



TRADE MARKS ACT 1955

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

Opposition by SAM CATANESE to Application No 637913 in the Name of MALIBU BOATS WEST, INC.

Malibu Boats West, Inc, a Californian Corporation, (MBW) lodged an application for the registration of the trade mark MALIBU on 16 August 1994. That application was advertised as accepted for registration on 27 April 1995 in respect of “Boats, parts and accessories in this class for boats; boat hulls; all other goods in this class” (Class 12).

On the following day, 28 April 1995, Sam Catanese of Ringwood, Victoria, gave notice of opposition to the registration of the trade mark in accordance with the provisions of s49 of the Act. (Although the *Trade Marks Act 1995* commenced on 1 January 1996, as provided in the transitional provisions of Part 22 of that Act the provisions of the repealed *Trade Marks Act 1955* continue to govern this opposition. Accordingly, unless otherwise specified, any reference to the Act in this decision is a reference to the *Trade Marks Act 1955*.) The grounds of the opposition were stated as follows:

- that the trade mark was not qualified for registration under s24 of the Act;
- that the opponent was the proprietor of the trade mark;
- that the use by the opponent of the trade mark would be likely to cause deception or confusion

- that the opponent's trade mark was substantially identical or deceptively similar to the applicant's trade mark (the opponent had lodged a later application for registration of the trade mark under 640801 which has since lapsed);
- that the use by the opponent of the trade mark would lead to passing off;
- that the use by the opponent of the trade mark would otherwise be contrary to law.

Service and filing of evidence in the proceedings were completed on 29 October 1996 and the matter was set down for hearing in Melbourne on 12 September 1997. Mr Barry Hess of counsel appeared for the applicant and Ms Kim Pettigrew of counsel for the opponent.

The evidence

The evidence in support of the opposition consists of the following:

- * a declaration of Graham Rodgers, company director, of Wasp Marine;
- * a declaration of Dean Mundy, owner/operator, active in the boating industry;
- * a "statement" by Steve Parker, boat manufacturer, active in the boating industry;
- * a declaration of Bruce Hoper, manager, employed in the boating industry;
- * a "statement" of the opponent Sam John Catanese together with Exhibits SC1 to SC8;
- * a "statement" by Eric James Tattersall, boat builder and developer, with Exhibits ET1 to ET9.

The evidence in answer consists of the following:

- * a declaration of Wayne John Ritchie, director of Wayne Ritchie's Skiers Edge Pty Ltd with Exhibits WJR1 and WJR2;
- * a declaration of Robert R Alkema, President of the applicant company Malibu Boats West, Inc with Annexure RRA;
- * a declaration of Brian Rodney Neal, director of Melmarc Pty Ltd, trading as Magic Ski Boats with Exhibits BRA! To BRN 4;
- * a declaration of Robert Charles Kelson of Callinan Lawrie, patent attorneys for the applicant, with Exhibits RCK1 to RCK12;

- * a declaration of Peter Ronald Kent, managing director of Regal Marine Pty Ltd, distributor and retailer of boats with Annexure PRK1;
- * a declaration of David Arthur Telling, active in the manufacturing and selling or trading in boats in the period 1969 to 1992, with Annexure DAT1;
- * declaration of Xavier Stuart West, managing director of 21st Century boats Pty Ltd, manufacturers of ski boats.

At the hearing Ms Pettigrew made an application for special leave to adduce as further evidence a copy of an invoice in the name of Stejcraft Boats dated 14 November 1991 made out to a Robert Stewart in respect of “1 Stejcraft Malibu Pink & White Deluxe Serial No 9111054”. I granted leave and subsequently allowed the applicant’s attorneys one month from 18 September 1997 to reply to that evidence. Callinan Lawrie replied on 17 October 1997.

