

THE LICENSING OF TRADE MARKS AND THE OPERATION OF SECTION 103 OF THE TRADE MARKS ACT 1955 (CTH): SOME ASPECTS OF THE PIONEER CASE*

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One of the most common activities engaged in by the owner of a trade mark is the licensing of his mark to other persons to use. Some provision is made for this in Part IX of the Trade Marks Act 1955 (Cth.) which sets up a system whereby such persons may register as registered users of marks already upon the register of trade marks. But there has been relatively little judicial consideration given to the scope of these provisions in Australia and the position of unregistered licensees has always been unclear. That is, until the recent case of *Pioneer Electronic Corporation v. Register of Trade Marks*¹, where these and a number of other important questions about the use of trade marks were considered at length by Aickin J. of the High Court of Australia.² This is a decision which will have far reaching effects on the future development of Australian trade marks law and it therefore warrants some detailed consideration. In addition, it raises several issues of wider significance in relation to the protection of trade marks and the proper scope for such protection, particularly in respect of imported goods.

The Pioneer Case: The Legal Background

Before dealing with the *Pioneer Case* in any detail, it is useful to briefly survey its legal background, in particular what is meant by a trade mark and what is involved in the licensing of one.

(a) *The Definition of a Trade Mark*

This is to be found in s.6(1) and reads as follows:

“trade mark” means—

(a) a mark used or proposed to be used in relation to goods or ser-

* This article was originally submitted for publication in March 1979. Although it was further revised in July of that year it has not been possible to amend it since that date. [Ed.]

¹ (1978) 17 A.L.R. 43, although s.51(3) does provide for some exceptions to this.

² This will probably be the last decision of a single judge of the High Court sitting as the Trade Marks Appeal Tribunal following the transfer of jurisdiction from that court to the State Supreme Courts and the Federal Court in 1976: Trade Marks Amendment Act 1976 (Cth.)

vices for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the goods or services and a person who has the right, either as proprietor or as registered user, to use the mark, whether with or without an indication of the identity of that person

Apart from noting that in late 1978 the Act was amended to include marks in relation to services ('service marks'),³ this definition remains unchanged for the purposes of present discussion which will be solely concerned with marks used in relation to goods. It will be seen that s.6(1) lays down a number of requirements which must be fulfilled before a mark comes within the Act. Of these, the most important are that it must be 'used or proposed to be used in relation to goods' and that this use must be for the purpose of indicating or so as to indicate 'a connexion in the course of trade' between the goods and a person who has the right, either as proprietor or registered user, to use that mark. What do these requirements mean?

Paragraphs (a) and (b) of section 6(2) provide some help in relation to the meaning of 'use': under (a) it is stated that references to the use of a mark are to be construed as references to the use of a printed or other visual representation of the mark and under (b) references to the use of a mark in relation to goods are to be construed as references to 'the use of the mark upon, or in physical or other relation to, goods'. Thus applying the mark directly to the goods or their outer packaging could readily be said to be use of the mark in 'physical . . . relation' to them. Furthermore, it would seem logical to assume that the use of visual representations of a mark in advertisements or other promotional material would amount to use 'in . . . other relation to, goods' as long as the mark is used to refer to those goods in the way required by the second part of the definition, namely to indicate a connexion in the course of trade between them and the person who has the right to use that mark.⁴ Some assistance can also be derived from s.107 which

³ Trade Marks Amendment Act 1978 (Cth.)

⁴ *Kerly's Law of Trade Marks and Trade Names*, 10th edition (1972) at 26 suggests that this was the purpose of the equivalent provision of the U.K. Act of 1938 when it was introduced. Certainly, it would seem clear that an action for infringement can be successful where the only matter complained of is the use by the defendant of the mark in advertisements: *Bismag Ltd. v. Amblins (Chemicals Ltd)*, (1940), 57 R.P.C. 109; *L. & C. Hardmuth (G.B.) Ltd. v. Bancroft Ltd.*, (1953) 70 R.P.C. 179. The authors of *Kerly*, however, suggest that, as the words used in the definition are 'in relation to goods', there must be an intention to make available the actual goods in relation to which the mark is used: *Daiquiri Rum Trade Mark* (1966) R.P.C. 582 at 594. While the definition of infringement is wider in the U.K. Act than in our own, a similar approach is to be found in *Shell Co. of Australia Ltd. v. Esso Standard Oil (Australia) Ltd.* 109 C.L.R. 407.

defines the situations in which a mark is deemed 'to be applied to' goods or services for the purposes of Part XIII which deals with the protection of marks in relation to such things as forgeries or falsely applied marks. By subsections (2) and (2A), these include use of the mark on the coverings and labels of goods as well as in advertisements and other documents referring to such goods. If these types of use are within the meaning of the words 'applied to', it seems reasonable to assume that they must also come within the meaning of the phrase 'use in . . . in physical or other relation to, goods' which appears to be wider. Nevertheless, it should be noted that the phrase 'use of a trade mark' is to be found in a number of different provisions of the Act and that its precise meaning seems to change according to the context in which it is found. This question will be explored below in relation to the *Pioneer Case*, as one of the problems raised in that case was what constituted 'use of a mark' by a registered user or licensee.

The second central requirement of the definition in s.6(1) is that the mark be used for the purpose of indicating a 'connexion in the course of trade' between the goods and a 'person who has the right, either as proprietor or registered user, to use the mark'. This raises some of the nicest questions of trade mark law. What is meant by a 'connexion in the course of trade'? The term is a vague one and was only introduced to our Act in 1948.⁵ At common law however, 'trade mark' was used as meaning a mark which indicated the origin of the goods to which it was applied and in most cases this was taken to mean their maker or manufacturer.⁶ There was no statutory attempt to define 'trade mark' until the U.K. Act of 1905 which said:

A "trade mark" shall mean a mark used or proposed to be used upon or in connexion with goods for the purpose of indicating that they are the goods of the proprietor of such trade mark by virtue of manufacture, selection, certification, dealing with, or offering for sale.⁷

This clearly went further than the common law meaning of 'trade mark': although it was still necessary that the mark indicate the origin of the goods in respect of which it was used, this was not confined to manufacture but could include some other dealing with the goods in the

⁵ Trade Marks Act 1948 (Cth.), s.4.

⁶ *Day v Day* (1816) Seb. Dig. 10; *Sykes v. Sykes* (1824) 3 B. & C. 541; *Ford v. Foster* (1872) L.R. 7 Ch. 611 at 630; *Leather Cloth Company v. American Leather Cloth Company* (1865) 11 H.L.C. 523; *Singer Manufacturing Company v. Loog* (1880) 18 Ch. D. 395 (Court of Appeal); (1882) 8 App.Cas. 15 (House of Lords); *James Minifie & Co. v. Edwin Davey & Sons* 49 C.L.R. 349.

⁷ Trade Marks Act 1905 (U.K.), s.3; Trade Marks Act 1905-1912 (Cth.), s.3.

process of manufacture or in the course of business up to and including the time they were offered for sale. In *Aristoc Ltd. v. Rysta Ltd.*⁸, the House of Lords had to decide, *inter alia*, whether this definition had been substantially altered by the substitution of the words 'connexion in the course' in the 1938 U.K. Act⁹ (followed by our Act in 1948).¹⁰ The main submission in this case concerned an application to register a mark in relation to a service performed on goods, namely the repair of stockings, after they had been purchased by the ultimate consumer. Such a mark would now be registrable in Australia as a service mark following the 1978 amendments to our Act, but here it had to be treated as a trade mark in respect of goods. It was therefore argued that this repairing function formed a sufficient 'connexion in the course of trade' with the goods as was required by the new definition and would also have been considered as a 'dealing with' the goods under the old one.¹¹

The House of Lords squarely rejected both arguments. While the new definition undoubtedly was broader, the work done in relation to a post-sales service to goods was too temporary a connexion in the course of trade to come within it and was certainly not a 'dealing with the goods' as required by the previous one. In Viscount Maugham's view, the mark's essential function under both definitions was to indicate the origin of the goods to which it was attached and the words 'connexion in the course of trade' clearly contemplated that this be a continuing connexion. After the goods had been sold it was impossible for any other connexion with them to be anything but transitory, whether it was by way of repair, washing, cleaning, carriage or storage.¹² It is clear that Viscount Maugham had apocalyptic visions of goods, during their lifetime, having attached to them an ever increasing number of marks as they passed through these different operations. Nevertheless, as Lord MacMillan remarked, 'connexion in the course of trade' was wider than the 1905 definition and covered 'any association with the goods in the course of their production and preparation for the market'.¹³

(b) *The Licensing of Registered Trade Marks*

If the phrase 'connexion in the course of trade' is to be interpreted in this way in relation to the activities of the registered proprietor of a mark, this leads to the next question of whether this connexion is lost in

⁸ (1945) A.C. 68.

⁹ Trade Marks Act 1938 (U.K.), s.68.

¹⁰ Trade Marks Act 1948 (Cth.), s.4.

¹¹ *Aristoc*, supra n. 8 at 71.

¹² *Id.* at 89-93.

¹³ *Id.* at 97.

the event that the latter licenses another party to use his mark. In many situations, particularly where the registered proprietor is an overseas company, a licensing arrangement may be the most effective means of exploiting the mark. A wide range of different arrangements and authorised uses can be envisaged.¹⁴ For instance, the licensee may wholly manufacture or select the goods himself and then apply the mark. On the other hand, he may assemble or fit parts received from the licensor and apply the mark to the completed articles. Or he may simply receive the goods from the licensor and apply the mark to them as well as using it in advertising the goods for sale. The relationship between the parties may also differ: for instance, they may be independent entities or be linked by some element of common ownership as in the case of parent and subsidiary companies. Furthermore, within all these situations the degree of control exercised by the licensor over his licensee may differ considerably. For example, where the licensee is an independent party and manufactures the goods himself, there may still be a high degree of control exercised by his licensee in respect of such things as quality control and the supply of know-how and technical information. On the other hand, where the licensee is a wholly owned subsidiary, its use of the trade mark may be completely unregulated by its parent which is the registered proprietor of the mark. However, in determining the status of all these different types of licensing arrangements and their effect on the validity of the registered mark, the central question remains the same as that posed above: has the registered proprietor maintained a sufficient connexion between himself and the goods in respect of which the mark is used by his licensee?

Views on this question have changed markedly over time and have been tied closely to the changing definition of a trade mark and the law relating to their assignment. Before the introduction of statutory licensing schemes into the U.K. (1938) and Australian (1948) Acts, it was generally thought that the licensing of marks led to their invalidity. The possibility of deception to the public was probably the chief reason for this, although it should be noted that this was no longer an inevitable conclusion since the new definition of a mark in the U.K. Act of 1905 made it clear that the registered proprietor's connexion with the goods need not take the form of manufacture. Nevertheless the view that licensing was bad was reinforced by the fact that before 1938¹⁵ (and

¹⁴ For a more detailed list of different licensing situations, see the Note by Sir Arthur Dean on the new registered user provisions in the Trade Marks Act 1948, 22 *A.L.J.* 453 at 457.

¹⁵ Trade Marks Act 1938 (U.K.), s.22(1).

1955 in Australia)¹⁶ the assignment of marks without the accompanying goodwill of the business to which they were attached was not permitted by statute. According to Kerly, the theory behind this was:

that the public regarded a trade mark as indicating that the goods emanated from a particular business exclusively and that if the link between the mark and the business was broken, it would be contrary to public policy to recognise the continuance of any exclusive right to the mark.¹⁷

It will be seen that such a theory derived from the common law notion of a trade mark as an indication of the manufacturing origin of the goods to which it was applied.¹⁸ This rule was continued under the 1905 Act, despite the wider definition of a trade mark given in that Act, and by analogy it could be argued that the licensing of a trade mark was a part assignment of the mark without the accompanying goodwill of the business to which it was attached. The inevitable consequence of this, therefore, was that the registration of the mark would become invalid.

The leading authority in this area before 1938 in the U.K. was the decision of the House of Lords in *Bowden Wire Ltd. v. Bowden Brake Co. Ltd.*¹⁹ In this case, the court ordered the expungement of a registered trade mark which had been licensed by one company to another on the basis that this was an impermissible part assignment of the mark. While this may be read as an outright declaration that licences of registered marks were invalid under the statute, there seems little doubt here that the use made of the Bowden trade mark was deceptive as the two companies, although originally closely linked, appeared to operate quite independently of each other, with the licensee applying the mark to goods manufactured by itself and selling them under that mark.²⁰ In other words, the licensee's use of the mark was akin to that of an assignee²¹ and there was little, if anything, to indicate the licensor's connexion with the goods to which it was applied. While the House of Lords were severely critical of the licensor's conduct here,²² it is arguable that they may have been less ready to expunge it had its use by the licensee not become so deceptive.²³

¹⁶ Trade Marks Act 1955 (Cth.), s.82: before this note that the 1948 Act had modified the rule against assignments: s.58(1).

¹⁷ Kerly, *supra* n. 26, at 253.

¹⁸ See the cases listed in footnote 6.

¹⁹ (1914) 31 R.P.C. 385.

²⁰ *Id.* at 392-3.

²¹ A similar view of the Bowden Case was taken by Wynn-Parry J. in *Pan Publications Ltd.'s Application* (1948) 45 R.P.C. 193 at 200.

²² *Id.* at 392, per Earl Loreburn; 392-3, per Lord Dunedin.

