



## TRADE MARKS ACT 1955

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

Re: Opposition by Sporoptic Pouilloux S.A. to the registration of trade mark application A570162(9)

Trade mark application A570162 has been lodged by Arnet Optic Illusions Inc, of 1055 North Main Street, Suite 922, Santa Ana, California, USA. The trade mark consists of the words **ARNET OPTIC ILLUSIONS** represented in the following form.



The mark was accepted for registration in respect of all goods in International Class 9 and with specific mention of *sunglasses, sunglass components and goggles*. On 29 July 1993, the acceptance was advertised in the *Official Journal of Trade Marks* and, on 27 October 1993, Sporoptic Pouilloux S.A. of 28 rue Boissy-D'Anglas, Paris, France, (hereafter Sporoptic) gave notice of its opposition. Evidence was served by both sides, and the matter then came to a hearing before me in Canberra on 20 June 1995. The opponent, Sporoptic, was represented by Mr David Catterns QC, assisted by Ms Sophy Goddard of Counsel. The applicant, Arnet Optic Illusions Inc. (hereafter Arnet) was represented by Dr John Emmerson QC assisted by Mr B. Kearns of Counsel.

The evidence from the parties consists of a number of declarations - 6 from Sporoptic, and 18 from Arnet - and, as Mr Catterns pointed out, they largely fall into four categories - those from traders, those from customers, those from language specialists, and those from people associated with the parties who attest to the history and the use of the respective marks. Sporoptic served two such history of use declarations: one from its company president, Joseph Hatchiguian, one from Jim Jannard, the president of a Californian corporation called Oakley Inc (hereafter Oakley). Arnet served two history of use declarations: one is from Gregory Arnette, the president of the applicant corporation, one from Jim Christopher Lazarides, the managing director of Hydrovision Pty Ltd, a company that distributes Arnet products in Australia, New Zealand and Asia.

The declaratory evidence from Mr Hatchiguian and Mr Jannard is largely denied in evidence from Mr Lazarides and Mr Arnette. In agreement, however, is the following. For many years Sporoptic has maintained a steady and highly regarded trade in sunglasses. Its sunglasses are marketed under the trade mark **VUARNET** and have enjoyed a notable world position at the higher end of the market, most particularly through the 1970s and 1980s. Sporoptic has used **VUARNET** on sunglasses in France since 1942, on the world market since 1960 and in the Australian market since 1972. The world-wide sales of **VUARNET** products are very substantial, the Australian sales are impressive. In 1984 Mr Arnette, now president of Arnet, commenced work with Oakley. Oakley manufactures sunglasses, and here he worked in association with Mr Jannard. In 1991 Mr Arnette left this employment and set up his own sunglasses manufacturing company, since when he has been in direct competition with Oakley. Litigation relating to claims of unsettled debts ensued and, as Mr Catterns put it, a deal of bad blood arose between Mr Arnette and his former employer. The applicant, Arnet, introduced its range of **ARNET** sunglasses into the Australian market in 1992, and over the three years to 1994, has developed a strong and growing local trade.

The notice of opposition to the registration of the Arnet trade mark nominates a wide range of grounds, but Mr Catterns made clear that the grounds relied on concern only two sections of the Trade Marks Act. The first ground is that by virtue of Sporoptic's trade mark registration A374207, **VUARNET**, section 33 of the Trade Marks Act precludes this application from registration. The second is that as a consequence of Sporoptic's registered trade mark **VUARNET** and the use and goodwill developed in respect of that mark, the subject mark is likely to deceive or cause confusion, and that the provisions of paragraph 28(a) prohibit registration. Further, in relation to the paragraph 28(a), Sporoptic submits that the Registrar's practice as followed in *Titan Manufacturing Company Pty Ltd v John Terrence Coyne* 22 IPR 613 - the *TITAN decision* - is wrong, and that *Murray Goulburn Co-operative Co. Limited v The New South Wales Dairy Corporation* (1991) 171 CLR 613 - the *MOO/MOOVE case* - in the majority, does not find that paragraph 28(a) is governed by paragraph 28(d). This would mean that at application, the notion of blameworthy action does not constitute a mandatory requirement for a finding under paragraph 28(a). In the alternative, Sporoptic submits that Arnet, conduct should be held to be blameworthy.