On 24 October 1997 a letter to the Registrar dated 14 October 1997 was received from Sandercock & Cowie, patent attorneys. In it they stated that they acted for Mr David Arthur Telling who had made a statutory declaration dated 17 October 1996 in this opposition. They advised the Registrar that they were instructed by Mr Telling that he now resiles from that declaration, which is referred to above. In view of that information I am unable to take the evidence of Mr Telling into account in my decision.

Background

In about 1963 Mr Sam Catanese commenced his own timber boat building business, having completed his apprenticeship and been employed as a ship repairer. In 1972 he and his family formed a business known as Stejcraft to produce fibreglass boats, Mr Catanese acting as manager as well as in the production of boats. His wife is also the owner of a separate business known as The Boat Place although Mr Catanese manages both businesses. Together they manufacture and sell new boats as well as second hand boats with some upholstery work, repairs etc.

In or about 1989 Mr Catanese became aware of boats being designed, manufactured and sold by Eric Tattersall and Brian Neal under the business name Fibremaster. They had designed a boat known as the MALIBU Skier which had been promoted in various publications and local and

interstate boat shows. The factory of Tattersall and Neal adjoined that of Mr Catanese and their relations were friendly. The MALIBU boat acquired a reputation in the market for ski boats. Mr Tattersall confirms that he and Brian Neal manufactured and commenced selling a boat called the MALIBU Skier in October/November 1987. The June/July 1989 issue of the magazine *Powerboat* contained an article on another version of the boat known as the MALIBU Celebrity as well as an advertisement for the MALIBU Skier (Exhibits ET1 and ET2). By December 1989 he estimates that Fibremaster sold some 60 boats throughout Australia. The MALIBU Skier was fully accredited with the Australian Water Ski Association (AWSA) in or about 1990 to 1991. The April/May 1990 issue of the magazine *Powerboat* contained a feature article on the boat as well as an advertisement for it (Exhibits ET4 and ET5). Mr Tattersall further estimates that in the period 1987 to 1991 some 250-300 boats were sold under the name MALIBU throughout Australia.

Brian Neal, for his part, declares that he and Eric Tattersall adopted the name MALIBU because they had seen it used on boats in American magazines which, although directed to the American market, were available in Australia. According to him the first boat to be moulded under the trade mark MALIBU was sold in October 1988 to one Zoltan Fritz, the name MALIBU having been adopted shortly prior to that sale. Mr Neal contends that Fibremaster Pty Ltd did not sell as many as 250-300 boats under the name MALIBU as stated by Mr Tattersall. Mr Neal further states that he and his wife held an unregistered charge over the assets of Fibremaster Pty Ltd and that Eric Tattersall purported to sell the boat moulds to Robert Doyle without their consent and that he, Mr Neal, never entered into, endorsed or consented to any agreement with Mr Boyle as to rights in the trade mark MALIBU. A liquidator of the company was appointed on 12 September 1991 and has had control over the assets of Fibremaster Pty Ltd since then.

Mr Catanese states that Fibremaster Pty Ltd went into liquidation in July/August 1991 and the partnership between Messrs Tattersall and Neal was dissolved. By virtue of a written "consultancy agreement" dated October 1991 between Eric Tattersall, a Robert Boyle, said to be the proprietor of the MALIBU Skier boat moulds, and Stejcrafft, Mr Boyle agreed to sell the boat moulds to Stejcrafft upon consideration, the latter to have the right to sell any boats built from the moulds and also to be entitled to use without restriction any trade marks, business names, patents or any other registrable interest associated with Fibremaster Pty Ltd (in liquidation). Exhibit SC1 is a copy of the