²³ This was the view taken by Graham J. in *G.E. Trade Mark* (1969) R.P.C. 418 at 455 where he suggested that if the licensor in the Bowden Case had kept a higher quality

Several other pre-1938 cases add support to this last proposition. In *Thorne & Sons Ltd. v. Pimms Ltd.*,²⁴ decided 5 years before *Bowden* (although not referred to in the case) there had been a long period of user by a licensee of the mark 'Glen Thorne' in relation to whisky. However, Neville J. held that this only made the mark invalid when it became deceptive to the public and this only happened when the licensee began to put whiskies other than Thorne's Whisky into bottles which he then sold under the registered trade mark.²⁵ Again, in *Re Radiation Trade Mark*²⁶, the company which was applying for registration of its mark did not itself manufacture or sell the goods in respect of which the mark was to be used as this was done by companies associated with it. Nevertheless, it controlled the policy of these companies, deciding whether or not a particular article should be produced and sold, maintaining its own testing establishment and a staff to inspect the work of the associated companies and to ensure that standards of manufacture were adhered to. Because of these facts, the Comptroller-General distinguished the *Bowden Case* on the basis that the two companies in that case were quite independent of each other so far as the manufacture and marketing of the goods were concerned.²⁷ Furthermore, the evidence showed in this case that the mark 'Radiation' was identified by the trade with the whole group of companies which included and were controlled by the applicant company. In other words, the mark 'Radiation' indicated the connexion of articles bearing with the Radiation group of companies as a whole and the exact relationship between the individual companies was immaterial for this purpose. In addition, there was no evidence to show that the use of the mark in this way had led to any confusion or deception. As a result, he allowed registration of the mark to proceed.²⁸

control over the way in which the mark was used, the position would have been different. See also here *Aktebilaget Manus v. R. J. Fullwood and Bland Ltd.* (1948) 65 R.P.C. 580, per Harman J; (1949) 66 R.P.C. 71, Court of Appeal. See also Kerly, *supra* n. 4, at 269-70.

²⁴ (1909) 26 R.P.C. 221.

²⁵ *Id.* at 225-6.

²⁶ (1930) 47 R.P.C. 37.

²⁷ *Id.* at 43.

²⁸ *Id.* at 43. It is arguable that this part of the decision is only *obiter* as the Comptroller-General also held that if he was wrong in looking at the group of companies as a whole, then the words 'selection' and 'dealing with' were wide enough to cover the connexion of the applicant company with the goods manufactured and sold by it associated companies: *Id.* at 43-4. See also *Somerlite Ltd. v. Brown* (1934) 51 R.P.C. 205 on the meaning of 'selection', where it was held that there must be a real control over what goods are selected in the sense that the owner of the mark must truly exercise skill or knowledge in connexion with the goods and furthermore that the mark should convey the fact that the selection was made by the registered proprietor.

These cases, therefore, indicate that even before the 1938 amendments to the U.K. Act, it was arguable that the licensing of a trade mark was not, by itself, automatically fatal to its registration, provided that a sufficient degree of control over its use was maintained by the registered proprietor and as long as the licensed use did not mislead or deceive the public as to the latter's association with the goods.²⁹ It now remains to briefly consider the position after the 1938 and 1948 amendments and the position immediately prior to the *Pioneer Case*.

(c) *The Introduction of Registered User Provisions*

The 1938 amendments to the U.K. Act (followed in 1948 and 1955 in Australia) made a number of significant changes. Firstly, as noted above, the definition of a trade mark was changed. Secondly, assignment of a trade mark without the accompanying goodwill of the business to which it was attached now became permissible.³⁰ Thirdly, and of most importance for present purposes, provisions were enacted setting up a system of registration for trade mark licensees.³¹ These are very similar in both Acts and can be quickly described.

Application for registration as a registered user must be made to the Registrar of Trade Marks and a number of particulars furnished in support.³² Essentially, these are concerned with the relationship, proposed or existing, between the registered proprietor and the user and include, *inter alia*, such details as the degree of control by the proprietor over the permitted use, the goods in respect of which the registration is sought, whether the proposed user is to be the sole registered user, any conditions or restrictions proposed with respect to the characteristics of the goods, to the mode or place of permitted use and the length of it.³³ After this information has been considered by the Registrar, he may, if he is satisfied that the proposed use of the trade mark would not be contrary to the public interest, register the proposed user as a registered user in respect of all or any of the goods in respect of which the mark is registered or he may do so subject to any condition or restriction which he (the Registrar) thinks proper.³⁴ As will be seen below, it was the

²⁹ A similar approach is to be found in a number of cases dealing with unregistered trade marks and trade names: see *Warwick Tyre Co. v. Motor and General Rubber Co.* (1910) 27 R.P.C. 161 and *J. H. Coles Pty. Ltd. v. J. F. Need* (1934) A.C. 82. For a number of cases on the other side, see those cited by Kerly, *supra* n. 4, at 270 n. 9. For a comment on the *Need Case*, see (1933) 6 *A.L.J.* 372.

³⁰ Trade Marks Act 1938 (U.K.), s.22; Trade Marks Act 1955 (Cth.), s.82.

³¹ Trade Marks Act 2: 1938 (U.K.), s.28; Trade Marks Act 1905-1948 (Cth.), s.31A. The latter section is now to be found in the Trade Marks Act 1955 (Cth.), s.74.

³² Trade Marks Act 1955 (Cth.), s.74(2).

³³ *Id.*, s.74(2)(a), (b), (c) and (d).

³⁴ *Id.*, s.74(3).

Registrar's attempt to impose a condition on a registered user under this provision (s.74(3) in the Australian Act) which was the initial cause of the litigation in the *Pioneer Case*.

There are a number of advantages, both to registered proprietor and registered user, which arise once registration is achieved. For a start, the 'permitted use' of a mark by a registered user is deemed to be use by the registered proprietor himself and not by any other person.³⁵ This is an important provision as use of his mark by the registered proprietor is necessary if he is to resist proceedings to expunge the mark for non-use under s.23. As a corollary, it is provided that his rights at common law in respect of the mark, for instance in passing off, are not prejudiced by the fact that another person is registered as registered user of the mark and is using it.³⁶ On the other hand, the registered user, once registered, has the power to call upon the registered proprietor to take infringement proceedings against an alleged infringer and to do so himself if the latter refuses or neglects to do so.³⁷

Finally, both registered proprietor and registered user have available to them the procedure under s.103 of the Act for prohibiting the importation of goods bearing their mark into Australia. This section provides that a registered proprietor or user who is a manufacturer, dealer, trader or person providing a service in Australia may give notice to the Controller-General of Customs objecting to the importation into Australia of goods manufactured outside Australia and having applied to them a trade mark being, or being substantially, identical with their registered mark. The importation of such goods is then prohibited and, if imported, they are subject to seizure as forfeited to the Commonwealth. Under s.103(2), where, in the opinion of the Controller-General, the contravention has not occurred either knowingly or negligently, the forfeited goods may be returned to the owner or importer on condition that the improper marks be removed or such additions made as will make them unobjectionable or that the goods be forthwith exported. As will be seen in the *Pioneer Case*, s.103 is an extremely valuable addition to the battery of rights enjoyed by both registered proprietor and registered user.

What was the effect of these new provisions? It can be plausibly argued that they indicated that a new type of trade connexion would satisfy the changed definition of a trade mark where a licensed use was registered pursuant to them. Under that section it will be remembered that a trade mark is defined as a mark 'used . . . in relation to goods . . .

³⁵ Id., s.77(1).

³⁶ Id., s.77(4).

³⁷ Id., s.78.

for the purpose of indicating . . . a connexion in the course of trade between the goods . . . and a person who has the right, either as proprietor or as registered user, to use the mark'. It would therefore appear to be sufficient under this for the use of the mark by the registered user simply to show a connexion with him rather than the registered proprietor. Some support for this can also be gained from s.77(1) which deems the use by a registered user to be that of the registered proprietor: why therefore should it be necessary that it show a direct connexion with the latter? On the other hand, it can be argued that the registered user must not mislead or confuse the public and this has been the meaning given to the 'public interest' requirement in s.74(3).³⁸ In addition, it is also provided under s.75 that a registration, once effected, can be cancelled if it becomes deceptive. However, these provisions do not spell out what sort of deception or confusion they comprehend: is it confusing or deceptive if no reference to the registered proprietor is made or do they simply mean that the registered user must not deceive or cause confusion as to his own connexion with the goods? This was to be one of the important questions discussed in the *Pioneer Case*.

What was the purpose behind the introduction of these provisions? It is probably safe to assume that they represented an attempt to adjust trade marks law to modern commercial realities and to ameliorate the previous harsh effects of the law in relation to assignment and licensing.³⁹ Nevertheless, their effect, at least so far as the licensing of marks was concerned, was unclear. Did they make it mandatory for a licensing arrangement to be registered pursuant to them or were they merely permissive, conferring additional advantages on registrants in respect of such things as infringement actions and s.103 notices, but otherwise unnecessary to the continued validity of a registered mark? It should be noted that there is nothing in any of the sections to indicate that registration is essential. Furthermore, it was arguable from the earlier *Radiation Case*⁴⁰ that registration was unnecessary as long as the licensed use did not deceive as to the registered proprietor's association with the goods and a sufficient control over it was maintained by the latter. Again, there was nothing necessarily inconsistent with this view in the *Bowden Case*⁴¹ as the licensed use there had been clearly misleading. However, against this it could be argued that the existence of a public register of registered proprietors and 'permitted users' is of

³⁸ *Heublein Inc. v. Continental Liqueurs Pty. Ltd.* 103 C.L.R. 435 at 442-3, per Kitto J.

³⁹ *Dean*, 22 A.L.J. 453 at 453.

⁴⁰ *Radiation*, supra n. 26.

⁴¹ *Bowden*, supra n. 19.

little value unless it is comprehensive and lists all persons who are entitled to use the marks registered therein. Nevertheless, it did not take the English courts long to reach the conclusion that unregistered licensing arrangements were possible as long as a sufficient connexion in the course of trade between the goods in respect of which the mark was used and the registered proprietor was maintained. In Australia, however, the position was to remain unclear until Aickin J.'s decision in the *Pioneer Case*.

(d) *The Status of Unregistered Licences after the 1938 and 1948 Acts*

In the U.K., the question was first discussed by Lloyd-Jacob J. in *Re Bostitch Trade Mark*⁴² in 1963. In this case the registered proprietor of the mark 'Bostitch' was a U.S. company which during and after the Second World War had allowed its British distributor (an independent company) to manufacture various components and articles according to its designs and to apply the 'Bostitch' mark to such goods. There had been no registration of the English company as a registered user under the Act. When disagreements arose between the parties after the War, the English company applied to have the mark expunged from the register on the ground that it had come to indicate to the public goods of its own manufacture and that as such the mark was now distinctive of them. It followed, therefore, in their submission that the registration of the U.S. company as the proprietor of the mark was now deceptive and likely to cause confusion as there was no longer any connexion in the course of trade between it and the goods in respect of which it was used by the English company.

Lloyd-Jacob J., however, held that on the evidence this argument could not be sustained. The reputation in the mark still remained with the U.S. company as, up to a few months before making their application, the English company had used the 'Bostitch' mark with an indication of an American origin and of themselves as the English distributors. This conclusion was aided by the evidence of a number of trade witnesses who had regularly used 'Bostitch' goods (mainly staples and stapling machines) that they recognised the goods as either coming direct from the American company or from the American company via the English distributor.⁴³ Even after the latter had undertaken the manufacture of the goods, the fact they had done so according to working drawings and designs and other manufacturing and technical information provided by the American company was sufficient to indicate that the latter were 'imposing their identity upon articles produced there-

⁴² (1963) R.P.C. 183.

⁴³ *Id.* at 195-7, 199.

from and thus saving goods made by other hands from being fairly regarded as goods of other makers'.⁴⁴

Dealing with the fact that the use of the mark here by the licensee had been unregistered, Lloyd-Jacob J. said:

Both parties appear to have misconceived the provisions of s.28, for this is not a mandatory but a permissive section and cannot fairly be construed to provide a protective cover for any trade mark use which would otherwise be deceptive or confusing. It creates what is termed "permitted use" available only in circumstances approved by the Registrar as not contrary to the public interest (and in consequence not *prima facie* contrary to the provisions of s.11), and is of value to the registered proprietor as supplementing his own use of the trade mark, if any, and thus protecting him against removal of the mark from the Register under s.26, and to the registered user, provided the conditions and restrictions contained in the agreement are observed, as a protection against allegations of infringement, and additionally as a means of attacking infringements by third parties. There is nothing anywhere in this section to justify the view that an arrangement between a registered proprietor of a trade mark and a party concerned to use such mark requires to be registered, still less that in the absence of registration, its effect upon the validity of the mark, if called in question, will be in any way different.⁴⁵

On the other hand, His Honour also pointed out that the fact that there was a registered user agreement in existence would not protect the validity of a mark if the actual user by the registered user had caused the connexion in the course of trade with the registered proprietor to disappear, as for instance might happen if the use of the mark by the licensee was now likely to deceive or cause confusion.⁴⁶ Given these two extremes, however, the practice of licensing the use of trade marks without registering the agreements was in no way inimical to their continued validity, provided that such use was consistent with maintaining a connexion in the course of trade with the registered proprietor. How was this to be done? Lloyd-Jacob J. said:

There is nothing in the Trade Marks Act, or in the principles of trade mark law which have been developed thereunder which requires a proprietor of a registered trade mark to refrain from introducing modifications or variations in the goods to which he applies his mark or in the manner in which they reach the market. If he should find it convenient to transfer manufacture from one locality

⁴⁴ *Id.* at 201.

⁴⁵ *Id.* at 195.