### **The section 33 ground**

Section 33 of the Trade Marks Act constitutes an objection to the application for the subject mark if the mark is shown to be substantially identical with, or deceptively similar to, the mark **VUARNET**; and the goods of the two marks are the same goods or goods of the same description. **VUARNET** is registered in respect of *optical devices and instruments namely glasses, sunglasses, sport glasses, lenses, and frames* and these goods clearly come within the scope of the **ARNET** goods. The second leg of section 33 is thus satisfied and the question remaining is whether the applicant's mark, as represented on the first page of these reasons, and the mark **VUARNET**, are either substantially identical or deceptively similar. The test is the familiar one set out by Windeyer J in *The Shell Company of Australia Limited v Esso Standard Oil (Australia) Limited*, (1963) 109 CLR 407 at 414 and 415:

In considering whether marks are substantially identical they should, I think, be compared side by side, their similarities and differences noted and the importance of these assessed having regard to the essential features of the registered mark and the total impression of resemblance or dissimilarity that emerges from the comparison.

On the question of deceptive similarity, a different comparison must be made from that which is necessary when substantial identity is in question. The marks are not now to be looked at side by side. The issue is not abstract similarity, but deceptive similarity. Therefore the comparison is the familiar one of trade mark law. It is between, on the one hand, the impression based on recollection of the plaintiff's mark that persons of ordinary intelligence and memory would have; and, on the other hand, the impressions that such persons would get from the defendant's [trade mark].

Deceptive similarity is defined under the Act at paragraph 6(3):

For the purposes of this Act, a trade mark shall be deemed to be deceptively similar to another trade mark if it so nearly resembles that other trade mark as to be likely to deceive or cause confusion.

### **Substantial Identity**

Comparing the marks side by side, the applicant's mark is clearly a representation of the word **ARNET** in a stylised format which distorts the letter 'A' into an incomplete triangular shape and distorts the letter 'E' by deleting the vertical element. The whole mark is underlined with the words **OPTIC ILLUSIONS**. The **VUARNET** trade mark, on the other hand, is the word simply presented; there is no distortion and no special style; there are no additional components. The words **ARNET** and **VUARNET** moreover, differ both in spelling, in length, in appearance, and in pronunciation. Considering the effect of these differences, I find that the words and the marks are not substantially identical.

### **Deceptive similarity**

The question of deceptive similarity involves a number of different and additional considerations. I am here to determine whether normal use of the trade mark **ARNET** in relation to the goods of the application, would be likely to cause deception and confusion in the face of Sporoptic's normal use of its trade mark **VUARNET**. As approved in *Cooper*

*Engineering Company Proprietary Limited v Sigmund Pumps Limited* (1952) 86 CLR 536 at 538: the criteria laid down in *The Matter of an Application by the Pianotist Company Ltd. for the Registration of a Trade Mark* [(1906) 23 RPC 774 at 777], and *Aristoc Ltd. v Rysta Ltd.*, (1945) AC 68 at p86, apply:

[Y]ou must take the two words. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the surrounding circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks. If, considering all those circumstances, you come to the conclusion that there will be confusion - that is to say, not necessarily that one man will be injured and the other will gain illicit benefit, but that there will be a confusion in the mind of the public which will lead to confusion in the goods - then you may refuse the registration, or rather you must refuse the registration in that case. ... It is sufficient if persons who only know one of the marks and have perhaps an imperfect recollection of it are likely to be deceived.

In considering this battery of tests, I will, as Mr Catterns and Dr Emmerson did, confine myself to a comparison of the essential particular of the application mark, that is the word **ARNET**, and compare this with the word **VUARNET**. This is clearly where the overlap occurs, and as the word **ARNET** so effectively dominates the application mark, it is where the question of deceptively similarity must focus.