said agreement. Mr Catanese intended to continue with the development and production of the MALIBU boats. Mr Tattersall was engaged by Stejcraft as a consultant by virtue of the same agreement of 1 October 1991. Mr Tattersall confirms that the partnership between himself and Brian Neal was dissolved on 31 July 1991 and that Fibremaster Pty Ltd was placed in liquidation. Mr Tattersall's father-in-law, Mr Robert Boyle had maintained security over the boat moulds as a creditor of Fibremaster Pty Ltd. By a written agreement dated 9 August 1991 Fibremaster Pty Ltd sold assets, including boat moulds, to Mr Boyle. That agreement also gave Mr Boyle the right to use the name Fibremaster Malibu Skier in his dealings with the goods. By the consultancy agreement referred to above Mr Boyle then transferred to Stejcraft all trade marks, business names, patents and any other registrable interest in the boat moulds. Mr Tattersall confirms that Mr Catanese continued to manufacture, distribute and widely advertise boats under the name MALIBU during the next three years. He agrees that during that period some 60 boats would have been built and sold under the name MALIBU.

Mr Catanese estimates that Stejcraft built some 60 boats in the first three years of the agreement, that is, between October 1991 and October 1994. Invoices for the period July 1993 to July 1995 are exhibited to his declaration as SC2 and at Exhibit SC3 is a copy of an extract from the magazine *Powerboat* for February/March 1992 with a half-page colour advertisement for the MALIBU Skier. The August/September 1994 issue of the same magazine contains a reference to the "old Malibu ski boat business" in an article entitled "Blast from the Past" (Exhibit SC4). Other means of advertising the boat were T-shirts, hats socks etc and extensive signage on the boats and trailers (Exhibits SC5 and SC6).

Mr Catanese first became aware of a company known as Malibu Boats USA Inc (sic) in 1989 in connection with the acquisition by that company of a local boat business, Flightcraft, owned by a Mr David Telling, which manufactured and exported boats under the name Flightcraft. Some years later, in August 1994, Mr Catanese was informed by a Mr Xavier West of 21st Century Boats Pty Ltd that he, Mr West, intended to manufacture boats in Australia under licence from Malibu Boats USA Inc under the name MALIBU. He then learned that the American company had applied to register that word as a trade mark.

In May 1982 Mr Robert Alkema of Merced, California, formed a partnership with his father and a third person to build boats under the name Malibu Boats. That partnership was dissolved in 1983 in favour of a company, Malibu Boats, Inc, of which Mr Alkema was a majority shareholder. In December 1988 the company changed its name to Malibu Boats West, Inc, the present applicant. As at the time of making his declaration, 23 September 1996, the company produced some 1600 boats a year and had a turnover of more than US\$30 million. About 10% of that production was exported overseas. The trade mark MALIBU for boats has been registered in the United States for boats since 1985. In 1985 MBW entered into negotiations with a Mr Bob Engelbrecht to become a distributor of MALIBU boats in the Midwest of the US. Mr Engelbrecht, for his part, began to import Flightcraft boats from Australia into the US and entered into negotiations with Mr David Telling of Flightcraft to import MALIBU boats into Australia on behalf of MBW, and also with Mr Peter Kent of Regal Marine Pty Ltd for the same purpose. A sale was made to Mr Wayne Ritchie in 1991 and two further sales in 1994. Because of import restrictions it was decided to licence manufacture of boats under the MALIBU trade mark in Australia and such a licence was granted to 21st Century Boats, owned and operated by Xavier West.

Submissions

Ms Pettigrew submitted, firstly, in relation to s24 of the Act, that the word MALIBU was not an invented word but a geographical name and the geographical meaning had to be regarded as the ordinary meaning: *Magnolia Metal Co's Application* (1897) 14 RPC 265. Moreover, that there was a real possibility that the applicant's goods would have a real or imputed connection with the place Malibu: *Fabriques de Tabac Reunies SA's Appn* (1987) 10 IPR 124; *Comfort Shirt Co Pty Ltd Appn (No 2)* (1958) 28 AOJP 46; *Associated Drug Companies (Aust) Pty Ltd* (1961) 31 AOJP 2358. Furthermore, she submitted that the trade mark lacked distinctiveness and that it was not inherently adapted to distinguish; *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511, 513. There was a policy concern of the legislation that a single trader ought not to get a monopoly of what others might legitimately desire to use: *Smith Kline and French Laboratories Ltd v Sterling Winthrop* [1976] RPC 511, 538-9. The test to be applied was whether others who produced boats in Malibu might in the ordinary course of business wish to advertise their product as a Malibu product: *Oxford University Press v Registrar of Trade Marks*

