mark, the use of the first-mentioned trade mark would be likely to deceive or cause confusion.

In this example, the relevant reputation would be that of 'Woolworths'. On the reasoning of the majority in the Full Court and the first instance judge, that reputation would reduce the likelihood that 'Metro' would be confused with 'Woolworths Metro'. The effect would be that the rights of Woolworths pursuant to its registration would be reduced as a consequence of the reputation of its trade mark. If it did not have such an extensive reputation, the position would be different.

The Malteser Case

A case analogous to the scenario posited above has come to just that conclusion. In *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd (Malteser Case)*,⁵⁰ the extensive reputation of the plaintiff's trade mark was held to be a reason for not finding that an allegedly infringing sign was deceptively similar. The owner of the registered trade mark 'Maltesers' objected to the defendant's use of 'Malt Balls'. There are many reasons why 'Malt Balls' is not deceptively similar to 'Maltesers'. Prominent among those is that they do not sound or look significantly alike. In addition, while both have 'malt' in them, one has 'balls' and the other does not, even though a Malteser is in the shape of a round ball. The idea of the two trade marks, as opposed to the goods in relation to which they are used, are quite different. To the extent that the ideas are similar by referring to 'malt', those ideas are descriptive of the goods in question as both had a malt flavour. Consequently, the commonality of ideas was not particularly relevant to the issue of deceptive similarity as the ideas were merely descriptive of the goods.

Perram J decided that there was another reason why the plaintiff's trade mark and the defendant's sign were not deceptively similar. It was stated as follows:

The Maltesers marks are very famous. Consumers generally must be taken to be familiar with them. That is relevant to assessing a consumer's imperfect recollection of the mark. So viewed, a comparison between the impression held in the consumer's mind and the direct impression of Sweet Rewards' mark is one which, in this case at least, occurs in a context in which the chances of the average consumer having forgotten the Maltesers mark are vanishingly small. ... [C]onsumers are so familiar with Maltesers that they could not possibly be confused by the Malt Balls packaging — more formally, there is no likelihood of imperfect recollection by them of the Maltesers mark leading to confusion ...⁵¹

So the better known a trade mark is, the more precise will be the recollection of it by consumers. Therefore, any other sign used by any other party that has any differences

⁵⁰ [2009] FCA 606 (Unreported, Perram J, 5 June 2009).

⁵¹ *Ibid* [97]–[98].

between it and that trade mark will be less likely to be deceptively similar to the well known trade mark than if the trade mark were not so well known. In such circumstances, a defendant may well be advised to adduce evidence designed to demonstrate that the plaintiff's trade mark is extremely well known. The plaintiff, on the other hand, may be better off downplaying the success of its trade mark and its marketing strategy. Alternatively, prior to litigation, but with restricting the operation of one's competitors in mind, the trade mark owner may be better off either registering a number of different but similar trade marks or creating a smaller reputation for a number of different but similar trade marks. The objective would be to generate further imperfections in the recollection of consumers than if the trade mark were very well known. And such an objective would be the very antithesis of what trade mark protection is intended to do. Elimination or at least minimisation of confusion in the minds of consumers is the means by which trade marks reduce search costs and, by so doing, they justify the private rights conferred on trade mark owners by the state which uses its resources to protect those rights.⁵²

The Coca-Cola Case

Yet despite these cases that suggest that the reputation of the registered trade mark owner may reduce the rights acquired by registration, there are cases in which the reputation of the plaintiff's trade mark either did or could have increased the possibility of a finding that a defendant's sign was deceptively similar. In other words, there are cases that contend that the reputation of the trade mark owner increases its chances of proving infringement and therefore increases the rights flowing from registration.

The best known of these is the Coca-Cola decision discussed above in the context of use as a trade mark. In that case, after deciding that the defendant had used its bottle shaped confectionery as a trade mark, the Full Court also decided that the lolly was deceptively similar to Coca-Cola's registered trade mark of a two dimensional drawing of its well known bottle shape.

The Full Court had this to say on the issue of deceptive similarity:

Taking into account the 'imperfect recollection' that customers may have of the contour bottle mark, and the fact that the 'idea' suggested by the mark is more likely to be recalled than its precise details, the factors that have led us to conclude that the features of the confectionary are likely to cause confusion in consumers, that is to say, caused them to wonder whether it might be the case that the confectionary comes from the same source as Coca-Cola, [include]:

- the contour bottle is extremely well-known ...⁵³

The Full Court then went on to identify the physical similarities between the trade mark and the confectionary. It also added a couple of other facts that seemed to relate

⁵² See, eg, William Landes and Richard Posner, *The Economic Structure of Intellectual Property Law* (2003) ch 7; Griffiths, above n 14, 246. 'Trademark law ... aims to promote rigorous, truthful competition in the marketplace by preserving the clarity of the language of trade': Stacey Dogan and Mark Lemley, 'A Search-Costs Theory of Limiting Doctrines in Trademark Law' in Graeme Dinwoodie and Mark Janis (eds), *Trademark Law and Theory: A Handbook of Contemporary Research* (2008) 65, 69.