First, then, to consider the sound of the **VUARNET** and **ARNET**. Reference to the pronunciation occurs across the evidentiary declarations and it is the principal matter deposed to by the language specialists in Arnet's evidence in answer. Mr Catterns submits that whatever the pronunciation may be for one of these marks, it is likely that the other will be pronounced similarly. Thus, he says, if the majority of Australians say **VUAR-NAY** then they can be expected to say **AR-NAY**: if they say **VUAR-NET** then they can be expected to say **AR-NET**. Dr Emmerson disagrees and says that **VUARNET** will be seen and pronounced in a French manner as **VUAR-NAY** and that **ARNET** will be seen simply as an

English word and pronounced accordingly **AR-NET**. The deponents for Sporoptic largely say that **VUARNET** and **ARNET** are pronounced similarly. The deponents for Arnet say that they are not - although all six of Arnet's trade deponents disclose that on occasions they have met with customers pronouncing **ARNET** in a French manner. The language experts brought forward in the Arnet evidence all testify that in their opinions **VUARNET** would be said as a French word and **ARNET** would be spoken as English. Mr Catterns points out, however, that this point of view resulted because the language experts had been shown the marks on the product packages, and that the **VUARNET** packaging carries a bold reference to France and bears descriptive text in both French and English, while the **ARNET** packaging is restricted to an unambiguous English format.

Mr Catterns' submission that **VUARNET** and **ARNET** will be pronounced similarly seems to me to be little more than conjecture. English is not known for its consistency, and why I should expect a common rule to apply to these words is not apparent. On the other hand, however, if a person has purchased **VUARNET** sunglasses, and, through familiarity with the image that accompanies that mark, assumed a French pronunciation for **VUARNET**, it seems probable that s/he could be led into a French pronunciation for **ARNET**. This appears to be the situation attested to by Sporoptic's trade evidence, and admitted by Arnet trade deponents as sometimes occurring. Ms Finnigan, for example, one of Arnet's trade declarants, says at her paragraph 16,

That in my experience customers almost invariably pronounce **ARNET** correctly as "AR-NET", but that very occasionally a customer asking for **ARNET** glasses may mispronounce **ARNET** as "AR-NAY".

Of Arnet's language experts, all four are clearly fluent in French and English and well qualified to give opinions on French and English pronunciation. But I have not been shown that they have the expertise or experience to say how an ordinary Australian will treat a word like **ARNET** which to all intents and purposes will appear as a new or invented word. The pronunciation that emerges will, I think, depend on whether this word is regarded as

being of French or English origin, and once that is decided, the pronunciation will follow. I find that the view expressed by the language declarants that a French pronunciation for **ARNET** will be adopted only through ignorance or pretentiousness is not within their competence, and on the whole I will not give much weight at all to their declarations.

In respect of the construction of **VUARNET** and **ARNET**, it is quite obvious that the words are clearly very closely related. **VUARNET** has seven letters and **ARNET** comprises the last five of them. Further, the two letters that differentiate **VUARNET**, are the letters "vu". Where the overlap of the marks is so substantial, and there is agreement that the marks are, at least on occasions, pronounced as **VUAR-NAY** and **AR-NAY**, the soft sound produced by "vu" is no great help in differentiating them.

Turning to the customers, the Arnet evidence dwells on the fact that the sunglasses, on which both marks are used, are at the top end of the market and command relatively high prices.

Mr Lees, one of Arnet's trade declarants, says, for example, in his paragraphs 8 - 11,

8. That both the French Vuarnet glasses and the Arnet eyewear are high quality, high priced designer-style eyewear directed to the top end of the eyewear market.

9. That in my experience potential purchasers of high quality eyewear such as Arnet sunglasses and the French Vuarnet glasses, even if they have worn the brand of choice before, invariably inspect the glasses closely and carefully before purchase.

10. That it has been my experience that potential purchasers of glasses such as the French Vuarnet glasses and the Arnet glasses try on a number of pairs of glasses of differing styles and that the glasses are carefully compared.

11. That I would describe the purchasers of such sun glasses as cautious, discerning and discriminating.

Similar views are recorded by all six of the Arnet trade declarants - indeed they are expressed in identical language, thereby drawing criticism from Mr Catterns that the value of

the declarations is seriously impaired. I pause here to record that I accept Dr Emmerson's counter claim that the declarants have deposed to the substance, and the fact that the text of the declarations has been drafted for the declarants is not a critical defect so long as the facts deposed to are not shown to be wrong. No allegations of that kind have arisen in relation to the trade declarants, and I accept that these declarations (and indeed the Sporoptic trade declarations which exhibit their own signs of being drafted) are a species of expert declarations, coming from experienced members of the optics industry. The fact that both sides rely on declarations which, to a greater or lesser degree, have been drafted by a third party, in the end modifies the weight I give to them but here I do not find that weight significantly affected.