⁴⁶ *Id.*

to another, or procure his supplies from sub-contractors, or arrange for assembly of completed articles by someone of his choice in lieu of doing it himself, these and a vast number of other possible changes in procedure are his sole concern. His mark only becomes vulnerable in this connection if he permits its use in a manner which is calculated to deceive or cause confusion. The test of his actions is in consequence this: has he authorised such use of the mark as to deprive it of its very reason of existence, namely, as a mark which should distinguish his goods from the goods of other makers.⁴⁷

It can therefore be seen that Lloyd-Jacob J. was prepared to accept a wide variety of licensing arrangements so long as the central requirement of a connexion in the course of trade between the goods and the registered proprietor of the mark was maintained. From the facts of this case, two inter-related conditions for the maintenance of such a connexion can be seen. Firstly, there must be some control or supervision by the licensor over the way in which the mark is used. In the *Bostitch Case* this was satisfied by the fact that the English company had made the goods in accordance with working drawings and other technical and manufacturing know-how supplied by the American company. Secondly, the use of the mark by the licensee must not mislead or deceive the public as to the registered proprietor's association with the goods bearing his mark. Again, in the *Bostitch Case*, this was met by evidence showing that the goods made and marked by its English distributor had continued to maintain their association in the public eye with the American company.⁴⁸

Lloyd-Jacobs J.'s judgment in *Bostitch* has received express approval in several subsequent English cases, including the Court of Appeal in the celebrated *G.E. Case* (although only by way of *obiter*).⁴⁹ In the latter case, it should also be noted that Cross L.J. in his judgment added a possible qualification which is not to be found in that of Lloyd-Jacob J., namely, that while registration of a licensed user was merely permissive, among the advantages which it conferred was —

the advantage of the Registrar's decision that the measure of 'quality control' which he the registered proprietor would retain

⁴⁷ Id. at 197.

⁴⁸ See also the 'Manus' Case, op. cit. Cf. 'Weston' Trade Mark (1968) R.P.C. 167 where a former subsidiary was left free to use a mark so that by the time the owner of the mark came to apply for registration it had become distinctive of the English subsidiary and not the original, American, proprietor.

⁴⁹ (1970) R.P.C. 339: 394 per Cross L.J.; 372 per Salmon L.J.; 384-5 per Winn L.J. not dissenting. See also the judgment of Graham J. in (1969) R.P.C. 418 at 455-9. Note also that Cross J. (as he then was) expressly approved *Bostitch* in *British Petroleum Co. Ltd. v. European Petroleum Distributors Ltd.* (1968) R.P.C. 54 at 63.

was adequate to support the licence to use the mark.⁵⁰

In other words, it appears that His Lordship was saying that the effect of registration is to give rise to a presumption of validity in respect of the licensing arrangement and the continued registration of the mark. As will be seen below, this point was not adverted to by Aickin J. in the *Pioneer Case*.

Prior to *Pioneer*, however, the only occasion on which the licensing of trade marks had been considered by the High Court was in *Heublein Inc. v. Continental Liqueurs Pty. Ltd.*⁵¹ and this was not concerned with the status of unregistered licensing arrangements. Essentially, it involved an application by an Australian company to become registered as user of a trade mark owned by Heublein Inc., an American company. This was refused because the mark, by reason of its contents, was inherently incapable of being used by any person other than the registered proprietor. This was because the mark contained within it a number of assertions about the name and geographical location of the manufacturer of the goods in respect of which it was used. For any one other than that person to use the mark on his own goods would be to make the mark 'an instrument of deception to the public, whether that be the intention or not'.⁵² The case can therefore be confined to its special facts. Nevertheless, it is not inconsistent with the approach taken in the later *Bostitch Case* in relation to licensing in general: that is, that a licensed use should not deceive or confuse the public as to the registered proprietor's association with the goods in respect of which it is used.

More specific support for the *Bostitch* approach, however, is to be found in a decision of the Supreme Court of New South Wales in *Re Caprice Foundations Pty. Ltd.*⁵³ This involved an application for the winding up of a company on the ground that it was unable to pay its debts, the particular debt of the petitioner being royalties alleged to be due under an unregistered agreement for the licensing of a registered trade mark. It was argued for the company that no debt was recoverable as the agreement under which it arose was unenforceable as it had not been registered under the Act. This was rejected by McLelland J. who said that in his opinion there was nothing in the registered user provi-

⁵⁰ (1970) R.P.C. 339 at 394.

⁵¹ 103 C.L.R. 435.

⁵² *Id.* at 441. The particular assertion in this case was that the goods in respect of which the mark was applied were the product of Ste. Pierre Smirnoff Fils. Inc. of Hartford, Connecticut which was, in turn, the successor in title to Pierre Smirnoff of Moscow—a claim which could not be made by anybody but the registered proprietor of the mark.

⁵³ (1963) 5 F.L.R. 472.

sions prohibiting persons other than registered users from using a registered mark. Accordingly, he was not prepared to hold that the unregistered licence agreement was unenforceable at common law for any reason of public policy as it was not prohibited by the Trade Marks Act nor did it involve any deception to the public.⁵⁴ As this holding only arose in the course of determining another issue and was made by a court which at the time did not possess general jurisdiction in respect of trade marks, its effect can be readily minimised. Nevertheless, its whole tenor was highly suggestive of the line of thinking adopted by the U.K. Courts from the *Bostitch Case* onwards.

The Pioneer Case: The Facts

It was not until the *Pioneer Case*,⁵⁵ therefore, that an Australian court had the opportunity to fully consider the provisions relating to registered users and the licensing of trade marks in general. As will be seen, the Trade Marks Office had, in the meantime, developed views in relation to these questions that were quite at variance with the law as expounded in the English cases. The facts of this case are typical of many licensing situations, particularly those where highly sophisticated goods are concerned. The first appellant ('Pioneer Japan') was the Japanese parent of the second appellant ('Pioneer Australia') and the registered proprietor of two trade marks, one a device mark and the other the word 'Pioneer' registered in respect of a wide range of radio, television and recording equipment and components.

Before the incorporation of Pioneer Australia in October 1973, Pioneer Japan had for many years carried on in Japan and elsewhere an extensive business in the manufacture and sale of radio, recording and sound equipment, in particular high fidelity studio equipment. From 1963 on these goods had been imported into Australia and sold there by companies which purchased the goods from Pioneer Japan. In 1973, however, Pioneer Japan decided to set up Pioneer Australia as a wholly-owned subsidiary to be the sole and exclusive Australian licensee of the trade marks as well as the exclusive importer/distributor and wholesale marketer of goods manufactured by Pioneer Japan and also to provide after sales service for such goods. From October 1973 Pioneer Australia dealt in all these capacities with all the goods in respect of which the marks were registered except for television equipment. In some cases the goods were imported fully assembled; in others, the parts, units or components were imported and fitted by Pioneer Australia.⁵⁶ In addition,

⁵⁴ Id. at 474.

⁵⁵ (1978) 17 A.L.R. 41.

⁵⁶ Aickin J. expressed some uncertainty as to the meaning of the words 'assembly' and 'fitting', but assumed that there was some difference between the two activities: Id. at 48.

many accessories and spare parts were imported for servicing and repair purposes. According to the affidavit of the Secretary of Pioneer Australia (on which he was not cross-examined) the goods were highly complex and were sold with service warranties which required expert and trained staff for servicing. Since October 1973 this servicing and repair function had been carried out by Pioneer Australia's staff, most of whom had received special training from Pioneer Japan. Pioneer Australia also carried out the functions of advertising, promoting and distributing the goods in all States of Australia. However, to date it had not yet fully assembled or manufactured any of the goods in Australia although it was intended that this would occur, at least in relation to some of the goods or their components, when such an operation became economically viable. At present this was not possible in view of the very large scale manufacture being carried on by the parent company in Japan.⁵⁷

Nonetheless, since its incorporation, Pioneer Australia had made extensive use of the Pioneer trade marks in its advertising and promotional activities. This had taken the form of applying visual representations of the marks to labels or swing tickets attached to the goods and their packaging, on commercial documents, stationery and placards, and in catalogues and manuals. In fact, it was deposed that there were approximately 77 classes of documents and articles used by Pioneer Australia in their advertising and marketing and that all these bore printed or visual representations of both marks.⁵⁸

On 4 October, 1974, therefore, both companies applied for registration of Pioneer Australia as a registered user of the two marks for all the goods in respect of which the marks had been registered. The application referred to the above arrangements between the two companies and, more particularly to an agreement between them dated 19 July, 1974. In this document, Pioneer Japan granted Pioneer Australia an exclusive licence to use the two marks in connexion with the manufacture, distribution and sale of the products in respect of which they were registered in Australia. Initially the agreement was to run until 18 July 1976 and thereafter from year to year unless determined in the manner provided. It also included a number of clauses, the most important of which were summarised by Aickin J. as follows:

Clause 1 provided that Pioneer Japan appointed Pioneer Australia as "the exclusive licensee" and granted to it "the right to use" the trade marks with respect to the products and Pioneer Australia agreed that it would use the trade marks only in connection with

⁵⁷ *Id.*

⁵⁸ *Id.* at 48-9.

the business of Pioneer Australia in distributing and selling Pioneer Japan's products and in manufacturing and/or selling products which would be manufactured by Pioneer Australia.

By *Clause 2* Pioneer Japan represented that the marks were valid in Australia and owned by Pioneer Japan and Pioneer Australia acknowledged that the right granted should not in any way affect the exclusive proprietorship of Pioneer Japan.

Clause 3 dealt with "affixation and quality control". It provided that all products and their packages, cartons and containers should bear such trade marks as should be requested by Pioneer Japan and that Pioneer Australia should have the right to apply and affix trade marks to all products manufactured by Pioneer Australia, the quality of which was approved by Pioneer Japan. Pioneer Australia was not to use other marks without Pioneer Japan's consent.

Clause 4 provided that products manufactured by Pioneer Australia might be inspected by Pioneer Japan in the process of manufacture or of being offered for sale with respect to workmanship, materials, finish and performance and Pioneer Australia was to make available records as necessary to determine compliance with quality control standards of Pioneer Japan.

Clause 5 prohibited sub-licensing by Pioneer Australia, save with the consent of Pioneer Japan.

Clause 6 provided that if Pioneer Australia were sued by reason of the use of any of the trade marks by Pioneer Australia it should take steps to defend the same and should promptly notify Pioneer Japan. Pioneer Australia agreed to take all necessary steps to protect the trade marks. Pioneer Australia was given the right to commence proceedings and Pioneer Japan was obliged to co-operate with and support Pioneer Australia.⁵⁹

On the face of things, one would have thought that these conditions demonstrated that a sufficient control was being maintained by Pioneer Japan over the way in which Pioneer Australia used the Pioneer marks. Certainly this would have appeared to be enough under the *Bostitch* line of cases and, accordingly, on the basis of the above arrangements the parties applied for registration of Pioneer Australia as registered user. Accompanying their application was a statement that, once registered, Pioneer Australia intended to invoke s.103 by serving a notice on the Comptroller-General of Customs objecting to the importation of goods manufactured outside Australia and bearing identical or substantially identical marks to those of Pioneer Japan.⁶⁰ On 15 October, 1974, the Registrar replied, drawing attention to his discretionary powers

⁵⁹ Id. at 46.

⁶⁰ Id. at 49.

under s.74(3) of the Act to impose conditions or restrictions on a proposed registered use, and advising that the following endorsement was currently being required as a condition of registration for all registered user applications, namely:

It is a condition of this registered user registration that the provisions of s.103 of the Act will not be invoked against goods properly marked by the registered proprietor, or under the authority of the registered proprietor, unless the registered proprietor or registered user makes and marks such goods in Australia and does not import goods bearing the mark into Australia.⁶¹

While this proposed endorsement was the initial cause of the litigation in this case, as will be seen it was not discussed at any length by Aickin J. as the Registrar finally conceded in argument that he had no power under the Act to impose such a condition. Nevertheless it is worthwhile at this point to pause and deal briefly with the different arguments put forward in relation to the proposed condition as well as the wider implications of s.103.

The Proposed Condition Limiting Access to Section 103

It will be seen that what the Registrar was seeking to do here was to invoke his discretion under s.74(3) to deny Pioneer Australia, once registered, access to the seizure machinery under s.103 for the purpose of preventing the parallel importation of genuine Pioneer Japan goods by persons other than itself. The reasons behind this proposed endorsement quickly become apparent when the wording of s.103 is more closely examined.

There can be little doubt as to the extreme breadth of this provision. Not only does it extend to imported goods bearing forgeries of Australian registered marks but also to goods where the marks are falsely applied, that is without the consent of the Australian registered proprietor or registered user. However, it does not stop here: it also covers goods bearing marks which have been applied with the consent of the Australian registered proprietor or registered user. This is because the only requirements of s.103(1) are that the goods be manufactured outside Australia and that they have applied to them a mark which is, or is substantially, identical with a registered trade mark the registered proprietor or registered user of which is a manufacturer, dealer, trader or person providing a service in Australia.⁶² There is not even a requirement that the mark be used on the same classes of goods in respect of which the Aus-

⁶¹ Id.

⁶² As to this interpretation of s.103, see *Textile House Pty. Ltd. v. Carmody* (1976) 9 A.L.R. 58.

tralian mark is registered. Furthermore, the most recent amendments made in 1978 indicate that the Australian trade mark may be a service mark. Accordingly, there was nothing in the wording of the section to prevent Pioneer Australia, once registered, from using it to stop goods bearing marks applied by Pioneer Japan being imported into Australia by anyone other than itself.