⁵³ *Coca-Cola Case* (1999) 96 FCR 107, 123.

to Coca-Cola's reputation for its product rather than the physical characteristics of its registered trade mark. In particular, it noted:

- the word 'Cola' on the confectionary, though not itself a mark, reinforces the link between the confectionary and Coca-Cola that is conveyed by the shape of the confectionary.
- when fresh, the lower half of the confectionary is the same colour as Coca Cola, again reinforcing the link referred to.⁵⁴

There are a few points to be made about the Full Court's comments. First, the reputation of Coca-Cola contributed to a finding of deceptive similarity, the exact opposite conclusion reached in the *Woolworths Case* and the *Malteser Case* where the trade mark owner's reputation contributed to a finding that there was no deceptive similarity. There is no indication in any of these cases of when the existence of a reputation will enhance a registered trade mark owner's position and when it will diminish that position.

So how does a registered owner know when it is in its interests to point out that its trade mark is well known and in its interest to argue that it is not so well known? The answer appears to be that it cannot know and, if that is the case, there is something seriously wrong with the state of the law.

Second, the references to the defendant's use of the word Cola and the colour of its confectionary are clear references to parts of Coca-Cola's reputation as a vendor of a well known cola flavoured soft drink that is black in colour. However, neither the word Cola, nor the colour black, form a component of the registered trade mark in question which was the two dimensional shape of the Coke bottle without any reference to any words or any colour.⁵⁵ The reference to these two aspects of the defendant's reputation may be very relevant to a passing off action. They have no relevance whatsoever to infringement of the registered trade mark in issue and, in particular, the issue of deceptive similarity. The problem here is that not only did the Full Court take into account the trade mark owner's reputation, it took into account aspects of that reputation unrelated to the registered trade mark.

The *Henschke Case* – the limitations of the *Woolworths* and *Coca-Cola* cases

Since the Coca-Cola decision, the Full Court has provided some further commentary on this issue of the relevance of a trade mark owner's reputation in the context of infringement. It attempted to clarify the scope of the Woolworth's decision in *C A Henschke & Co v Rosemount Estates Pty Ltd* ('*Henschke Case*').⁵⁶ In that case, Henschke claimed that its trade mark 'Hill of Grace' for wine was infringed by Rosemount's Hill of Gold. It claimed that the reputation of Hill of Grace was relevant to the issue of deceptive similarity. The Full Court held that while there was considerable evidence of the reputation of Hill of Grace for wine it was of no assistance in the trade mark infringement case.⁵⁷

⁵⁴ Ibid.

⁵⁵ See Registered Trade Mark No 63697 which is a contour drawing of a bottle without any mention of or reference to colour or words.

⁵⁶ [2000] FCA 1539 (Unreported, Ryan, Branson and Lehane JJ, 31 October 2000).

⁵⁷ Ibid [53].

In commenting on the point, the Full Court said this about the aspect of the decision in Woolworths relating to the reputation of Woolworths:

in assessing the nature of a consumer's imperfect recollection of a mark, the fact that the mark, or perhaps an important element of it, is notoriously so ubiquitous and of such long-standing that consumers generally must be taken to be familiar with it and with its use in relation to particular goods or services is a relevant consideration. It is unnecessary to consider whether the cases are authority for precisely that proposition. All that is necessary for present purposes is to hold, as we would, that they are authority for no wider proposition in relation to the relevance, on a question of deceptive similarity in proceedings where it is alleged under s 120(1) that a registered mark has been infringed, of evidence as to the reputation attaching to the mark. A wider proposition would not, in our view, be consistent with the earlier, and binding, authority to which we have referred. It is unnecessary, in order to decide this case, to go further.⁵⁸

The Full Court went on to state that while Hill of Grace had a significant reputation, it was not a notorious or ubiquitous mark like Woolworths or the Coca-Cola bottle shape.⁵⁹ Perhaps more importantly, the Full Court made it clear what is the widest possible interpretation of the Woolworths and Coca-Cola decisions and it left the door ajar to a narrowing of the proposition.

Notorious and ubiquitous

In any event, the Woolworths and Coca-Cola decisions are, at best, authority for the proposition that some trade marks are so well known that judicial notice may be taken of them. In turn, this requires some resort to the notion of judicial notice and its relevance in the context of considering the reputation of a trade mark.

Some insight into judicial notice is provided by Cross on Evidence which, among other things makes the following comments: 'The proposition that judicial notice may be taken of a notorious fact after inquiry is self-contradictory: the fact cannot be notorious if inquiry is necessary.'⁶⁰

Very few trade marks will fall into the category of being notorious and ubiquitous. For example, 'BSS' for ophthalmic irrigation products falls very far short of being notorious and ubiquitous. One may also have cause to pause before concluding that 'Maltesers' fits into the necessary category. In any event, one cannot claim judicial notice of a trade mark's reputation and simultaneously seek to adduce evidence that the trade mark is notorious and ubiquitous. In this regard, the narrow interpretation applied by the Full Court in the *Henschke Case* is consistent with the objectives of the registered trade mark system which is to restrict, if not eliminate, the need for evidence of reputation in order to protect registered trade marks.