(1989) 15 IPR 646, and the burden of proof was on the applicant to show that they would not. Any use of the trade mark relied on must be use within Australia: *Burger King Corp v Registrar of Trade Marks* (1973) 128 CLR 417, 425.

With respect to proprietorship of the trade mark MALIBU in terms of s40 of the Act Ms Pettigrew submitted that it involved the origination or first adoption of the word as and for a trade mark: *Shell Co (Aust) Ltd v Rohm and Haas Co* (1948) 78 CLR 601, 628; *Dimtsis v The Agricultural Dairy Industry of Epirus, Dodoni SA* (1991) 22 IPR 643. Moreover, the use must be for the purpose of indicating a connection in the course of trade between the relevant goods and that person: *WD & HO Wills v Rothmans Ltd* (1956) CLR 182; and the use must be within Australia: *Blackadder* case (1926) 38 CLR 332, 337; *Seven Up* case (1947) 75 CLR 203; *Shell* case, supra, at 601; *Yanx* case (1951) CLR 199; *Thunderbird Trade Mark* (1974) 48 ALJR 456; *Moorgate Tobacco v Phillip Morris* (1984) 156 CLR 414. Advertising in foreign publications circulating in Australia was not trade mark use: *Flagstaff Investments Pty Ltd v Guess?* (1989) 16 IPR 311; *Stylesetter v Le Sportsac Inc* (1989) 17 IPR 59; *Dunlop Olympic v Cricket Hosiery Inc* (1991) 20 IPR 475. There had been no commercial use of the trade mark by the applicant prior to the date of the application or prior to the use by the opponent and his successors in title.

In terms of s28 of the Act Ms Pettigrew submitted that the onus of proof was on the applicant to show that there was no reasonable likelihood that the trade mark would deceive or cause confusion. For this purpose evidence of persons in the trade was essential: *GE Trade Mark* [1973] RPC 297. The relevant test under s28 was set out in *Southern Cross Refrigerating Co v Toowoomba Foundry* (1954) 91 CLR 592. The public interest had to be protected: *Eno v Dunn* (1890) 7 RPC 311; *Radio Corp v Disney* (1937) 57 CLR 448. There was blameworthy conduct on the part of the applicant as required by the *Moove* case and the applicant was otherwise not entitled to protection in a court of justice: *Trepper v Miss Selfridge* (1991) 23 IPR 335, 352.

Finally Ms Pettigrew submitted that in the public interest the application should be refused: *Kimberley-Clark Corp v Vereinigte Papierwerke Schikedanz & Co* (1967) 118 CLR 79.

Mr Hess based the applicant's claim to proprietorship of the trade mark MALIBU in respect of boats on:

- authorship of the mark in the United States of America;
- the reputation it has for the mark in Australia, as applied to the goods of the application, since the early to mid-1980's;
- the offering for sale and sale of the applicant's MALIBU boats in Australia since at least 1987;
- the continuing trade in Australia through a licensee and registered user
- there is no use associated with the opponent which can displace the applicant's proprietorship as set out above.

With respect to the applicant's claim based on s28 of the Act he made the following submissions:

- the applicant is the owner of the mark as set out above and there has been no abandonment of the mark;
- there has been no blameworthy conduct on the part of the applicant;
- the evidence permits no conclusion about deception or confusion in the Australian market place. Any deception that might occur will occur only because the opponent has taken the applicant's mark fully knowing that it was the mark of the applicant. Blameworthy conduct therefore lies with the opponent, not the applicant;
- in the absence of blameworthy conduct on the part of the applicant, there is no basis to apply s28 against the applicant given that the provisions of paragraphs (a) and (d) must be read together: *Moo/Moove* case 18 IPR 385; *Titan Manufacturing Co v John Terrence Coyne* 22 IPR 613; *Nettlefold Advertising Pty Ltd v Nettlefold Signs Pty Ltd* (Federal Court - Heerey J - unreported 11 July 1997).