The rationale and scope of s.103 are certainly open to criticism and there will be some discussion of this at the end of this article, together with a consideration of desirable amendments to the section. However, it will be clear that the Registrar, in proposing his endorsement, was seeking to by-pass its clear wording by invoking a number of policy factors which he argued to be relevant to his determination of whether a proposed user was contrary to the public interest under s.74(3). These included such things as the need to encourage local manufacture and the avoidance of resale price maintenance. They were made more explicit in a number of reasons given in two decisions, one interim and the other final, made after receiving both written and oral submissions from the parties. In these, he maintained that s.103 could only be used in circumstances acceptable to himself and, further, that registration of a permitted user should not be allowed if the purpose was merely to enable the intending registered user to invoke the seizure machinery under that section. Finally, he said:

The Trade Marks Office is not informed whether in fact the proposed registered permitted user actually makes or marks the goods subject to his s.103 notice, but merely desires to restrain the handling of the goods upon which he has not himself marked, in a manner which might give him an exclusive franchise and exclusively to control the manner in which the goods are handled in Australia, to ensure that the goods so restrictively controlled will be sold only at a maintained price, because no other trader could get similar goods across the Customs threshold, without the sanction of the registered permitted user or the registered proprietor.⁶³

Whilst it may be easy to sympathise with the Registrar's motives in seeking to impose this condition, it will be clear that it was open to objection on a number of fundamental grounds. Firstly, it is difficult to find anywhere in the Act the basis for such a condition, given the clear words of s.103. The Registrar's discretion under s.74(3) is to ensure that the proposed use is not contrary to the public interest. Pursuant to this, he is empowered to impose such conditions or restrictions as he may think appropriate. But it is quite clear that this power relates only to the pro-

⁶³ Quoted by Aickin J. in *Pioneer*, *supra* n. 55, at 52.

posed use and does not extend to other things which the applicant is entitled to do by the Act, once registration is achieved, for instance, in relation to infringement proceedings and s.103 notices.

On a more general level, while it is true that s.74(3) requires the Registrar to determine that a proposed use is not contrary to the public interest, this must surely be interpreted in the light of the purposes of the Trade Marks Act as a whole, that is, an Act dealing with marks of origin and the prevention of deception or confusion to the public. Such matters as prices and the encouragement of local manufacture are not relevant to these issues and are more properly dealt with in the context of other legislation, such as that concerned with trade practices and customs as well as in overall economic policy making. Furthermore, even if such things were within the Registrar's province, any attempt to deal with them in the context of a registered user application would be only piecemeal and of very limited effect and not necessarily intergrated with broader policy considerations. While it will be argued in the last part of this article that s.103 is in urgent need of reform to avoid some of the undesirable results perceived by the Registrar in the *Pioneer Case*, it is equally clear that the latter's attempt to deal with them through his proposed endorsement was misconceived and doomed to failure once the matter was taken on appeal.

It is not surprising, therefore, that when the case did come on appeal before Aickin J., counsel for the Registrar conceded in argument that there was nothing in the Trade Marks Act authorising the Registrar to impose such a condition.⁶⁴ What had hitherto been a growing practice in the Trade Marks Office thus fell to the ground without further argument and Aickin J. spent no time discussing it, apart from commenting that the concession was 'properly made'.⁶⁵ He also said, on a more general level, that as the Act conferred a number of advantages upon registered users, including the very considerable advantage of being able to give notice under s.103, there could be

no subversion of the purposes of the Act by reason only that registered proprietors and registered users wish to register agreements in order to obtain those advantages and to make use of all or some of them.⁶⁶

This part of the decision therefore opens up the way to a much greater use of s.103 by registered users and the evidence indicates that this has in fact been the case.⁶⁷ However, it will be clear that s.103 is in need of reform, particularly where, as in the case of *Pioneer Australia*, it

⁶⁴ Id.

⁶⁵ Id.

⁶⁶ Id. at 55.

enables a registered user to control the importation and distribution of goods bearing marks which have been applied by or with the consent of the registered proprietor. This will be discussed in the last section below, but in the meantime it remains to consider the wider objections which the Registrar also put forward against Pioneer Australia's registration.

The Wider Objections of the Registrar to Pioneer Australia's Registration

The other reasons given by the Registrar to Pioneer Australia's registration as a registered user ranged more widely than the s.103 objections discussed above. In them, he opened up the whole area of registered user agreements, licensing in general and, indeed, the very definition of a trade mark. It is best to summarise them and then deal with the important points to which they give rise.⁶⁸

- (1) The Registrar was not satisfied that the proposed permitted user was empowered to make or mark or cause all of the goods covered by the registered marks to be made or marked at its instance. In other words, he seemed to regard it as necessary for registration as a user that the user should manufacture or mark the goods itself or do so through an agent.
- (2) It was clear to him that Pioneer Australia considered itself entitled to be registered as a permitted user to enable it to invoke the provisions of s.103 'even when the permitted user did not make and mark nor cause goods covered by the registered marks to be made and marked at its instance'.
- (3) He was not satisfied that there was sufficient material before him to decide whether registration would be contrary to the public interest within the meaning of s.74(3) and 'I am not prepared to take the responsibility of making any assumption in the parties' favour, when it seems to me that the registration of Pioneer Australia Pty. Ltd. could result in an unwarranted restraint on trade'.
- (4) After the registered user provisions were enacted in 1948, it 'became evident that requests to register permitted user agreements were not always for the purpose of ensuring that a registered trade mark would not become invalid through use by a person or concern other than the registered proprietor. In some instances it was ap-

⁶⁷ According to information given to the writer by an official of the Customs Department, there are currently in excess of 60 s.103 notices in force and the number of these has been recently increasing.

⁶⁸ These are taken from Aickin J.'s summaries of the interim and final reasons of the A/Registrar: *Id.* at 51 & 52.

parent that the provisions relating to registered permitted user, were invoked to gain fiscal advantages in respect of taxation, customs duty, price maintenance, or even for the purposes of international currency exchange exploitation, which otherwise might not have been available when the goods were marked by the registered proprietor, when in fact the arrangements could not be regarded as permitted user arrangements at all'.

- (5) That an applicant must disclose to the Registrar all relevant details of its 'so-called licensing arrangements' so that the Registrar could properly consider whether the mark was to be used so as to facilitate 'trafficking in the mark' (see s.74(4)) or in a manner contrary to the public interest.⁶⁹

All these points overlap considerably but it is possible to derive from them two major misconceptions which appear to have influenced the Registrar in his refusal to register Pioneer Australia as a registered user of the Pioneer marks unless it acceded to his proposed condition. These can be briefly stated as follows:

1. The main purpose of the registered user provisions was to avoid the invalidation of a registered trade mark as a registered mark. It followed from this that any attempt to obtain registration as a user in order to obtain the advantages conferred upon registered users by the Act should not be allowed. It also followed, by implication, that the *Bostitch* line of cases did not apply in Australia.
2. In addition, registration could only be permitted where it was intended that the mark would be 'used' by the registered user and this 'use' required that the goods be manufactured by the proposed user or, at very least, that they be physically marked by him.

These will now be considered in turn.

(a) *The Effect of Registration*

Here Aickin J. spent some time reviewing the line of cases since *Bowden* and, in particular, the effect of registration. While strictly this was not necessary for the immediate disposition of the case,⁷⁰ nonetheless his comments are of great importance in relation to the future development of our law in this area as this represents the first occasion on which these questions have received detailed judicial consideration in Australia.

Aickin J. started by saying that, while at one time it may have been thought that the effect of the *Bowden Case* was that the licensing of a

⁶⁹ Id. at 51-2.

⁷⁰ As the Registrar had conceded that his proposed endorsement could not be imposed:
Id.

trade mark placed its registration in jeopardy, in his view subsequent cases had

demonstrated that all that that case decided was that if a registered trade mark is licensed it may become invalid if it ceases to show a connexion in the course of trade with the registered proprietor or otherwise becomes deceptive.⁷¹

In one sense this is a slightly inaccurate statement: as explained above, this decision is best explained on the basis that the parties' conduct amounted to an impermissible part assignment of a trade mark without its accompanying business goodwill. Nevertheless, as this ground of objection disappeared with the 1938 U.K. amendments and as the licensed use in that case was certainly misleading, Aickin J.'s description of its effect is apt enough.

His Honour then went on to discuss and approve of the *Bostitch* decision, citing in support the judgments of Cross J. in *British Petroleum Co. Ltd. v. European Petroleum Distributors Ltd.*⁷² and Graham J. and the Court of Appeal in the *G.E. Case*.⁷³ While the present case did not depend directly on the application of these cases, he commented that the views expressed therein as to the nature and effect of trade mark licensing were fundamental to determining the issues before him. Moreover, as the English and Australian provisions were so similar there was no reason to depart from the *Bostitch* line of cases.⁷⁴ The only Australian case in this area, and one which at first sight might appear inconsistent, was *Heublein*⁷⁵, but this was not really so. Because of the unequivocal statements as to origin and manufacture contained within the four corners of the mark in that case, the proposed user, and indeed any proposed user, would have caused a material deception as to the real connexion between the proposed registered user and the registered proprietor of the mark.⁷⁶ In Aickin J.'s view, the relevant principles of law applicable in Australia could be stated as follows:

These cases demonstrate that the essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connection in the course of trade with the registered proprietor, even though the connection may be slight, such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary. Use by either the registered pro-

⁷¹ *Id.* at 53.

⁷² (1968) R.P.C. 54.

⁷³ (1969) R.P.C. 418, per Graham J.; (1970) R.P.C. 339, per Court of Appeal.

⁷⁴ *Pioneer*, supra n. 55, at 54.

⁷⁵ 103 C.L.R. 435.

⁷⁶ *Pioneer*, supra n. 55, at 54-5.

prietor or a licensee (whether registered or otherwise) will protect the mark from attack on the ground of non-user, but it is essential both that the user maintains the connection of the registered proprietor with the goods and that the use of the mark does not become otherwise deceptive. Conversely, registration of a registered user will not save the mark if there ceases to be the relevant connection in the course of trade with the proprietor or the mark otherwise becomes deceptive.⁷⁷

Registration of a user, however, did confer certain advantages to both registered proprietor and registered user. For instance, s.77 was of benefit to the registered proprietor in respect of removal from the register because of non-user while s.78 benefitted the registered user by enabling him to sue for infringement. In addition, the registered user was given the right to invoke the procedure under s.103 along with the registered proprietor. In Aickin J.'s view, as the Act conferred these advantages, there was nothing wrong in a party applying for registration as a user in order to obtain and make use of some or all of these rights. The purposes of the Trade Marks Act could not be undermined by parties seeking to use their statutory powers.⁷⁸

While Aickin J.'s conclusions on these issues may have been quite predictable, given the clear line of English authority on them, they are nonetheless of great importance as providing a clear statement that henceforth these decisions should be followed in Australia. Nevertheless, several comments must be made in relation to the passage quoted above from his judgment. The first of these is his assertion that the control exercised by a parent company over a subsidiary suffices for the purpose of maintaining a 'connexion in the course of trade' between a trade mark owner and the goods in respect of which the mark is used by his licensee. There is, perhaps, some support for this to be found in the facts of the *Radiation*⁷⁹ and even the *G.E. Case*,⁸⁰ but it should be pointed out that in those cases the degree of control maintained by parent over subsidiary was quite high and that this fact was emphasised by the judges in both cases.⁸¹ Furthermore, Aickin J. makes no reference to an earlier High Court decision to the contrary, *Farmer & Co. Ltd. v. Anthony Hordern & Sons Ltd.*⁸² This case involved an application under s.23 of the Trade Marks Act 1955 for the removal of the respon-

⁷⁷ *Id.* at 55.

⁷⁸ *Id.*

⁷⁹ (1930) 47 R.P.C. 37.

⁸⁰ (1969) R.P.C. 418; (1970) R.P.C. 339 (Court of Appeal).

⁸¹ *Radiation*, *supra* n. 79, at 44; *G.E.*, *supra* n. 73, at 355-9 per Graham J.; per Cross L.J. (Court of Appeal).

⁸² 112 C.L.R. 163.

dent's mark "Young Miss Sydney" from the register for non-use. While there had been no user of this mark during the relevant period, the respondent submitted that the court should exercise its discretion under s.33 to accept the approved use of an associated mark, "Miss Sydney", by the respondent 'as an equivalent for the use required to be proved'.⁸³ The only problem was that the use of the associated mark had not been by the respondent itself but by a subsidiary. Taylor J. was not prepared to accept this as use by the parent company as the companies operated virtually independently of each other. He contrasted this relationship with that which existed in the *Radiation Case*.⁸⁴

In that case the evidence showed that the applicant constantly exercised rights of selection as to what articles should be produced and sold by its associated companies and it maintained a testing establishment to ensure that approved manufacturing procedures and standards were observed and maintained and, treating "the question as a practical one", the Comptroller-General held that the mark in question was registrable upon the application of the applicant as, in effect, a "house mark" of the whole group of associated companies. But in the present case no equivalent circumstances are present. To all intents and purposes Horden Bros. Limited conducted its store as a completely separate undertaking notwithstanding the fact that in one of the many advertisements tendered in evidence it appears that it was described as an "Anthony Horderns Store". It may be that the respondent, as the sole shareholder, dictated the buying and selling policies of Horden Bros. Limited but in the public eye the use of the associated mark in that company's store during the relevant period was a use by Horden Bros. Limited in relation to goods which it had purchased or manufactured and it was, in no sense, used by the respondent or to indicate any connexion in the course of trade between the respondent and the goods upon which the mark was used.⁸⁵

Use by a subsidiary will frequently be of great practical importance and it is unfortunate that Aickin J. did not address himself to this point more fully. In view of the *Hordern Case*, it must be said that use of a mark by a subsidiary will not, by itself, be sufficient to show a connexion in the course of trade between the parent company which owns the mark and the goods in respect of which the mark is used by the subsidiary.

Some control by the parent over the way in which this is done will need to be shown and this must consist of something more than the simple fact of ownership — presumably some degree of control or super-

⁸³ 'Associated marks' are described in the Trade Marks Act 1955 (Cth.), s.36.

⁸⁴ *Radiation*, supra n. 79.

