

TRADE MARKS ACT 1995

DECISION OF A DELEGATE OF THE REGISTRAR OF TRADE MARKS WITH REASONS

Re: Opposition by HARD COFFEE PTY LIMITED to registration of trade mark applications 1199357(30), 1199358(43), 1200636(43) and 1200637(30) – **HARDCOFFEE MAIN BEACH** and **HARDCOFFEE** – filed in the name of HARD COFFEE MAIN BEACH PTY LIMITED.

DELEGATE:	Don Nancarrow
REPRESENTATION:	This is a decision on the written record
DECISION:	2009 ATMO 26 s.52 opposition – s.62A – all four applications made in ‘bad faith’ – Director of applicant company also a Director of a company which had previously purchased a coffee shop from the opponent with an agreement that the opponent retained the rights in HARD COFFEE intellectual property. Ground made out. Costs – awarded against the applicant.

Background

1. Hard Coffee Main Beach Pty Limited (‘the applicant’) filed two applications in respect of the trade mark HARDCOFFEE MAIN BEACH on 17 September 2007 and a further two applications in respect of HARDCOFFEE on 25 September 2007. The earlier applications were advertised as accepted in the *Official Journal of Trade Marks* (‘the Journal’) of 17 January 2008 whilst the later applications reached the same point one week later.
2. Registration of all four applications was opposed by Hard Coffee Pty Limited (‘the opponent’) by means of Notices of Opposition that each claimed grounds under sections 58, 43 and 62A of the *Trade Marks Act 1995* (‘the Act’). In due course the opponent served evidence in support of the oppositions consisting of two declarations. The first of the declarations, accompanied by exhibits ‘MJF-1’ to ‘MJF-14’ inclusive and made on 24 May 2008, is from Michael John Fewster, a Director of the opponent company (‘M Fewster declaration’). The second declaration, accompanied by exhibits ‘RMF-1’ and ‘RMF-2’ and made on 1 July 2008, is from Richard Michael Fewster, also a Director of the opponent company (‘R Fewster declaration’). The applicant served no evidence in any of the four opposition matters. The opponent, through its legal representative, filed written submissions to support its case but the applicant

chose to remain silent. The oppositions have now been directed to me for decision pursuant to section 55.

The Evidence

3. This evidence goes to show that the opponent (or its predecessor in title) set up a series of coffee shops in Queensland using the HARD COFFEE trade mark from as early as 19 November 1996. The first such shop was at Main Beach on the Gold Coast. Other coffee shops were opened at Broadbeach (1998) and in Brisbane at 344 Queen Street (1999), at 25 Mary Street (2001) and at 261 Queen Street (2002) followed by a shop at Noosa (2003) and another one in Brisbane at 40 Creek Street (2003).
4. Over the years some of these businesses were sold. One of these, the coffee shop at Noosa, negotiated a licence from the vendor (the opponent here) to use the name HARD COFFEE BEACH CAFÉ. The evidence (¶18 and ¶19 of M Fewster and exhibits MJF-12 and MJF-13) shows that in another of the sales, to M B Raymond & Co Pty Limited on 25 June 2004, for the Main Beach venue, such a licence was not negotiated.
5. Exhibit 'MJF-12' is a copy of a document for the sale of the Main Beach business headed 'Contract Business Sale' which was entered into on 25 June 2004. At Schedule E of that contract there are some 'Special Conditions' of purchase. Item 2 of Schedule E reads:

2. Business Name and Intellectual Property

2.1 The Purchaser acknowledges and agrees it is not purchasing any right, title or interest in the business names, Hard Coffee or Hard Coffee Main Beach (or any other business names owned by the Vendor).

2.2 The Vendor will retain all right, title and interest in the business names referred to in Special Condition 2.1 and all intellectual property relating to such names and "Hard Coffee".