Turning back to the question of the goods, the customers, and the circumstances that surround the trade, **VUARNET** and **ARNET** sunglasses are clearly high priced 'designer' items - but the marks are not restricted to such goods. The cost and prestige of the sunglasses are therefore not directly relevant to the section 33 issue. The issue hinges on the overlapping goods, glasses, sunglasses, sport glasses and the like. These in the main, are not high cost, prestige or specialist goods. Sunglasses in particular are purchased by most members of the community at some time or other, and by a reasonable proportion of the community on repeated occasions. Average sunglasses I may observe, though not in the 'bag of sweets' class, are likely to be purchased without much forethought at the beach, at the snow fields, through pharmacies, department and novelty stores, and at tourist and holiday outlets of all kinds. The Arnet evidence points me to a customer base composed of high income professionals. Of the three customer declarants, one is an international banker, one is an advertising and marketing consultant, and the third is a craftsman. All three proclaim they are in the habit of 'frequently purchasing designer-style clothes and accessories.' Again, just as expensive sunglasses make up only a part of the goods I must consider, this group of young professionals represents only some of the customers I must consider. I must, in fact, take into account the many purchasers who will be buying across

low and middle price ranges, and I have not been shown that they are likely to be especially cautious, discerning or discriminating.

Turning briefly to the surrounding circumstances, I note, and indeed am already aware, that trade marks are very often applied to sunglasses on the inside of the arms. Mr Arnette refers to this practice in his declaration. The trade mark applied in this position must be small and, though I do not give this point much weight, if the trade mark representations are necessarily reduced to something less than half a centimetre high, marginal differences between two marks will be more difficult to read.

Before summing up on the question of deceptive similarity, and bearing on Mr Catterns' submissions relating to imperfect recollection, I note that **VUARNET** is not an invented word; it is a surname, and, apparently, the name of the skier who led the French Olympic team to victory in the 1960 Winter Games. Be that as it may, I do not believe that event is within the knowledge of many Australians, nor do I think that word has much independent surname significance. I think that in the main it will be treated as a word that has no meaning. Mr Arnette tells us that **ARNET** is an invented word (which I shall come to in due course) and it is quite devoid of meaning.

In summary, then, the evidence on the pronunciation of the words **VUARNET** and **ARNET** is conflicting. Sporoptic claims that **VUARNET** and **ARNET** sound alike. The Arnet evidence, in the main, says that they do not. Six of the Arnet trade declarants however, admit that, on occasions, they have heard customers say **AR-NAY**. The language experts have not contributed to resolving the matter. On the evidence, however, I accept that some Australians at least say the words so that they do sound alike. The words are very similar in construction, they look alike, and in the way that marks are applied to sunglasses, it is likely that the minor difference of the two letters which separate **VUARNET** from **ARNET** will not be readily apparent. Many sunglass purchases would not involve the purchaser in an overly cautious approach and, considering the circumstance of traditional

use of marks on the arms of the glasses, it seems to me that the overall visual similarity of **VUARNET** and **ARNET** is likely to lead to confusion. Added to this is the matter of imperfect recollection and the likelihood of general confusion. If visually similar marks engender different meanings which in turn provoke independent ideas, it may be that they can exist side by side without confusion. That, however, is not the present case. **VUARNET** has only minor surname significance and **ARNET** has no meaning at all. There is therefore no generation of independent ideas to check the likelihood of confusion.

Taking all these matters into account, I find that in the face of **VUARNET**, the application mark **ARNET** is likely to give rise to deception and confusion; that it is therefore deceptively similar to **VUARNET**; and that section 33 prohibits registration if optical equipment, and goods of the same description, are included in the application.

## **Section 28**

Section 28 reads

A mark -

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

The grounds of opposition here are founded on paragraph 28(a) and on the argument that, in the face of the reputation acquired by Sporoptic's use of its trade mark **VUARNET**, the applicant's mark **ARNET** is likely to cause deception and confusion. I have now held this to be so simply on a comparison of the two marks. Under paragraph 28(a) however, Sporoptic's reputation in its mark, and its many years of substantial use, now become additional and relevant considerations. Per evidence from Mr Hatchiguian, this includes more than 20 years of successful use in Australia, along with prominent advertising in magazines in local circulated such as *Cosmopolitan* and *The New Yorker*. Evidence from Arnet generally confirms this. By 1992, with the advent of the **ARNET** sunglasses, this

**VUARNET** reputation set the scene for imperfect recollection and general confusion, and in light of this I hold that the likelihood of deception or confusion engendered by the similarity of the marks is considerably heightened.