⁸⁵ 112 C.L.R. 163 at 167-8.

vision in respect of the quality or selection of the goods in respect of which the mark is used. Furthermore, as Taylor J. says in the *Anthony Hordern Case* (and this is consistent with *Bostitch*), the use must continue to show a public connexion between the goods and the registered proprietor.⁸⁶ A corollary to this is that Aickin J.'s comment that the 'connection in the course of trade may be slight' should be treated with caution. While it may be difficult to lay down any precise rules as to the level of association which a licensor should maintain with his licensee's goods, it should be noted that in all the English cases discussed above it was considerable whether by way of quality control or other types of supervision and this fact was emphasised by the court in each case.⁸⁷ This only seems sensible: if the central requirements of a licensing arrangement is that the licensed use maintains the licensor's connexion with the goods, the greater this association is, the less likely it is that the use will deceive or cause confusion.

Another comment in relation to the passage quoted from Aickin J.'s judgment concerns his statement that 'the use by either the registered proprietor or a licensee (whether registered or otherwise) will protect the mark from attack on the ground of non-user.' If this is to be taken at its face value, then it represents a revolutionary new proposition in trade mark law. It is one thing to say that an unregistered licensing of a mark will not lead to its invalidity as long as the use is not confusing or deceptive and the necessary trade connexion is maintained. It is quite another to say that an unregistered user will prevent a mark from becoming invalid through non-user. This proposition seems completely at variance with the wording of the Trade Marks Act. Thus, s.23, which deals with removal from the Register for non-user, refers explicitly to user by both registered proprietor or registered user. This is clearly confirmed by s.77(1) which provides that the permitted use of a trade mark by a permitted user is not to be used by any person other than the registered proprietor for the purposes of s.23 or, indeed, for any other provision of the Act to which use of a mark by a registered proprietor is material. There is no mention of the effect of unregistered use of a trade mark. Therefore, no basis is to be found in the Act for the proposition that use by an unregistered user will save a registered mark from attack on the ground of non-user. Furthermore, there is nothing in any of the decided cases to support such a view: indeed, in the *Bostitch Case*, Lloyd-Jacob J. in

⁸⁶ *Id.* at 168.

⁸⁷ For instance, *Radiation Trade Mark* (1930) 47 R.P.C. 37 at 43-4; *G.E. Trade Mark* (1969) R.P.C. 418 at 455-9, per Graham J. and (1970) R.P.C. 339 at 394, per Cross L.J.; *British Petroleum Co. Ltd. v. European Petroleum Distributors Ltd.* (1968) R.P.C. 54 at 63, per Cross J. See also *Weston Trade Mark* (1968) R.P.C. 167.

referring to the advantages of registration, pointed out that it had the effect of supplementing the registered proprietor's use of the mark, if any, and thus protected him from removal from the register on the ground of non-user.⁸⁸ Accordingly, Aickin J.'s *dictum* can only be supported on the basis that the unregistered use amounts to a use of the mark by the registered proprietor himself. If this is not the case, then the unregistered use will be irrelevant for the purposes of s.23.

There is a final general comment which needs to be made about His Honour's ready acceptance of the *Bostitch* line of cases. While this represents the first express approval given to them by an Australian court, it should be noted that his comments are strictly only *obiter*, as the issue of unregistered user did not arise on the facts before him. Nevertheless, it is submitted that the *Bostitch* cases should not be accepted into Australian law without further careful consideration. Under them, the effect of registration is simply that a registered user gains the additional advantages available under the Act in respect of such things as infringement proceedings and s.103 notices. Otherwise, the validity of the mark's registration is not threatened as long as the requisite trade connexion is maintained between proprietor and goods. If this is the case, then the register becomes an incomplete record of those who are authorised to use particular registered marks and the main value of a public register is therefore diminished. This may be of particular importance where consumers are concerned: they may wish to pursue a claim in respect of a defective product marketed by an unregistered user under a particular trade mark. In such a case, there may be no hint as to who the licensee is as there may be nothing in the use of the mark to indicate that the goods are in fact made by a licensee, and there will, of course, be no information about this on the register.⁸⁹ Accordingly, while as a matter of strict trade mark law it may be difficult to resist the logic of the *Bostitch Case*, it is submitted that there are sound practical and policy reasons for not following it. There would still be ample scope left for licensing, but this would all be done within the context of a registration system and there would be no doubts as to who was entitled to use a particular mark.

⁸⁸ *Bostitch*, supra n. 42, at 195.

⁸⁹ Note that if the claim is made under the Trade Practices Act 1974, the registered proprietor may be deemed to have 'manufactured' the goods if he can be brought within the ambit s.74A(2)(c). On the other hand, s.74A(3)(b) which specifically refers to corporations which cause or permit a mark to be applied to goods would not appear to be relevant as the goods must be supplied by the corporation, that is, the registered proprietor.

(b) *The Meaning of 'Use of a Trade Mark'*

The second main issue raised by the Registrar in his reasons concerned the meaning of the phrase 'use of a trade mark'. Before Aickin J., counsel for the Registrar argued that a 'permitted use' under the Act could only exist where the 'licensee of the trade mark' applied it to his own goods. This involved a number of associated propositions. Firstly, that the user must intend to use the mark as his own trade mark, and secondly, that use of the mark required the physical marking of the goods and, indeed, their manufacture in Australia by the registered user. In other words, Pioneer Australia would not be 'using the mark' in the sense required by the registered user provisions under the arrangements described in their application.⁹⁰ Underlying these arguments it is easy to see the same sort of policy considerations that prompted the Registrar's original proposed endorsement in relation to s.103. Nevertheless, they were not without some basis in the Act.

It will be seen that the Registrar's first proposition involved an apparent contradiction of the *Bostitch* line of cases: to argue that the registered user's use must be such as to indicate a connexion with him (the registered user) to the exclusion of the registered proprietor is to negate the holdings in those cases that the licensed use, whether registered or not, must not mislead or deceive as to the registered proprietor's trade connexion with the goods. Nevertheless, it should be noted that these cases were only concerned with the effect of unregistered use and the main issue in them therefore was whether the unregistered use was sufficient to maintain the registered proprietor's connexion with the goods. If this was not so, then clearly the licensed use would be deceptive and lead to the invalidity of the mark on the basis that it no longer distinguished the registered proprietor's connexion with the goods in respect of which it was used.⁹¹ Nevertheless, as mentioned above, the position with respect to registered users is arguably different: the definition under s.6(1) refers to a connexion in the course of a trade with either registered proprietor or registered user. There would appear to be nothing in this which requires the registered user to use the mark in such a way as to maintain a trade connexion with the registered proprietor, although it is perhaps going too far to argue, as did the Registrar, that this means that the registered use must be to the exclusion of any reference to the registered proprietor. On the other hand, where an unregistered user is concerned, the only relevant con-

⁹⁰ Pioneer, *supra* n. 55, at 55-6.

⁹¹ See Trade Marks Act 1955 (Cth.), ss.22, 28 (rectification proceedings where the mark has become deceptive.)

nexion which can be maintained is that with the registered proprietor. Aickin J., however, was not prepared to accept that the positions of a registered user and unregistered licensee were different in this respect. In his view, the references to the registered proprietor or a registered user in s.6(1) were not mutually exclusive alternatives. Furthermore, they could not be read as indicating that a mark could be used by a registered user without a connexion being maintained between the goods and the registered proprietor:

The use by a registered user may properly indicate a connection both with the registered user and the registered proprietor, including a connection which does not distinguish between them. This must follow from the fact that the use need not indicate the identity of either the registered proprietor or the registered user. If the mark is used merely to indicate a connection with some unidentified person who has the right to use the mark it must indicate a connection with both the proprietor and the user, as it would if it indicated the identity of both by the use of, eg., a label displaying the mark and stating "Manufactured by A Ltd. under licence from B Ltd." or "Processed by ABC (Aust.) Pty. Ltd. under licence from ABC Ltd".

If the requirement is that the registered user can only obtain registration if he intends to use and does use the registered proprietor's mark on his own goods so as to demonstrate a connection between those goods and himself alone, then the provisions will produce the very kind of confusion which was sought to be avoided. It is essential to the preservation of the validity of the mark and its registration that there must be a connection with the registered proprietor. To say that the user must deny that connection and conduct his business in a manner so as to deny or conceal that connection is contrary to the whole purpose of the legislation. That proposition suggests that only deceptive use is to be permitted, a proposition which needs only to be stated to demonstrate that it cannot be supported.⁹²

As a result, wherever a registered user uses a registered trade mark, whatever else he does, his use must maintain a connexion in the course of trade between the goods and the registered proprietor of the mark. A similar conclusion has also recently been reached by the Federal Court of Canada in respect of the analogous provisions of the Canadian Trade Marks Act.⁹³ As a matter of strict logic, there is some force behind this, at least where unregistered use of a mark is concerned. Registration of a

⁹² *Id.* at 57.

⁹³ *Offl Trade Mark* (1979) F.S.R. 243 at 250-1, per Jaccett C.J., Urie and Ryan J.J. concurring. On appeal to the Supreme Court of Canada—see Addendum *infra*.

trade mark confers the exclusive right to use the mark and therefore the registered proprietor, in licensing others to use it, should be vigilant to ensure that it does not lose its exclusive trade connexion with him, even though it may be permissible for this connexion to be maintained by a licensee. Thus, in the case of an unregistered user, if the licensed use appears to be that of the licensee rather than that of the trade mark owner, this makes the registered mark vulnerable to rectification proceedings on the ground that it has become deceptive or confusing.

On the other hand, is such an approach necessary where a registered user is concerned? It is submitted that Aickin J.'s interpretation of s.6(1) is too restrictive in equating the use made of a mark by a registered user with that made by an unregistered one. What this section and the registered user provisions indicate is that the trade connexion necessary for the maintenance of a registered mark is extended in the case of a registered user. It is sufficient if a connexion is maintained between the goods and some person having the right to use the mark whether as proprietor or as registered user. In other words, the registered user's use of the mark is assimilated to that of the registered proprietor, and this is supported by s.77(1) which deems the registered user's use to be that of the registered proprietor. Accordingly, there can be no confusion or deception if a registered user uses a mark so as to maintain a connexion with himself rather than the registered proprietor: in doing so, he does nothing inconsistent with the registration of the mark. It is therefore submitted that further consideration needs to be given to Aickin J.'s holding on this point, although of course it has the strong support of the *Bostitch* line of cases behind it.

Nevertheless, even if Aickin J.'s conclusion is accepted, another question still needs to be considered. If it is unnecessary that the use of a mark by a registered user should indicate the latter's connexion with the goods, this may lead to confusion or deception at another level. Purchasers of goods made and marked by a registered user are usually more concerned with the immediate origin of these goods rather than the more remote connexion of the registered proprietor. Yet there may be nothing in the use of the mark to indicate that the goods are put on the market by a registered user. While this may not be such a problem as in the case of an unregistered licensee of a mark, there may still be confusion or deception to the public if they are unaware of the fact that the goods are made and marked by a registered user or otherwise pass through the latter's hands. In such a case, it is submitted that the proper and most accurate way to use the mark is to do so with a clear reference to both registered proprietor and registered user. It is to be regretted that Aickin J. did not refer to this point in his judgment.

In relation to the Registrar's other submissions on the meaning of 'use of a mark', Aickin J.'s conclusions are less clear. There are two related problems here. Firstly, what association must the licensee have with the goods in respect of which the mark is used and, secondly, what actual use of the mark must be made by the licensee?

As to the Registrar's original contention that the proposed user should manufacture the goods in respect of which the mark was to be used, there was no support for this to be found in the Act or in any of the authorities dealing with the meaning of 'connexion in the course of trade'. In this context, it is sufficient to refer to the *Aristoc*⁹⁴ and *Bostitch Cases*,⁹⁵ as well as s.103 which refers to a registered proprietor or registered user who is 'a manufacturer, dealer, trader or person providing a service in Australia'. Accordingly, Aickin J.'s conclusion on this issue was inevitable: he held that there was no ground to distinguish between registered proprietors and registered users in this respect and this point was ultimately conceded by counsel for the Registrar.⁹⁶ However, the latter modified his argument by submitting that a permitted user under the Act could only exist where the licensee applied the mark to 'its own goods, not being goods of the registered proprietor to which it has already applied the mark', although it did not matter whether the licensee manufactured, selected or simply marketed the goods.⁹⁷ A distinction was suggested between the former types of use, which were called 'genuine (or true) trade mark licences', and 'exclusive distributorships', where presumably the goods originated from and were marked by the registered proprietor.⁹⁸ Underlying this argument, it is easy to see a similar approach to that discussed above, namely that a licensee must intend to use the mark as if it were his own. For the same reasons, Aickin J. rejected this contention, holding that the use made by Pioneer Australia of the marks was sufficient for the purposes of the registered user provisions. It is important to note what this use was: there was substantial importation of Pioneer Japan goods with marks already affixed to them or their outer casing, but it also appeared that Pioneer Australia itself applied the marks to the goods so imported by affixing or attaching labels or swing tickets bearing printed representations of them and by packing the goods in such a way as to display the marks on the packaging materials. In addition, the company used the mark in its advertising and on its commercial documents. In Aickin J.'s view, these

⁹⁴ (1945) A.C. 68.

⁹⁵ (1963) R.P.C. 183.

⁹⁶ Pioneer, *supra* n. 55, at 56.

⁹⁷ Id. at 55-6.