6. In support of that statement made in the contract above is a copy of a 'Supply Agreement' (exhibit 'MJF-13'), signed on 7 July 2004, in relation to the Main Beach sale, which at clause 2.7 reads:

The customer acknowledges that nothing in this Agreement gives the Customer¹ any title or proprietary interest in the Hard Coffee Signage or any associated intellectual property. The Supplier will retain the ownership of such at all times. In addition, the Customer will not be entitled to trade under the Hard Coffee name or any similar name.

7. The applicant for registration is 'Hard Coffee Main Beach Pty Limited'. Exhibit MJF-14 provides a copy of the records of the *Australian Securities and Investments Commission* ('ASIC') for this company. I note that the Director and Secretary is Mr. Montague Benjamin Raymond.

Ground under section 62A

8. This ground of opposition has been introduced only recently into the Act. It applies to all trade marks **accepted** on or after 23 October 2006² (unlike the amended ground under section 60 which applies to all applications **filed**³ on or after that date).
9. The legislation reads:

62A Application made in bad faith

The registration of a trade mark may be opposed on the ground that the application was made in bad faith.

10. The Act provides no guidance as to the meaning of the term 'bad faith'. The *Explanatory Memorandum* to the *Amendment Act* simply says that the new ground has been introduced to cater for situations (among others) 'in which a person has deliberately set out to gain registration of a trade mark, or adopted a trade mark in bad faith.' Such a statement is neither a definition nor an explanation of bad faith.
11. For an assessment of 'bad faith' as it applies to such a situation it would appear that there would need to be an element of intentional dishonesty or a deliberate attempt to mislead the Registrar in some way in the claim made by means of the application. In circumstances where an applicant claims that the application was not made in bad faith but, rather, as a result of its own ignorance or naivety, then the evidence would need to show that the circumstances were such that the 'reasonable man' standing in

¹ 'Customer' here is the purchaser – M. B. Raymond & Co Pty Limited.

² See Item 36 (the application provision) of the *Trade Marks Amendment Act 2006* ('the Amendment Act').

³ *Apple Computer Inc. v Todaytech Group Limited* [2007] ATMO 40 at ¶47.

the shoes of the applicant, should be aware that he ought not to apply for trade mark registration.

12. The onus of demonstrating ‘bad faith’ falls squarely on the party making such an allegation with the need for evidence able to fulfil the degree of proof required to satisfy the civil standard of ‘balance of probabilities’. That said, the allegation of ‘bad faith’ is a very serious one and a finding of bad faith should not be taken lightly. I note comments from a variety of jurisdictions in support of both propositions. (*Colonial Bank of Australasia v Willan* (1874) LR 5 PC 417, in which the Privy Council at 450 held that the wrong-doing must be ‘clear and manifest’; *R v Muirhead*; *Ex parte Attorney-General (SA)* [1942] SASR 226 (FC), Angus Parsons J at 230 (it must be ‘quite clear’ that fraud has occurred); *Rejtek v McElroy* (1965) 112 CLR 517; 39 ALJR 177, the High Court at 521 (CLR); *R v DC of Berri*; *Ex parte Eudunda Farmers Co-op Society Ltd* (1982) 31 SASR 342 (FC), Wells J at 353 (onus of persuasion in alleging bad faith is ‘not light’); *Wentworth v Rogers [No 5]* (1986) 6 NSWLR 534 (CA), Kirby P (for the Court) at 538 (allegations must be established by a ‘strict proof’); *Minister Administering Crown Lands (Consolidation) Act & Western Lands Act v Tweed Byron Aboriginal Land Council* (1990) 71 LGRA 201 (CA NSW), the Court at 204–205).
13. Thus far I am not aware of any Trade Marks Office decisions issued in which this opposition ground has been established. There has been one case⁴ involving a discussion of ‘a lack of good faith’ and ‘of bad faith’ (prior to the availability of section 62A) that involved a ground of opposition under section 60. In that decision, at 439, Hearing Officer Thompson observed:

The decisions of the Australian Courts make it quite clear that when considering the reputation of a trade mark on the one hand and the actual or future use by another person of the same trade mark on the other, the element of use in ‘bad faith’ is a strong factor. Bad faith goes strongly to the questions of substantial identity, deceptive similarity and deception and confusion. I stress that, in stating this, I am not applying law as relates to infringement or passing-off. As it appears that ‘bad faith’, where it arises, is a necessary element in consideration of the issues under section 60, I can - and indeed must - consider it in relation to that section.