The nature of the reputation

Even if a trade mark is notorious and ubiquitous, there are important issues to consider about the precise nature of that notoriety and ubiquity that impact on trade mark infringement issues. 'Judicial knowledge is the knowledge of the ordinary wide-awake man [sic], used by one who is trained to express it in terms of precision.'⁶¹

⁵⁸ Ibid [52].

⁵⁹ Ibid [53].

⁶⁰ John Dyson Heydon, *Cross on Evidence* (8th ed, 2010) [3025].

⁶¹ *Brisbane City Council v Attorney-General for Queensland* [1979] AC 411, 423.

It is the precision of expression of the nature of the allegedly notorious reputation that needs to be interrogated by a court that is going to go down the path of considering the reputation of a trade mark owner in determining deceptive similarity. The difficulty with relying on a trade mark owner's reputation when it is notorious and ubiquitous lies in defining what aspects of that reputation are notorious and ubiquitous and whether those aspects of the reputation actually form part of the assessment of whether the defendant's sign is deceptively similar to the plaintiff's trade mark that has the reputation in question.

In the end, the contribution that the reputation can make, if anything, is to the issue of imperfect recollection which, in turn, is influenced by the similarity in the ideas of the defendant's sign and the plaintiff's trade mark. If the reputation of the trade mark is to be relevant, it must make a contribution to the idea of the trade mark. It is not relevant that the reputation may add to the likelihood that the *use* of the defendant's sign might be likely to deceive or cause confusion. Deceptive similarity involves a comparison of the sign and the trade mark, not the uses of either.

An example of the difficulty might be provided by the facts in the Coca-Cola decision. A significant part of Coca-Cola's reputation is the manner in which it uses the three-dimensional bottle version of the shape, namely to contain a black, cola flavoured soft drink called Coca-Cola. Consequently, the application of a similar but not identical shape to a cola flavoured, black confectionary with the word Cola added to the confectionary increases a likelihood that the defendant's conduct is likely to deceive or cause confusion as a consequence of the reputation. But that is an analysis of the plaintiff's use of its trade mark and the defendant's use of its sign, not the analysis required for trade mark infringement.

A narrower part of the reputation is the actual shape itself without regard to the context in which it has been used and the circumstances in which it has become known, that is, without regard to its use in containing a black coloured soft drink of a cola flavour. It is this shape which is the registered trade mark. The 'idea' of the trade mark is only that shape. Little is added by referring to the reputation of the shape itself other than to note that the precise details of the bottle are, perhaps, likely to be etched into the minds of consumers. Even then, there may be some question as to precisely what physical features are recalled by the ordinary consumer. Does everyone recall the fluting on the Coke bottle or, like some such as the writer, is it only the general outline or silhouette that is recalled?

In the end, while it might be the case that the statement of the Full Court in the *Henschke Case* and the *Woolworths Case* is technically correct, the actual application of the statement is both difficult to perform and, if done correctly, highly unlikely to add significantly to the analysis undertaken when comparing the ideas of the competing trade mark and sign. If anything, the application of the statement is likely to lead to errors such as consideration of the wrong aspects of the trade mark owner's reputation and muddying the distinction between deceptive similarity of a trade mark and a sign on the one hand and the likelihood that the defendant's use of its sign is likely to deceive or cause confusion.

CONCLUSION

The above analysis leads to several conclusions.

First, the reputation of a registered owner is never relevant to the question of use of a sign as a trade mark by a defendant. The decisions to the contrary are simply wrong.

Second, the only circumstance in which the reputation of the registered owner may be relevant to the issue of deceptive similarity is where judicial notice of that reputation is, and can be taken. Consequently, evidence on the point is neither required nor even permissible for this purpose. The circumstances in which such judicial notice will be taken will be very limited.

Third, extreme care must be taken to identify which aspect of the trade mark owner's judicially noticed reputation will be taken into account. In particular, the relevant reputation must be the reputation of the registered trade mark, not other aspects of the trade mark owner's reputation. Otherwise, the inquiry becomes a general one relevant to passing off actions but not relevant to trade mark infringement proceedings.

Fourth, the extremely limited circumstances in which reputation may be relevant and the tendency to incorrectly rely on aspects of reputation not based on components of the registered trade mark, coupled with the far greater importance of other aspects of the comparison of the allegedly infringing sign and registered trade mark, suggests that the starting point of courts should be to ignore reputation altogether in considering trade mark infringement issues. At best, reference to reputation should be an extremely rare event.

Fifth, all of the above conclusions are not only consistent with, but required by, both the wording of the trade marks legislation and the underlying policy objectives. The act of registration alone should define the rights of a registered owner. By doing so, there is both an incentive to register and a corresponding incentive to contribute to a system which is more transparent than the protection of common law trade marks. The introduction of considerations of reputation into determining trade mark infringement unnecessarily complicates litigation and understanding of the positions of trade mark owners.