⁹⁸ Id. at 56.

types of use were sufficient: the goods need not be those of Pioneer Australia nor must the latter show an intention to manufacture either the goods or their components in the immediate or near future.⁹⁹

On the particular facts of the case, there may be little argument with these conclusions. There is, however, a further aspect of His Honour's judgment which requires careful consideration. This relates to the second issue mentioned above, namely, the actual use of the mark which must be made by the licensee. It will be remembered that the Registrar argued that the 'physical marking' of the goods was required. It is not exactly clear what was comprehended by this term, but in relation to the radio equipment involved in the present case it was submitted that the mark would have to be placed on some essential part of the goods, for example, to the circuitry or some other inner part as opposed to the outer casing or packaging.¹⁰⁰ The argument became almost metaphysical at this point with its attempted distinction between form and essence. Nevertheless, there was no support for it to be found in the wording of s.6(2)(b), which provides that 'references to the use of a mark in relation to goods shall be construed as references to the use of the mark upon, or in physical or other relation to, goods'. Furthermore, as a matter of commonsense, the submission was difficult to sustain because there are many goods, for instance, liquids and other fungibles, which cannot be 'physically marked' in this way. Again, there are goods which are too small to have a mark directly applied to them. In Aickin J.'s view, therefore, a mark could be used in relation to goods

where there is simply a label tied on to them or attached to the outside of the goods. Indeed, to place a word or device mark on some small part of an elaborate piece of equipment where it would not be seen in the course of ordinary use may well not amount to use of the mark at all, as in the case of a mark too small to be seen.¹⁰¹

In the end, this was accepted by counsel for the Registrar who conceded that there were 'modes of using a mark other than physically marking the goods themselves'.¹⁰² However, while this may have sufficed to dispose of the Registrar's immediate objection to Pioneer Australia's registration, there are several later passages in his judgment which indicate that Aickin J. took a much wider view as to what amounted to use of a mark by a licensee. The first of these appears in the course of dealing with the Registrar's basic contention that the use of a mark by a registered user must appear to be that of the user rather than the pro-

⁹⁹ Id. at 56-7.

¹⁰⁰ Id. at 55-6.

¹⁰¹ Id.

¹⁰² Id. at 57.

prietor. While this has already been discussed above, Aickin J. also made the following comments in relation to it:

It is not merely because the Act deems the use by the registered user of the registered proprietor's mark to be a use by the registered proprietor, but the whole object of the legislation is that the registered user is entitled to use the registered proprietor's mark. It does not appear to me to make any difference whether he uses it on goods manufactured overseas by the registered proprietor by affixing labels, advertising and the like, or by selecting those goods and selling them with the marks on them in Australia as well as by advertising them, displaying them with the marks either originally placed on them or those placed on or attached to the goods or the advertising material by the licensee.¹⁰³

This would appear to indicate that the use of the mark on labels and packaging may not even be necessary where registration as a registered user is sought: use in advertisements or even simply displaying the goods for sale with the marks already attached (by the registered proprietor) may be sufficient for this purpose. At a later point in his judgment, Aickin J. returned to this question and was more specific. This was in relation to yet another submission by the Registrar to the effect that no use by a licensee occurred where the latter was simply a retailer who imported goods already bearing the mark into Australia and then sold them.¹⁰⁴ In support of this, counsel for the Registrar cited *Estex Clothing Manufacturers Pty. Ltd. v. Ellis and Goldstein*.¹⁰⁵ In this case, the English owner of an Australian trade mark had sold goods bearing the mark to Australian retailers in England and the latter had then exported them to Australia. The goods, still bearing the mark, were then offered for sale and sold in Australia by the retailers. On an application for expungement of the mark on the ground of non-user, Windeyer J. held that the English manufacturer had still 'used' the mark in Australia although it had not entered into any transaction within Australia and property in the goods had passed in England. In his view, a trade mark did not cease to be used by the registered proprietor in this situation: as long as the goods were in the course of trade, the mark was used by him in the sense that it was indicative of their origin, that is, as his products.¹⁰⁶ This was upheld on appeal by the Full High Court.¹⁰⁷ Counsel for the Registrar in the *Pioneer Case* argued that it followed from this decision that a retailer who sold such imported goods did not

¹⁰³ *Id.*

¹⁰⁴ *Id.* at 58.

¹⁰⁵ 116 C.L.R. 254.

¹⁰⁶ *Id.* at 266-7 per Windeyer J.

¹⁰⁷ *Id.* at 270.

'use' the mark even though it constituted 'use' by the foreign registered proprietor. In such circumstances, therefore, a 'distributor' of goods imported from overseas did not use a mark which was already on the goods.¹⁰⁸

Aickin J., however, did not accept this contention. While it was unnecessary in the *Estex Case* to consider whether or not the retailer had also used the mark, he had no doubt that

if the retailer had on the same basis imported goods other than those of the registered proprietor but bearing its mark, he would have used the mark by infringing it.¹⁰⁹

In support of this proposition, he referred to the earlier High Court decision of *W. D. & H. O. Wills (Aust.) Ltd. v. Rothmans Ltd.*¹¹⁰ This had also concerned an application for removal on the ground of non-user and again the use alleged was by way of sale and importation. However, the sale had occurred in the U.S.A. and the purchaser had simply imported the goods for personal consumption. The Full High Court held that no use of the trade marks had occurred within the relevant period because the goods had no longer been within the course of trade when they entered Australia. However, in its joint judgment, the Court commented that had the purchasers attempted to resell the goods instead of consuming them, this would have been sufficient use of the mark to make them liable to be sued for infringement.¹¹¹ On the basis of these cases, therefore, Aickin J. concluded that Pioneer Australia would have used the Pioneer marks if it had done nothing more than simply import and sell the goods of Pioneer Japan with the marks already affixed to them.¹¹²

In actual fact, of course, Pioneer Australia had done more than this: they had applied the marks to labels and swing tickets attached to the imported goods, as well as on their packaging, and in their advertising and promotional material. His Honour's comments on this point, therefore, are only *obiter*, but if they represent the law they indicate that only a minimal degree of 'use' is required by a person seeking registration as a registered user: such a person need do no more than import and retail goods already marked by his overseas registered proprietor. It will be noted that this has the effect of making the meaning of the phrase 'use of a mark' the same in relation to both s.23 and the registered user pro-

¹⁰⁸ Pioneer, supra n. 55, at 58.

¹⁰⁹ Id. at 59.

¹¹⁰ 92 C.L.R. 131, per Fullager J.; 94 C.L.R. 182 (Full Court).

¹¹¹ Id. at 188.

¹¹² Pioneer, supra n. 55, at 59.

visions. But if Aickin J. is right, and the importation for sale of goods already marked is sufficient use of the mark for a registered user arrangement, what is the position if the importer is not a registered user or otherwise licensed to use the mark? Would this constitute an infringing use of the mark? According to Aickin J.'s view of the *Estex Case*, it would seem logical to assume that it must be:¹¹³ otherwise there would be no reason for the importer to seek registration as a registered user. However while it seems clear that it is an infringement of a registered mark to import for sale goods not being those of the registered proprietor and bearing the latter's mark, it is less clear that this is the case where the goods are in fact those of the registered proprietor. An analogous situation would be where the registered proprietor sold the goods within Australia to wholesalers and retailers; it would be difficult to argue that these persons would infringe his mark simply by reselling or even by advertising the goods for sale. Under s.62 of the Act (the principal provision dealing with infringement), the essence of infringement is the use of a registered mark (or one substantially identical with or deceptively similar to it) in the course of trade in relation to any goods or services in respect of which the mark is registered. However, where the goods are those of the registered proprietor and the mark has been applied by the latter, any 'use' of the mark in subsequent dealings with those goods can only properly be called that of the registered proprietor himself. This, indeed, is the whole point of the *Estex* decision and was expressly confirmed on appeal in that case by the Full Court, which stated that no relevant use of the mark by the retailer had occurred.¹¹⁴ To argue that the retailer or importer must have the licence of the registered proprietor to sell or otherwise deal with goods bearing the latter's mark would be to grant to trade mark owners rights in relation to the way in which their goods are subsequently handled and distributed. Such rights are in no way essential to the maintenance of a registered proprietor's trade connexion with his goods and Anglo-Australian law has traditionally been opposed to such an extension of rights.¹¹⁵

It is therefore submitted that Aickin J.'s approach to the type of use which is necessary for a registered user agreement would have some unfortunate consequences if taken as far as suggested by his last *obiter*

¹¹³ Wills, *supra* n. 110. Here the goods were imported from the U.S. proprietor of the 'Pall Mall' marks and the only connexion of the Australian proprietor with these transactions was a royalty payment and an acknowledgement that the goods were imported with its assent.

¹¹⁴ *Estex*, *supra* n. 105, at 271.

¹¹⁵ See, for instance, *Champagne Heidsieck et Cie. Monopole Societe Anonyme v. Bixton* (1930) 47 R.P.C. 28 at 34, per Clauson J. See also the section on s.103 *infra*.

comments. It would considerably extend the concept of infringement, and would enable trade mark owners to set up exclusive chains of distribution for their goods, an option which may be readily taken up if s.103 receives amendment in the near future.¹¹⁶ What is needed in this area, then, is a thorough revision of those sections of the Act to which 'use of a trade mark' is material and a clearer description of what constitutes 'use' in each case. On principle, the approach of the High Court in *Estex* to the question of 'use' by a registered proprietor seems correct. On the other hand, it needs to be made clear that retailers or importers who resell or import for sale goods bearing a registered proprietor's marks do not infringe these marks where the goods are those of the latter (or of a registered user). However, where the goods are not those of the registered proprietor and the marks have not been applied by way of permitted user and therefore infringe, provisions analogous to those found in the Copyright Act 1968 dealing with the sale, possession for sale or importation for sale of such goods would help to clarify the law¹¹⁷—although there is probably little doubt that persons engaged in such activities are presently liable for infringement. Finally, where registered users are concerned, it should be made clear that their 'use' must be something more than simply dealing with the registered proprietor's goods by way of resale or commercial distribution. In other words, their 'use' must be something distinct from that of the registered proprietor. The most obvious instance of this would be where the licensee applies the mark to goods of his own. On the other hand, where the goods are received by the intending registered user from the registered proprietor and already bear the latter's mark, the question becomes more difficult: at what stage can it be said that the 'use of the mark' ceases to be that of the registered proprietor and becomes that of the registered user? In this regard, a compromise may be necessary and it is suggested that the actual use of the Pioneer marks made by Pioneer Australia in the instant case is the bare minimum of 'use' which should be allowed for this purpose, that is, the application of the mark to labels, swing tickets and packaging. On the other hand, use of the mark in advertising or promotional material should not be enough, because this is something which is done in the normal course of resale and commercial distribution and, therefore, should not require licensing as long as it is done in relation to goods emanating from the registered proprietor of the mark.

¹¹⁶ See the section on desirable changes to s.103 below.

¹¹⁷ Copyright Act 1968 (Cth.), ss.37, 38.

The Rights of a Trade Mark Owner in Relation to the Distribution of Goods bearing his Mark

It will be clear that one of the effects of the successful appeal by Pioneer Australia was to enable that company, through the use of s.103, to exercise a considerable degree of control over the way in which goods bearing the Pioneer marks were brought into Australia and distributed here. Quite apart from the question of whether this attracts the operation of other legislation such as the Trade Practices Act—which must, unfortunately, be left aside here—it is appropriate to consider whether s.103 needs amendment or even repeal. More fundamentally, it poses the question of whether such a power to prevent parallel imports and to control distribution is consistent with the rationale of trade mark protection.

Section 103, as it presently stands, is open to criticism on a number of grounds. Firstly, while it enables the registered proprietor or registered user of a mark to require the seizure of goods bearing infringing marks, it clearly goes much further than this. After the recent High Court decision in *Textile House Pty. Ltd. v. Carmody*,¹¹⁸ there can be little doubt that the only conditions which must be fulfilled before the section can be invoked are that the goods be manufactured outside Australia, have applied to them a mark substantially identical to one registered in Australia, and that the registered proprietor or registered user thereof gives notice to the Controller-General objecting to their importation.¹¹⁹ Accordingly, while many of these goods will bear marks that infringe an Australian registered mark, there will be others which do not. For instance, in order for infringement to occur, it appears that the importation must be for the purpose of sale or some other commercial dealing in Australia.¹²⁰ On the other hand, if the importation is for the purposes of private use or consumption, it is doubtful that any infringement occurs, as the goods are no longer in the course of trade and no one is deceived or confused thereby.¹²¹ Again, where the goods have been made and marked and sold overseas by the registered proprietor himself and are then imported into Australia, it seems unlikely that these marks would infringe the Australian registered mark: under the *Estex Case*, it seems clear that any 'use' of the mark which occurs in such a case is that of the

¹¹⁸ (1976) 9 A.L.R. 58.

¹¹⁹ *Id.* at 61, per Barwick C.J.; Gibbs, Stephen, Mason, Jacobs and Murphy J.J. concurring. See also the Note on this case by A. C. King Q.C., now King J. of the Supreme Court of Victoria, in (1976) *A.L.J.* 467.

¹²⁰ *Dunlop Rubber Co. Ltd. v. A. A. Booth* (1926) 43 R.P.C. 139; see also *W. D. & H. O. Wills (Australia) Ltd. v. Rothmans Ltd.* 94 C.L.R. 182 at 188.

¹²¹ *W. D. & H. O. Wills*, *supra* n. 110, at 188.

registered proprietor and no one else. On the other hand, there are other situations where it is less clear if infringement has occurred. For instance:

- (i) where the registered proprietor is the same person in both countries but has appointed exclusive registered users for each, and goods made and marked by one registered user are imported into the other country.
- (ii) where goods are imported into this country which have been made and marked abroad by a foreign company, which is related to or otherwise associated with the Australian registered proprietor or registered user.
- (iii) where the goods are made and marked abroad by a foreign company which is unrelated to the Australian registered proprietor or registered user, and which may or may not be the lawful owner of the mark in that country.