The delegate continues, also at 439:

⁴ *Hugo Boss AG v Jackson International Trading Co Kurt D Bruhl GmbH & Co KG* (1999) 47 IPR 423

There is, in evidence, a copy of the label used on the side of the drink container marketed by Bruhl Austria or its directly associated company. I think that it is almost inconceivable that Bruhl Austria could have coined the trade mark without the Hugo Boss trade marks in mind. Bruhl Austria's silence on its reasons for adopting the trade mark while it was still a distributor of Hugo Boss goods, when it could have addressed the issue of bad faith, is eloquent.

I think that the circumstances of the adoption of the Bruhl Austria trade mark and the very close resemblance between how Bruhl Austria has rendered its trade mark and prior rendering of the BOSS component of the Hugo Boss trade marks, coupled with the past questionable use of the trade mark in a manner which is deceptive and confusing, raise considerable doubt as to the 'good faith' of Bruhl Austria.

14. One strong factor that Hearing Officer Thompson highlighted was that the applicant chose to be silent on the reasons for adopting the trade mark while it was still a distributor of the opponent's goods. That silence, the delegate observed, went toward a failure to address the issue of 'bad faith'.
15. In the present matter the opponent's business in Main Beach was sold to M B Raymond & Co Pty Limited with a Sale Contract dated 25 June 2004. Subsequently, on 7 July 2004, a Supply Agreement was signed on behalf of the purchaser by M B Raymond, a Director of that company. Neither the Sale Contract nor the Supply Agreement gave rights 'in the Hard Coffee signage or any associated intellectual property' to the purchaser – and expressly provided to the contrary. This is made clear at clause 2.1 and 2.2 of the Sale Contract (quoted in ¶5 above). I have no doubt that Mr. Raymond, as a signatory of the document on behalf of the purchaser, understood that the trade mark HARD COFFEE remained the property of the opponent in respect of coffee shops. Such a clear understanding is further apparent in the variation of this agreement (initialed by both parties at clause 2.1) that allowed the purchaser use of the Hard Coffee signage on the store until 31 January 2005 to provide sufficient time to change the signage without a need to close the business to do so.
16. The four applications that are the subjects of this written decision have Hard Coffee Main Beach Pty Limited as the applicant and were filed in September 2007. Exhibit 'MJF-14' is a copy of the ASIC records for this company. These records identify Montague Benjamin Raymond as both Director and Secretary of the applicant company.

17. Putting the information from the two preceding paragraphs together it is apparent that Mr. Raymond agreed to (or, at least, agreed not to challenge) the stated position of the opponent that it owned the Hard Coffee (and Hard Coffee Main Beach) intellectual property in respect of coffee shop services by signing the Sale Agreement when purchasing the coffee shop business in 2004. Specifically, the agreement, when referring to the intellectual property involving the HARD COFFEE trade mark, states:

The Vendor will retain all right, title and interest in the business names referred to in Special Condition 2.1 and all intellectual property relating to such names and “Hard Coffee”.

18. This circumstance placed some responsibility on Mr. Raymond, at the time that a decision was made in September 2007, not to make the four presently opposed applications. It is clear from the evidence that the opponent continued to trade using the HARD COFFEE trade mark (either at its own locations or by third party purchasers operating under licence) at other locations in Queensland. Mr. Raymond, in signing the Sale Agreement for the coffee shop business in 2004 made agreement that the opponent is the owner of the intellectual property for HARD COFFEE and HARD COFFEE MAIN BEACH for such a business operation. Given that Mr. Raymond was a Director of both M B Raymond Pty Limited (at the date of purchase of the Main Beach coffee shop in 2004) and of Hard Coffee Main Beach Pty Limited at the time the four applications here were made in 2007 – it must reasonably be concluded that the present applications were made in the knowledge of the Sale Agreement and therefore made in the face of rights that Mr. Raymond had previously acknowledged.