However, following the Federal Court's judgements in *Riv-Oland Marble Co. (Vic) Pty Ltd v Settef SpA*, 12 IPR 321, and *Murray Goulbourn Co-Operative Co. Limited v The New South Wales Dairy Corporation*, (1990) AIPC 90-664 it became necessary for the Registrar to review the practice in applying section 28. The reviewed practice was published as a Practice Note in the *Official Journal of Trade Marks* on 19 and 26 July 1990. The note reads (in part):

The construction of section 28

In the MOOVE case the Court affirmed the majority decision in RIV-OLAND that section 28 should be construed conjunctively, rather than disjunctively. That is, the four paragraphs (a) to (d) should be read so that the meaning of paragraph (a) is governed by paragraph (d), with the effect that to base an objection to registration on 28(a) it is not enough to show that use of a mark is likely to deceive or cause confusion; it must also be shown that the mark is not entitled to protection in a court of justice.

On 20 December 1990 the Full Bench of the High Court delivered judgement on the appeal from the Federal Court in *Murray Goulbourn Co-Operative Co. Limited v The New South Wales Dairy Corporation* (1991) 171 CLR 363 - the *MOO/MOOVE* case. In light of this decision, the Registrar saw no reason to change the published practice, and the practice was confirmed in the *Official Journal* of 12 and 19 September 1991.

The practice laid down in these notices was followed by the delegate (Hearing Officer Homann) in *Titan Manufacturing Company Pty Ltd v John Terrence Coyne* 22 IPR 613 - the *TITAN* decision - issued on 5 March 1991. And all oppositions citing paragraph 28(a) have since been considered in light of the governing requirement of paragraph 28(d).

Mr Homann's findings in the *TITAN decision* that the High Court, in *MOO/MOOVE*, ruled that paragraph 28(d) governs the operation of paragraph 28(a), are in line both with the Notice published on 19 July 1990 and with the later confirmation published in September 1991. His decision confirms that before paragraph 28(a) can operate to exclude a mark from the Register, it must be shown that the mark is not entitled to protection in a court of justice. To this end, the High Court imported the requirement that blameworthy conduct be shown on the part of the trade mark owner. Paragraph 28(a) is thus relegated to a threshold test so that, in order to find that a mark that offends paragraph 28(a) fails to qualify for registration, it is also necessary to find that the mark is not entitled to protection in a court of justice.

Mr Catterns addressed this matter in some detail. He says the practice is not correct, and advocated that Mr Homann's decision is a wrong interpretation of the *MOO/MOOVE case*. He argues this on the ground that it is not clear that a majority on the High Court Bench favoured a conjunctive reading of s28; that the issue of blameworthy action was raised in respect of expungement, not of registration; and that for the purpose of an application for registration, the paragraphs of section 28 should be read disjunctively. He adopted Mason C.J.'s comment at p383 ((1991) AIPC 90-726 ) and said they succinctly stated his submissions - viz:

the opponent's principal submission is that par. (a) of 28 should be read independently of par. (d) so that an opponent who relies upon par. (a) is not required in addition to show that the mark is, or would not be, entitled to protection in a court of justice.

Mr Catterns' argument addresses the individual findings of the seven Justices in the *MOO/MOOVE case* and, in essence, he submits that four of the Justices come down in favour of finding that paragraph 28(a) and paragraph 28(d) should be read disjunctively. Those Justices in favour of a disjunctive reading, he says, are Mason C.J., Brennan J., Deane J. and McHugh J. The judges in favour of a conjunctive reading, he says, are Dawson J., Toohey J. and Gaudron J..

Mr Catterns agrees that for the purpose of applying section 28(a) in expungement actions, Mason C.J. imports the blameworthy conduct test. However he says that His Honour reaches this conclusion by consideration of policy issues and not by reading the paragraphs of 28 conjunctively. He drew my attention particularly to page 384. Here Mason C.J. notes that the Act, per sections 34 and 58, permits identical marks to remain on the register. He then comments that this policy justifies an implication 'that s.28(a) looks to supervening likelihood of deception or confusion only if that likelihood is the result of blameworthy conduct on the part of the registered proprietor'. Having reached this point, his Honour then continues :

But I should say that it may not be necessary to read s. 28(a) as though it were governed by s. 28(d). So to read s. 28(a) is a difficult exercise as a matter of construction. It may be sufficient to say that in the context of the entire statutory scheme a trade mark is only liable to be expunged under s. 28(a) if use of it becomes likely to deceive or cause confusion and that likelihood is due to the fault or blameworthy conduct of the registered proprietor. However, for the purpose of this appeal I am content to accept that the fault of blameworthy conduct must be such as to disentitle the mark to protection in a court of justice.