In the last case, there is clear authority in the English case of *Dunlop Rubber Co. Ltd. v. A. A. Booth*¹²² that the importation of such goods is an infringement of the local registered mark. There can be little doubt about the correctness of this, as the mark has been applied without the permission of either the registered proprietor or registered user. It is also arguable that a similar conclusion follows in the first and second cases. In the first, the registered proprietor has contracted with his respective registered users that each will have the exclusive right to use the mark within a given national territory. Thus, where goods marked by one registered user are imported into the territory of the other, it can be said that they are infringing marks in that they have not been applied by or with the assent of the person entitled to the exclusive use of the mark in that country, that is, the other exclusive registered user. The same can also be said with even more force in relation to the second case, that is, where different (though related) persons own and use the mark in each country. It is probably realistic to say that in both of these cases an Australian court would hold that the marks infringe.

Nevertheless, there are good grounds for arguing that in these last two situations infringement should not be held to occur. It is first necessary to make a basic assumption about the purpose of trade mark protection. This is that a mark is intended to act as an indication of the origin of the goods to which it has been applied. This certainly was the traditional view of trade mark protection and there are numerous affir-

¹²² (1926) 43 R.P.C. 139.

mations of it to be found in the cases.¹²³ Accordingly, as a matter of principle, the rights of a trade mark owner should not extend beyond what is necessary for the maintenance of the mark as an indication of the latter's trade connexion with the goods in respect of which it is used.¹²⁴ Therefore, where a mark which is identical or similar to one registered in Australia is applied to goods made overseas by a person who is related to or associated in some way with the Australian registered proprietor or registered user, it seems artificial to treat these goods, if imported into Australia, as coming from a different trade source. In such a case, no real deception or confusion occurs to Australian purchasers of such goods and therefore no action for infringement at the behest of the local registered proprietor or registered user should lie. A similar approach to this is to be found in the E.E.C., where the European Court has tended to regard related trade mark owners in different member countries as a common economic unit.¹²⁵ Likewise, in its celebrated Report on Intellectual Property in 1971, the Economic Council of Canada concluded that the availability of infringement actions in these type of situations resulted in unnecessary costs in terms of adverse effects on efficient resource allocation within the Canadian economy.¹²⁶ Its recommendations were that the right to sue for infringement in relation to imported goods bearing marks either identical or sufficiently similar to ones already registered in Canada should be retained, but with two 'very significant exceptions'. The first of these was where the goods were marked by a related company—that is, 'members of a group of two or more companies one of which, directly or indirectly, owns or controls a majority of the issued voting stock of the others'. The second was where the Canadian trade mark owner was linked, either directly or indirectly, to unrelated overseas companies

¹²³ Eg., see *Singer Manufacturing Co. v. Loog* (1880) L.R. 18 C.D. 395 at 412; *Edwards v. Dennis* (1884) L.R. 30 C.D. 454 at 478; *How v. Hart* L. R. (1905) 1 K.B. 592 at 593-4; *Aristoc Ltd. v. Rysta Ltd.* (1945) A.C. 68 at 89-93; *The Shell Co. of Australia Ltd. v. Esso Standard Oil (Australia) Ltd.* 109 C.L.R. 407 at 425; *Heublein Inc. v. Continental Liqueurs Pty. Ltd.* 103 C.L.R. 435 at 450-1; *Pioneer*, op. cit. at 55. See also *London Armoury Co. Ltd. v. Ever Ready Co. Ltd.* (1941) 1 K.B. 742.

¹²⁴ The clearest expression of this is to be found in the judgment of Clauson J. in *Champagne Heidsieck et Cie. Monopole Societe Anonyme v. Buxton* (1930) 47 R.P.C. 28 at 34.

¹²⁵ Two general doctrines have been developed by the European Court, namely the doctrines of 'common origin' and 'exhaustion of rights'. See generally, the *Grundig Case* (1964) 3 C.M.L.R. 489; the *Sirena Case* (1971) 10 C.M.L.R. 260; the *Hag Case* (1974) 2 C.M.L.R. 127; the two *Centrafarm Cases* (1974) 2 C.M.L.R. 480; *E.M.I. Records Ltd. v. CBS United Kingdom Ltd.* (1975) 1 C.M.L.R. 285, per Graham J., (1976) 2 C.M.L.R. 235, European Court of Justice. See also Beier, (1970) *International Review of Industrial Property and Copyright Law*, 48 ff.

¹²⁶ Economic Council of Canada, *Report on Intellectual and Industrial Property* (1971).

through licensing agreements.¹²⁷ It is submitted that, both as a matter of principle and policy, these proposals represent the best approach to the issue of infringement where imported goods are concerned. Nevertheless, in the absence of clear authority or statutory direction, the position in Australia is uncertain, although it has been suggested above that such marks would probably be held to infringe.

However, there is no such uncertainty where s.103 is concerned: it clearly applies irrespective of whether the marks infringe an Australian registered mark. Because it enables the registered proprietor or registered user thereof to stop imported goods at the Customs threshold, it therefore provides an extremely effective means of protecting Australian trade mark owners and their licensees against competition from foreign imports.

Section 103 also has another area of operation. It will be noted that it appears in the middle of Part XIII of the Act rather than in close proximity to the provisions dealing with infringement. This Part is headed 'The Protection of Trade Marks', and is essentially concerned with the prevention of certain fraudulent dealings with registered trade marks. Thus, its principal provision, s.98, lays down heavy criminal penalties for forging or falsely applying a registered mark.¹²⁸ Under s.106(1), a person is deemed to forge a mark if he makes a registered mark without the assent of the registered proprietor or registered user or the authority of the Act or if he falsifies a registered mark, whether by alteration, addition, effacement or otherwise. By s.107(4), it is provided that a mark is deemed to be 'falsely applied' where it is used in respect of goods or services without the assent of the registered proprietor or registered user or the authority of the Act.¹²⁹ Under s.99, lesser penalties are imposed on those who sell goods bearing such marks,¹³⁰ while s.100 extends liability to those importing such goods.¹³¹ Finally, under s.102 it is an offence to aid and abet in the commission of an act outside Australia which would be an offence under the Act if committed in this country.¹³² While knowledge is required for ss.100 and 102,¹³³ the other offences put the onus of proof on the defendant to show that he

¹²⁷ *Id.* at 205.

¹²⁸ Under s.98(1), the penalty is imprisonment for three years.

¹²⁹ Under s.104(5), there is a similar provision as to the burden of proof in respect of proving the assent of the registered proprietor etc.

¹³⁰ The penalty here is only \$200: s.99(1).

¹³¹ The penalty here is the same as for s.99.

¹³² The penalty here is the same as under ss.99 and 100. Cf. the penalties under ss.87-9 of the 1905 Act: these were exactly the same, that is, £100.

¹³³ For instance, under s.100, a person must not 'knowingly import' such goods into Australia.

acted without intent to defraud.¹³⁴ It will be seen that these offences overlap considerably with a registered proprietor's private rights in relation to infringement. However, it should be noted that they have a wider area of operation: infringement proceedings can only be taken in respect of goods or services in respect of which the mark is registered,¹³⁵ whereas offences under Part XIII are not so confined. In addition, under the wording of s.107(4), it would seem that a mark will be deemed to be falsely applied even where it is applied to goods manufactured and marketed overseas by some person who is related to the Australian registered proprietor or registered user. Thus, where such goods are imported into Australia, the importer will be guilty of an offence under s.100. Nevertheless, in such circumstances, it may be asked whether such an application is 'false' in the sense that a fraudulent or deceptive intention lies behind it. This point will be taken up below.

Given that s.103 appears in the middle of Part XIII, it would be logical to assume that it was intended, at least originally, to operate only in respect of goods bearing marks which were forged or falsely applied. That is, that it should supply a backup procedure to aid in the enforcement of the other substantive provisions of Part XIII.¹³⁶ However, as was seen with infringing marks, it does more than this, and this was confirmed by the recent *Textile House Case*¹³⁷ where the Full High Court expressly rejected a submission that s.103(1) was only concerned with 'improper marks', that is, marks which were forged or falsely applied.¹³⁸ Thus, where goods are made and marked overseas by the Australian registered proprietor himself and then imported into the country by other parties, the section will still be available to prevent this happening, although the marks would not otherwise infringe or contravene the other provisions of Part XIII. Absurd results can also occur where a non-exclusive registered user is concerned. For instance, if it is the registered proprietor himself who is bringing in the goods, the former could require that the goods be seized even though the latter is his licensor. Likewise, if there are several non-exclusive registered users, one could

¹³⁴ Ss.98(2) and 99(2).

¹³⁵ S.62(1).

¹³⁶ This was the position under the predecessor to s.103 in the Trade Marks Act 1905 (Cth.): s.90(1) (a) of this Act prohibited importation and empowered seizure on importation of all goods bearing forged or falsely applied marks. Para. (b) went slightly further than this in that it prohibited the importation of all goods manufactured at any place outside Australia and having applied to them any trade mark of any manufacturer, dealer or trader in Australia, unless the trade mark was accompanied by a definite indication of the country in which the goods were made or produced. Nevertheless, s.90(a) and (b) were clearly more narrowly defined than the present s.103.

¹³⁷ (1976) 9 A.L.R. 58.

¹³⁸ *Id.* at 60.

use the section against another or perhaps all could do the same in respect of the others.¹³⁹

It will therefore be clear from what has been said above that s.103 has a number of effects which are not immediately or apparently related to the objectives of the Trade Marks Act as a whole. In so far as it is possible to discern a policy behind the section, it seems directed at the protection of Australian businesses against foreign competition rather than the protection of registered trade marks per se. On the other hand, as can be seen in the *Pioneer Case*, it can have the contrary effect of discouraging local manufacture where the registered proprietor is located overseas. If the latter can invoke s.103 to ensure that no one other than itself or a local registered user can import its marked goods, there may be no reason to set up production in Australia, particularly if it can keep its prices high enough to offset the impact of governmental tariff policies. Thus, where the foreign company can engage in large scale manufacture abroad, perhaps with lower labour costs and other advantages, s.103 may provide an effective means of securing and maintaining an assured Australian outlet. As a result, it will be seen that the section promotes several conflicting policies which would be more appropriately dealt with under other legislation, such as that dealing with customs, industries assistance and trade practices.

Any fundamental revision of s.103, therefore, needs to be done in the context of the Trade Marks Act as a whole. At a minimum, this should be directed at confining the operation of the section to imported goods which bear either infringing marks or marks which are forged or falsely applied. Nevertheless, an important prior question is whether the section has any positive value at all, and whether or not it should be repealed altogether. It is submitted that within its proper limits it does have a useful role to play in the protection of registered trade marks. As far as infringing trade marks are concerned, it provides a speedy and efficient means of stopping goods before they pass into commercial circulation within the country. If infringement proceedings had to be relied upon, this might entail considerable time and expense before satisfactory proof could be obtained. During this time, however, the goods might be circulating and doing considerable damage to the registered mark, particularly if they were of defective or inferior quality.

¹³⁹ *Report of the Interdepartmental Committee Report on Section 103 of the Trade Marks Act 1955-1973* (1976), which is discussed in more detail below, makes a number of other criticisms of s.103, pp. 10-12. For instance, it is noted that the section may be invoked without warning and this may have serious consumer-consequences on established, and 'possibly economically significant', importing ventures. In addition, it can be invoked selectively against some importers but not others.

Furthermore, in so far as the Act is concerned in Part XIII to make criminal certain fraudulent dealings with registered marks, s.103 provides a swift means of preventing the entry of goods bearing such marks into the country. In addition, by making it the registered proprietor or registered user who alone can invoke the machinery under the section, it puts the initiative for enforcement into the hands of those persons who are most likely to be vigilant about forgeries and false applications of their marks.

Nevertheless, to confine s.103 to infringing and forged or falsely applied marks obviously does not resolve all the difficulties outlined above, particularly in relation to parallel imports. It also needs to be asked whether or not the provisions dealing with infringement and the meanings of 'forgery' and 'falsely applied' require change. The best way of approaching these questions is to go back to fundamentals: what is, or should be, the proper basis of trade mark protection? It was suggested above that traditionally the emphasis has always been upon a trade mark as an indication of the origin of the goods (or services) in respect of which it is used. If this is accepted, then the next question is whether or not a trade mark owner's rights necessarily carry with them any power to control or influence the subsequent distribution of goods bearing his mark once he has placed them on the market and parted with his proprietary rights therein. It seems clear, both on principle and authority, that they do not, and the reason for this is clear enough: once goods bearing a particular mark are put on the market by the registered proprietor or his licensee, they still serve to distinguish his goods from those of other traders. It is only when the latter begin to apply marks which are substantially identical or deceptively similar to their own goods or services that deception or confusion is likely to arise. Accordingly, it is in no way essential to the preservation of a mark's distinctiveness that the registered proprietor thereof is able to control what subsequently happens to his goods once they leave his control. However, as pointed out above, there is some uncertainty as to what the position is where goods are imported bearing marks substantially identical to ones registered here, where those marks have been applied overseas by some person who is related to or associated with the registered proprietor or registered user in some way. To put the position beyond doubt, it is submitted that s.62 requires amendment to make it clear that in such circumstances the marks do not infringe. For the sake of symmetry, a similar change to s.107(4) would also be necessary so that such marks would not be deemed to be 'falsely applied' for the purposes of Part XIII. If the essence of liability under this Part is that there should be some kind of fraudulent dealing with a registered mark, it is hard to see what is 'false'

about the application of a mark in such circumstances. If it does not deceive or cause confusion for the purposes of infringement, it should be treated as having been applied with the assent of the registered proprietor or registered user for the purposes of s.107(4).¹⁴⁰ Accordingly, no offence under ss.100 or 102 would occur where goods were imported bearing marks applied overseas by a person who is related to or associated with the Australian registered proprietor or registered user in some way. It should also be specified, in both ss.62 and 107(4), that the terms 'related to' and 'associated with' indicate the necessity for there to be some sort of proprietary or contractual connexion between the parties, as outlined in the proposals of the Economic Council of Canada in its Report on Intellectual and Industrial Property in 1971. These amendments, then, would ensure that s.103 could no longer be used to extend the rights of trade mark owners in relation to the importation and distribution of goods bearing marks substantially identical to their own where these have been applied and the goods first put on the market in another country by persons associated with them. On the other hand, the section would still be available to assist in the maintenance and protection of registered marks as indications of origin where goods bearing 'genuinely' infringing or forged or falsely applied marks entered the country.