19. In stating that the opponent has already established rights I refer to the opponent’s evidence that shows that the opponent has used the HARD COFFEE trade mark in respect of coffee shop services (including the sale of various foods and other drinks) from as early as 19 November 1996⁵. The opposed trade mark applications have specifications of either a list of beverages (including coffee drinks) and goods to make such beverages in class 30 or a range of catering, coffee shop and food services in class 43. Such goods and services provide an obvious link with those in which the opponent’s businesses deal. The trade marks which are presently opposed are

⁵ This evidence would enable the opponent to establish the ground of opposition under section 58 in respect of application number 1200636.

HARDCOFFEE and HARDCOFFEE MAIN BEACH. Had I been required to do so I would have found HARDCOFFEE to be substantially identical with the opponent's HARD COFFEE trade mark and HARDCOFFEE MAIN BEACH to be deceptively similar to the opponent's mark.

20. In dealing with a claim that the application has been made in 'bad faith' there is no formal requirement for the opponent to use a similar trade mark. It may be possible for an application to be made on the basis of 'bad faith' that can be established by some other means. However, where an opponent alleges 'bad faith' in that the applicant is attempting to appropriate its trade mark (and reputation in that mark) I accept that the 'conflicting' trade marks would need to be sufficiently similar to produce deception or confusion for the purchasing public in a similar manner to that assessed under section 44 of the Act (whether the opponent's trade mark is on the Register or not). The present circumstances meet such a standard – all four opposed trade marks are at least deceptively similar to the opponent's HARD COFFEE trade mark and the specifications of the goods and services in the applications are goods and services dealt with in the course of trade of the stores and shops of the opponent.
21. The opponent has met its onus to establish a case and I believe that such an explanation of the circumstances shifts the onus to the applicant to provide an answer.
22. I note that despite being on notice that the ground of 'bad faith' was listed in the Notices of Opposition, followed by the evidence in support being served on it, the applicant has chosen not to challenge or dispute the evidence in any way. Such silence, as Hearing Officer Thompson observed in *Hugo Boss v Jackson International*, above, goes toward a failure to address the issue of 'bad faith'.
23. In the present matter the strength of the opponent's evidence establishes that these applications were made in bad faith and, in my opinion, the evidence places an onus on the applicant to respond. The failure to do so simply strengthens the opponent's case. In the particular facts of the current case I consider that the reasonable man in the applicant's position should have considered himself constrained from applying for the four presently opposed trade marks on the basis of the previous dealings (including the Contract of Sale of the Main Beach coffee shop) between the opponent and the Director of the applicant company.

24. From the foregoing, I find that these four applications were made in bad faith.
25. Having found in favour of the opponent in terms of section 62A there is no need for me to discuss the other grounds set out in the Notices of Opposition although these grounds or any others in the Act may also be relied on in the event of an appeal of this decision.

Decision

26. For all four applications dealt with here the opponent has established a ground of opposition in terms of section 62A of the Act and I refuse to register all four applications, those numbered 1199357 and 1199358 for the trade mark HARDCOFFEE MAIN BEACH and those numbered 1200636 and 1200637 for the trade mark HARDCOFFEE.

Costs

27. The opponent has claimed its costs in these four matters. All four opposition matters had common evidence and this being the case I award costs against the applicant in terms of Schedule 8 of the *Trade Marks Regulations 1995* in the following way⁶:
 - Full costs, as per scale, for filing the Notices of Opposition for all four matters,
 - full costs, as per scale, for the evidence in support of the opposition to application 1199357, and
 - at 20% of scale for the evidence in support for the remaining three oppositions.

Don Nancarrow
Hearing Officer
Trade Marks Hearings
1 April 2009

⁶ *Hume Industries (Malaysia) Berhad v James Hardie & Coy Pty Ltd* (2001) 53 IPR 591