I agree with Mr Catterns that from the tenor of these comments Chief Justice Mason indicated that he prefers to find that the blameworthy conduct test is imported into paragraph 28(a) by way of general policy considerations, rather than through a conjunctive reading of section 28. I also note that he expresses the opinion that it is a difficult exercise to read section 28 conjunctively. However, he does not say that it cannot and should not be done, and moreover, he says that the policy of the Act justifies the implication of blameworthiness. Consequently, although I would agree that to some extent His Honour's point of view is not fully expressed, nevertheless I cannot accept Mr Catterns' submission that His Honour wavers as regards the reading of section 28. On the contrary, I consider that he has simply indicated two means of arriving at the requirement for blameworthy conduct - the first is through a conjunctive reading which he does not find easy, but certainly

does not rule out; and a second, through consideration of general policy - which he decides to adopt.

I therefore reject Mr Catterns' submission that Mason C.J. expresses the view that the paragraphs of section 28 should be read disjunctively.

Brennan J. proceeds in a similar vein to Mason C.J.. He considers the policy implications and says that in his opinion, page 390

the Act does not contemplate that a registered proprietor should continue to enjoy the rights which s. 58 confers if he has produced the circumstances which make the further use of the mark likely to deceive or cause confusion ... But, where the registered proprietor has not produced those circumstances and where no provision other than s. 28(a) warrants expunction of the registered trade mark, there is no reason apparent on the face of the Act why the registered proprietor should not continue to enjoy the rights which registration of the trade mark confers. The Act does not make the avoidance of deception or confusion absolute, even in the case of an application for original registration : see, e.g., s. 34.

Having reached this point by considerations of general policy, however, he then says

A similar view would be reached if pars. (a) and (d) of s. 28 were so read as to make par. (d) govern par. (a) but I do not rest my view on par. (d) of s. 28. Paragraph (d) is not expressed to relate to the conduct of the applicant for original registration or of the registered proprietor after registration but to the character of the mark itself: a "mark which would otherwise be not entitled to protection in a court of justice".

This, says Mr Catterns, is an indication that Brennan J. does not consider that as applied to trade mark applications, paragraph 28(a) is governed by paragraph 28(d). Dr Emmerson put the view that Justice Brennan clearly comes down in favour of the blameworthy conduct test in the post registration operation of paragraph 28(a) and he says that by parity of reasoning, the same requirement holds true for marks at application. However, on my reading of Justice Brennan's judgement, I find I am in agreement with Mr Catterns, that His Honour finds paragraph 28(d) is not expressed to relate to the conduct of the applicant for

original registration, and by this he means that in the application of paragraph 28(a) pre-registration, it is not necessary to import a requirement of blameworthy conduct.

Justice Deane's findings are different again. First he finds that the language of section 28 confines its operation to trade mark application. Then he states that the paragraphs of the section are disjunctive: page 398

Paragraphs (a), (b), (c) and (d) of s. 28 are clearly disjunctive. The word "otherwise" in par. (d) can be readily explained by the fact that each of the circumstances indicated in pars. (a), (b) and (c) could, depending upon the fact, deprive a mark of entitlement to protection in a court of justice.

and at p399

Once it is accepted that s. 28 of the Act should be so construed, there remains no reason why the words of s. 28(a) should be given other than their ordinary meaning and effect, that is to say, as precluding the actual registration of a mark "the use of which would be likely to deceive or cause confusion".

Justice Deane's judgement clearly supports Mr Catterns' argument that paragraph 28(d) does not govern paragraph 28(a), and that the opponent, Sporoptic, is not required to establish that Arnet is culpable of any blameworthy action.