A final desirable amendment to both ss.62 and 107(4) would be to provide that where the importation is for private use and not for any commercial purpose, this should not amount to infringement or be deemed to be 'falsely applied'. As noted above, it is probably unlikely that this amounts to infringement, although it would probably come within the meaning of s.107(4). This suggested amendment would put the matter beyond doubt.

¹⁴⁰ More fundamentally, there is a need for a complete review of all the provisions of Part XIII. While it may be accepted that there should be some criminal liability for forging a mark, what types of activities does this word cover? It may be that there is no objection to saying that a mark is forged where someone applies a registered mark which consists of a device or specially printed word to their goods or services, even though these may be quite different from those in respect of which the mark is registered. But can the same be said of the case where the registered mark consists simply of a word, such as 'Holden' in respect of automobiles, and goods of a totally different nature are sold or imported bearing the same mark? More importantly, if intention to defraud is an important element in the offences under s.98 and 99, at least by way of affirmative defence, what does the word 'defraud' mean? Does it simply mean that there must be an intention to make or use the mark without the permission of the registered proprietor or registered user, or does it mean that it is necessary to prove some additional element such as an intention to deceive the public or to damage the registered proprietor's goodwill? These questions deserve careful consideration as indeed does the overall question of whether or not criminal liability in this area is justifiable in the first place.

At this stage, it should be noted that there has recently been some governmental consideration given to the amendment of s.103 by an Inter-Departmental Committee which reported in mid-1976,¹⁴¹ shortly before the decision in the *Pioneer Case*. Its recommendations have been circulated for comment and it is likely that the section will receive amendment. Unfortunately, the Committee's proposals do not extend beyond s.103 and thus no consideration is given to the wider issues of infringement and Part XIII. In the Committee's view, a registered proprietor or registered user of a trade mark registered in Australia who is a manufacturer, dealer or trader in Australia should be able to give notice to the Controller-General of Customs objecting to the importation of a particular consignment of goods manufactured overseas and bearing the identical or substantially identical trade mark, on the ground that the use of the mark in relation to the goods within Australia would infringe his right to use the mark.¹⁴²

A number of criticisms, both major and minor, can be made about this recommendation. The most serious relates to the requirement that the ground for objection be that 'the use of the mark in relation to the goods within Australia would infringe the rights of the registered proprietor to use the mark'. This wording is derived from the equivalent provision of the U.K. Trade Marks Act,¹⁴³ but it should be noted that the definition of infringement is different in that Act.¹⁴⁴ In the context of ours, however, its meaning is uncertain. For instance, it does not specify by whom the use of the mark must be: is it use by the importer himself or by a person who subsequently deals with the goods in Australia? Nor is it clear what sort of use is necessary: is it the actual use that the importer makes of the mark after importation or is it the subsequent use by some other person?¹⁴⁵ If it is intended to tie the provision to infringement, the most sensible approach is to ask whether the actual importation amounts to infringement. As noted above, there will be some situations in which this is not (or should not be) the case, for instance, where the importation is for private use, or where the marks have been applied overseas by a person related to or associated with the Australian registered proprietor or registered user.

¹⁴¹ *Report of the Interdepartmental Committee on Section 103 of the Trade Marks Act 1955-1973* (1976) (unpublished).

¹⁴² *Id.* at 29-30.

¹⁴³ Trade Marks Act 1938 (U.K.), s.64A, aided by s.17 of the Trade Descriptions Act 1968 (U.K.). s.16 of the Merchandise Marks Act 1887 (U.K.) previously contained a similar, but wider, provision.

¹⁴⁴ Trade Marks Act 1938 (U.K.), s.4.

¹⁴⁵ These criticisms are also made by the authors of a Law Council of Australia submission on the Interdepartmental Report: the text of their submission was kindly supplied to the author by Mr D. Walsh of Mallesons, Solicitors, Melbourne.

In addition, it may be asked whether the requirement that objection must be to a particular shipment of goods is too restrictive. If enacted, it would reverse one of the principal holdings of the *Textile House Case*.¹⁴⁶ It has therefore been criticised on the ground that it would make s.103 of little practical value. It is said, with some force, that the registered proprietor or registered user of a mark is not usually in a position to know the exact time and place of arrival of a consignment of infringing goods: his knowledge only comes after they have arrived and may already be on the market.¹⁴⁷ On the other hand, the power to give a blanket notice may work against the stated aims of s.103, as it might also include goods which did not infringe, as for instance where goods were manufactured and marked in a foreign country by the Australian proprietor himself. While this is clearly a possibility, on balance the first view seems preferable from a practical point of view. Perhaps the best solution here is to ensure that there is a speedy and efficient procedure for the release of any non-infringing goods if they are seized by mistake, and to place the burden of proof in this respect on the registered proprietor or registered user to prove that the goods do in fact infringe. In relation to this last point, it should be noted that while the Committee recommends such a procedure, it does not make it clear on whom the burden of proof in relation to the issue of infringement rests.¹⁴⁸

As a result, it is to be hoped that the Committee's proposals are thoroughly reconsidered before being enacted into legislation. In particular, changes to s.103 should not be considered in isolation from the other provisions of Part XIII, the meaning of infringement, and a fundamental reappraisal of the purpose of trade mark protection. Central to this should be an examination of the extent to which a trade mark owner should be able to control the subsequent distribution of goods bearing his mark once he places them on the market either in this country or in another through the agency of a party related to or associated with him.

CONCLUSIONS

The purpose of this article has been to examine some of the implications of the recent decision of Aickin J. in *Pioneer Electronics Corporation v. The Registrar of Trade Marks*.

¹⁴⁶ (1976) 9 A.L.R. 58 at 62.

¹⁴⁷ Ryan, D. J., 'Developments in the Field of Trade Mark Protection in Australia in the last Ten Years' (1978) *Review and Bulletin of the International Federation of Patent Agents* (Bulletin No. 30, August), 62 at 65.

¹⁴⁸ Interdepartmental Report, *supra* n. 141, at 29-30.

Essentially, we have been concerned with three issues:

- (i) the status of unregistered trade mark licences and the effect of registration as a registered user;
- (ii) the type of use necessary for a registered user agreement; and
- (iii) the rationale for trade mark protection, particularly in relation imported goods.

In relation to the first two of these, Aickin J. made a number of holdings which are of great importance for the future development of Australian trade marks law. Central to His Honour's approach was his acceptance (although only by way of *obiter*) of the English *Bostitch* line of cases as being applicable in Australia. Accordingly, the unregistered licensing of a mark was not fatal to a mark's validity so long as a sufficient connexion in the course of trade between the goods and registered proprietor was maintained. The effect of the registered user provisions therefore was only to confer additional advantages upon registrants in respect of such things as infringement actions and s.103 notices. While this conclusion is consistent with the definition of a mark in s.6(1) of the Act, and there is nothing in the latter to indicate that registration of a user arrangement is necessary, it was suggested that this has the unfortunate consequence of undermining the chief value of a public register as a comprehensive record of all those who own and are authorised to use marks.

Other consequences also flow from Aickin J.'s adoption of the *Bostitch* line of cases. In his view, it was essential that the licensed use, whether registered or not, show a trade connexion with the registered proprietor: it was not sufficient if a connexion with the registered user alone was maintained. Again, it was argued that this conclusion did not automatically follow, despite its basis in the *Bostitch* cases. This was because the definition of a mark in s.6(1) seems clearly to contemplate that it is sufficient if a trade connexion with a registered user, as a person entitled to use the mark, is maintained. It was also suggested that even if His Honour's conclusion on this point was accepted, it was undesirable from the point of view of consumers if a licensed use of a trade mark could be made without any reference at all to the fact that it was by a licensee or registered user.

Of greater significance, perhaps, were His Honour's conclusions on the type of use needed by Pioneer Australia as a proposed registered user: in his view, it would be sufficient if the latter simply imported and sold Pioneer Japan goods with the marks already attached. While this was strictly *obiter*, it was argued that if it represents the law, it would result in a very considerable extension to the meanings of infringement

and licensing. It was also suggested that there was no basis for it to be found in the Act or in any of the cases decided under it and that the phrase 'use of a trade mark' bears a different meaning according to the context in which it appears. Accordingly, it was wrong to equate what was 'use' by a registered proprietor for the purposes of s.23 with the 'use' required by a registered user or for the infringement provisions. It was therefore suggested that what was needed here were amendments to the Trade Marks Act to clarify the meaning of 'use' in relation to each of these different activities.

In the last part of the article, a more general issue was considered, namely the proper rationale for trade mark protection, particularly in relation to imported goods and s.103. It was suggested that one of the more unfortunate outcomes of the *Pioneer Case* was that Pioneer Australia could now henceforth use s.103 to prevent parallel importations of Pioneer Japan goods. It was therefore argued that s.103 stood in urgent need of amendment and that this necessitated a fundamental re-consideration of the proper basis for trade mark protection. It was argued that this should be confined to the maintenance of marks as indications of origin, and that care should be taken to ensure that trade mark owners were not given additional powers in relation to the way in which goods bearing their marks were distributed and marketed once they had left their control. Accordingly, it was argued that as s.103 clearly went beyond this purpose, it should be limited to goods bearing either marks which infringed a locally registered mark or marks which were forged or falsely applied under the provisions of Part XIII. It was also suggested that there was a need to clarify the meanings of these terms so that marks on imported goods would not infringe or be deemed to be forged or falsely applied where they had been applied overseas by a person who was related to or associated with the Australian registered proprietor or registered user in some way.

It will thus be seen that Aickin J.'s judgment raises many fundamental issues on the licensing and use of trade marks and the general basis for trade mark protection. What this article has tried to do is to show that many of His Honour's conclusions on these were not inevitable and that convincing arguments can be made to the contrary. In other words, the Registrar's submissions contained much that was preferable both from a legal and policy point of view. Nevertheless, it will be clear that this area of law is full of uncertainties that require legislative clarification. What the *Pioneer* decision points to, then, is the need for an urgent and far-reaching revision of the Trade Marks Act in relation to the issues of use, licensing, infringement and the rights of trade mark owners in general.

fashion by courts concerned only with the particular problem in hand, and without any real attention being devoted to the question of relatives' rights as a coherent whole. Doctrine built up in this way is of course typical of the common law, and need not have unsatisfactory results—but in this area some anomalies do exist, and it is submitted that the rule in *Best v. Samuel Fox*³ is one such. Both the English Law Commission, in its 1973 Report on the assessment of damages in personal injury cases,⁴ and the Pearson Commission in its much wider-ranging Report on Civil Liability and Compensation for Personal Injury, issued in 1978,⁵ pointed out anomalies in this area and recommended reforms, which will be mentioned in due course.

The method of proceeding will therefore be as follows. In the first part of the article, we will examine the general question of relatives' rights in personal injury cases—first the general rule and then the 'exceptions' to it, concluding with a comparative survey which reveals the striking diversity of attitudes to this problem. Then, in the second part of the article, having outlined the context in which the discussion is to take place, we devote specific attention to *Best v. Samuel Fox*.⁶

RELATIVES' RIGHTS GENERALLY

As already indicated, we are concerned with the rights of persons who are affected in some way by an accident resulting in the death of, or injury to, a person whom we will usually refer to as the primary accident victim. These persons will normally be members of the victim's family, hence the use of the description 'relatives' rights', but there can of course be cases where there is no family relationship—or at least no legitimate one—and yet exactly the same losses are suffered. The description should at least serve to exclude other cases with which we are not concerned—cases where one person suffers loss as the result of an accident to another because there is a *commercial* relationship between them.⁷

An accident may affect persons other than the primary accident victim in various ways. First, such persons may suffer financially. The most

³ [1952] A.C. 716.

⁴ Law Com. No. 56, *Report on Personal Injury Litigation—Assessment of Damages* (1973).

⁵ Royal Commission on Civil Liability and Compensation for Personal Injury, *Report*, (1978) Cmnd. 7054.

⁶ [1952] A.C. 716.

⁷ e.g. *Société Anonyme v. Bennett* [1911] 1 K.B. 243, *Cattle v. Stockton Waterworks* (1875) L.R. 10 Q.B. 453, *Weller v. Foot and Mouth Disease Research Institute* [1966] 1 Q.B. 569, *French Knit Sales v. Gould* [1972] 2 N.S.W.L.R. 132. See Fleming, *Law of Torts*, 5th ed. (1977), at 170-172.

ADDENDUM

Certain events of some significance to the topics discussed in this article have occurred since it was written. Although at this late stage it has not been possible, for editorial reasons, to incorporate any discussion of them in the paper itself, they are listed here for sake of completeness.

The first is the decision of the Supreme Court of Canada in *S. C. Johnson Ltd. et al. v. Marketing International Ltd.* (1979) 44 C.P.R. (2d.) 16 ('OFF' Trade Mark) wherein the decision of the Federal Court of Appeal was reversed. The second is the decision of the English Court of Appeal in *Revlon Inc. v. Cripps & Lee Ltd.* (1980) F.S.R.85. Both of these provide support for the arguments put by the author in the article in relation to the meaning of 'use of a trade mark' by a registered user, infringement and parallel imports.

The third matter is of even greater importance. The Industrial Property Advisory Committee has just finished its report on s.103 of the *Trade Marks Act* (1955) (Cth.) and has submitted this to the Minister of Science for his consideration. It is expected that appropriate amendments will soon be made to the *Trade Marks Act* as a result of this report. However, at the time of writing it had not yet been published.