Decision

From the evidence and the submissions three issues emerge as falling for decision : the registrability of the mark in terms of s24, whether the mark is barred from registration in terms of s28 and the proprietorship of the mark in terms of s40. I will deal with each of those issues in turn.

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The argument under s24 is, of course, that “Malibu” is a geographical name and that it has no other meaning. Against that is the fact that not all geographical names are regarded as unregistrable. There are, in fact, some 15 registered trade marks containing or consisting of the word “Malibu” in various classes on the Register. Then again, it is said that there is an established connection between “Malibu” and water craft. The Oxford English Dictionary, for example, gives the following definition and quotations:

Malibu, malibu. Chiefly Austral. and N.Z.

[The name of Malibu Beach in California.]

In full, Malibu board. A short light-weight surf-board.

1962 Austral. Women's Weekly Suppl. 24 Oct. 3/3 Malibu, type of surfboard made from foam, balsa, or fibre-glass and under 10 ft. long.

1965 N.Z. Listener 17 Dec. 4/4 Australia had its first look at the Malibu board when film star Peter Lawford took one down under in 1954.

1969 Times 25 July 5/2 Worried by the number of thefts of malibu boards, police have issued leaflets in the surfers' own language.

1970 N.Z. News 8 Apr. 16/3 A. Griffin won both the ski and malibu board races.

However, surfboards are not boats and there is no evidence of a boatbuilding industry in Malibu Beach cf “*Tijuana Smalls*” *Trade Mark* [1973] 453. I therefore find that there is no good reason to refuse registration on this ground

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In *Nettlefold Advertising Pty Ltd v Nettlefold Signs Ltd* (Federal Court unreported, 11 July 1997) Heerey J set out the principles applicable to s28 as follows:

Applicable Legal Principles

With one major exception, the legal principles applicable to this case are not in dispute. They may be summarised as follows:

(i) The opponent bears the initial onus of establishing a reputation in its mark sufficient to found an objection under s 28: *Arthur Fairest Limited's Application* (1951) 68 RPC 197.

(ii) However, once this onus is discharged the burden shifts to the party seeking registration: *Eno v Dunn* (1890) 15 App Cas 252 at 261; *Jafferjee v Scarlett* at 119.

(iii) The rights of the parties are to be determined as at the date of application for registration (here 27 July 1989): *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1953) 91 CLR 592 at 594.

(iv) The onus is on the party seeking registration to satisfy the Court that there is no reasonable possibility of deception or confusion: *Southern Cross* at 594-5.

(v) In order to defeat the application for registration it is not necessary for the opponent to establish that there is an actual probability of deception which will amount to a passing-off. While a mere possibility of confusion is not enough - for there must be a real, tangible danger of it occurring - it is sufficient that the result of the user of the mark will be that a substantial number of persons will be caused to wonder whether it might not be the case that the two products come from the same source. It is enough that the ordinary person entertains a reasonable doubt: *Southern Cross* at 594-5, 608, *The Kendall Co v Mulsyn Paint & Chemicals* (1963) 109 CLR 300 at 305.

(vi) In considering the issue of deception all the surrounding circumstances must be taken into consideration. The factors to be considered include the circumstances in which the marks will be used, the circumstances in which the goods will be bought and sold and the character of the probable purchaser of the goods: *Jafferjee v Scarlett* at 120;

(vii) A probability of confusion, if it is real, is sufficient even though the confusion may be unlikely to persist up to the point of, and be a factor in, inducing actual sales: *Southern Cross* at 495. There may be confusion or deception in the minds of persons to whom the mark is addressed, even if actual purchasers will not ultimately be deceived: *Re Hack's Application* (1940) 58 RPC 9 at 103-104.