Dawson J. and Toohey J., however, both hold that paragraph 28(a) is governed by the operation of paragraph 28(d). They come to this conclusion by reasoning through the function of the word 'otherwise'. At p406:

Section 28(a) must be read together with s. 28(d) so that the reference in s. 28(a) to a "use ... which would be likely to deceive or cause confusion" is a reference to a use which would not only be likely to deceive or cause confusion but would be not entitled to protection in a court of justice.

Gaudron J. agrees with Dawson J. and Toohey J at p414 that the operation of section 28(a) must be confined by a requirement of blameworthy or disentiing conduct.

McHugh J. agrees with Deane J. and with the primary judge, Gummow J., who found that the paragraphs of section 28 are disjunctive. He said, at p427:

In my opinion, an interpretation of s. 28 which holds that a mark does not offend its provisions even though the use of the mark is "likely to deceive or cause confusion" ignores the wording and structure of s.28. As Northrop J. said in *Riv-Oland* [(1988) 19 FCR at 582] "According to normal canons of construction the use of the word 'or' between par. (c) and (d) makes each paragraph a true alternative to each of the other paragraphs. On this construction par. 28(a) stands alone.

In my analysis only three of the *MOO/MOOVE* case Justices coming down in favour of Mr Catterns' argument - viz, Brennan, Deane and McHugh. I therefore do not consider that he has shown that the Registrar's published practice or the directives from the *TITAN* decision, are at odds with the decisions of the High Court.

One further matter that Mr Catterns wished me to consider is the fact that in *Johnson & Johnson v Kalnin*, 26 IPR 435, section 28(a) was applied without reference to the provisions of 28(d). Mr Catterns observed that the question of blameworthy conduct was not dealt with at the hearing level because the hearing officer found no likelihood of deception and confusion and therefore had no need to go on to blameworthy conduct. But Justice Gummow allowed the appeal. Mr Catterns submits that it is inconceivable that His Honour was not aware of the problems of blameworthy conduct because he was the judge at first instance in the MOO/MOOVE saga.

The fact is, however, that the question of the limiting effect of paragraph 28(d) was not argued in *Johnson & Johnson v Kalnin*, and thus this case cannot be said to have any bearing on the Registrar's established practice concerning section 28(a).

In sum, I reject the opponent's argument that in order to establish grounds under paragraph 28(a), Sporoptic is not required to establish blameworthy conduct on the part of Arnet.

### **Blameworthy conduct**

In the event that its primary submission on the section 28(a) ground failed, Sporoptic submits in the alternative that Mr Gregory Arnette's behaviour is culpable and Arnet should be found to be blameworthy. To this end, Mr Catterns pointed to Mr Arnette's account of how his trade mark **ARNET** was adopted. First, Mr Arnette says, he abandoned his own name, ARNETTE, because it implies 'little' or 'diminutive' and thus he and his marketing consultant did not think it was a suitable trade mark. He decided to drop the last two letters, thus changing the meaning and reducing the length of the word so it would better fit the confined space on spectacle frames. Mr Catterns submits that this is not convincing and a more likely explanation is that Mr Arnette was endeavouring to get as close as possible to **VUARNET**.

This view finds support in the Jannard declaration, which gives evidence and opinion as to Mr Arnette's business intentions. Mr Jannard says, at his paragraphs 6 - 8

6 Mr Greg Arnette is personally known to me as I worked closely with him for about 7 - 8 years when he was employed as the Manager of the Sports Marketing Department of the Company (i.e. Oakley, Inc.)

7. During his time with the Company, Mr Arnette watched, commented on and talked about "VUARNET" more than any other competitor of the Company. During that time "VUARNET" sunglasses were experiencing problems in the United States market and Mr Arnette commented to me personally, and to other staff of the Company, that these problems presented a great opportunity for someone else to get into the "VUARNET" market niche.

8. I believe that Mr Arnette established Arnet Optic Illusions Inc and adopted the trade mark "ARNET" because he was enamored with the "VUARNET" trade mark and wanted to exploit the similarity between "VUARNET" and "ARNET"

Mr Arnette responds to these allegations in his own declaration. He says, after commenting on the litigation between the parties, in his paragraphs 7 - 9

7. .... During this litigation, however, Mr Jim Jannard personally stated to me that he would do everything in his power to cause Arnet Optic Illusions, Inc. to go out of business.

8. Although at that time I felt that the statements of Mr Jim Jannard were more of an idle threat, from recent actions of Mr Jim Jannard and Oakley, Inc. I verily believe that Mr Jim Jannard and Oakley, inc. through ill will and with malice are attempting to succeed with Mr Jannard's verbal threat.

9. I have carefully read Mr Jim Jannard's Declaration in this matter dated August 16, 1994, and ... I declare that I never had any conversation with Mr Jannard in reference to the mark VUARNET or any problems in the United States existing with the sales of VUARNET sunglass[es] or a VUARNET market niche. Simply put, the alleged conversation referred to in Mr Jim Jannard's Declaration in paragraphs 7 and 8 never took place.

Mr Catterns acknowledges that the Arnet evidence includes a declaration from Thomas Victor Carroll, a professional surfer, attesting to Mr Arnette's good character, and he says that Sporoptic does not contest this warm personal endorsement but accepts that Mr Arnette is a highly principled and enthusiastic entrepreneur. He contends, however, that when a person moves into a market niche already occupied by an internationally successful trade mark, and then takes action to change his name so as to bring it as close as possible to his competitor's mark, then that is blameworthy conduct and is all that is needed to invoke the provisions of paragraph 28(d).

Dr Emmerson responds to these submissions with reference to Mr Catterns' acknowledgment of the 'bad blood' between Arnet and Oakley and comments that Mr Jannard is therefore prepared to speculate any wrong motives to Mr Arnette. Mr Arnette however, simply denies it, and his denial is supported by Mr Lazarides who deposes that by 1992, when the Arnet goods were put onto the Australian market, the VUARNET sales were in decline. Mr Lazarides says that 'because of Vuarnet's increasingly poor market performance and image, it was essential that an image based on marketing strategy be adopted which was completely different to that which was failing for Vuarnet'. Dr

Emmerson contends that this deliberate attempt to steer clear of the **VUARNET** image, repudiates any allegation of blameworthy conduct.

So far as Mr Jannard's evidence, and the countervailing statements from Mr Arnette, are concerned, I cannot come to any finding regarding the allegations that Mr Arnette deliberately set out to invade Sporoptic's niche. The evidence is essentially contradictory, and I find that neither side prevails. Even if I were satisfied that matters were as Mr Jannard reports, this conduct may, in any case, not come down to anything more than an aggressive market strategy. What is undisputed, however, is that Mr Arnette was well aware of the **VUARNET** mark, and it is a fact that in modifying his own name, he created a trade mark which is deceptively similar to that well established mark. Under the circumstances, I agree with Mr Catterns that Mr Arnette's explanation as to why the word **ARNETTE** would not do as the Arnet trade mark, is not very convincing. In adopting **ARNET** Mr Arnette moved away from a word with obvious difference in appearance and pronunciation, to a word which constitutes the best part of **VUARNET** and is of uncertain pronunciations. The question I believe I must consider at this point, then, is whether it is likely that in the light of this, Mr Arnette was attempting to cause deception and confusion. I do not find anything in the Arnet evidence to satisfy me that he was not. Mr Arnette knew of the **VUARNET** mark; he went into business in direct competition with the proprietor of that mark; and for his trade mark he altered his own name **ARNETTE** to the point where it most closely matched **VUARNET**. In the final result Arnet adopted a mark that was deceptively similar to **VUARNET** and I am not satisfied that this was not a deliberate attempt to deceive or cause confusion in respect of the current reputation or residual renown in that trade mark. On these counts I think it is clear that Mr Arnette is at least to blame for developing and adopting a trade mark which is likely to deceive or cause confusion. It is for Arnet to resolve these doubts and it has failed to do so. I find therefore that blameworthy conduct is to be ascribed to the applicant's conduct, and that the subject trade mark would therefore not be entitled to protection in a court of justice.

### **Decision**

I have found that the subject mark is deceptively confusing with the trade mark **VUARNET**, and that the section 33 ground succeeds so far as optical equipment, and goods of the same description are concerned.

I have found that in the face of the **VUARNET** registration and reputation, the subject mark is deceptive or confusing and that the conduct of the applicant is blameworthy. I therefore find that the section 28 ground succeeds.

In sum, I find that the opposition succeeds and I refuse application number A570162.

### **Costs**

Both Mr Catterns and Dr Emmerson applied for costs. I see no reason why these should not follow the cause, and I therefore award them to the opponent.

Helen R. Hardie  
Deputy Registrar  
16 August 1995