(viii) It is not enough for the party seeking registration to negative the likelihood of confusion in relation to the actual trade carried on by the opponent at the time of the registration and to the manner in which the latter then uses his mark. The applicant must also take into account all legitimate uses which the opponent may reasonably make of his mark within the ambit of his registration: *Reckitt & Colman (Australia) Ltd v Boden* (1945) 70 CLR 84 at 94, *Southern Cross* at 608.

(ix) The question whether the use of a mark is likely to deceive or cause confusion is in the end a question of impression and common sense; it is a "jury question" in which the judge is entitled to give effect to his or her own opinion as to the likelihood of deception or confusion: *Murray Goulburn Co-operative Ltd v New South Wales Dairy Corporation* (1990) 24 FCR 370 at 377.

The declarations of Graham Rodgers, Dean Mundy, Steve Parker and Bruce Hooper are from persons experienced in the trade:

- Graham Rodgers states that he has 25 years experience in the boating industry and is a sometime Committee member of the Victorian Speed Boat Club. He has been a distributor for MALIBU boats since 1994. He further states that both Stejcraft and The Boat Place have an excellent reputation within ski boat circles throughout Australia as a builder of high quality craft.
- Dean Mundy is an owner operator of a professional ski school and has been himself a champion professional skier. He finds the Stejcraft MALIBU boat to have unsurpassed performance, quality and workmanship; he himself is the owner of two such boats. He further states that the Stejcraft MALIBU boats enjoy an international reputation.
- Steve Parker, boat manufacturer, states that he has had 55 years experience in the boating industry and became aware of the Fibremaster MALIBU boat in the late 1980's which later became the Stejcraft MALIBU. He later became aware of the Flightcraft MALIBU in the USA in 1990 and in Australia in 1994. He has never sold MALIBU boats and in fact has been a competitor with the MALIBU boat since approximately 1986-87. He states that customers are totally confused as to what is available in the market place as the majority of boats are recognised by their model name rather than their make.
- Bruce Hooper states that he has been in the boating industry for 20 years. He states that MALIBU boats are one of the best built boats and that their reputation is widespread in Queensland. He further states that there has always been confusion between the two boats with the same name.

The Hooper declaration must be discounted as he does not identify which of the two MALIBU boats is the subject of his declaration. Nevertheless I think that the opponent has discharged the initial onus of showing sufficient reputation in the mark to ground an objection under s28(a) and that the applicant has not satisfied me that there is no reasonable possibility of deception or confusion. Nevertheless there remains the question of blameworthy conduct as to which both Ms Pettigrew and Mr Hess made submissions. The application of s28 in opposition proceedings has been considered on two occasions recently by the Federal Court. In *Canon Kabushiki Kaisha v Robert James Brook and Rachel Brook trading as The Cannon Watch Company* 36 IPR 88 Tamberlin J, after considering the judgments in *New South Wales Dairy Corporation v Murray Goulburn Co-operative Company Limited* (1990) 171 CLR 363, concluded that in his view the reasons for judgment delivered by members of the High Court left the matter open as to whether there was a need to find blameworthy conduct in opposition proceedings based on s28(a) as opposed to expungement proceedings. He went on to find that:

Notwithstanding the diverse opinions expressed by members of the High Court in *New South Wales Dairy Corporation* case, I consider that I should follow the views expressed

by the Full Federal Court in that case, with the result that in the case presently before me the opponent to the application for registration is required to demonstrate “blameworthy conduct”.

The Full Federal Court in the *New South Wales Dairy Corporation* case, concluded that, as a matter of interpretation, s28(a) was qualified by s28(d) and that “blameworthy conduct” was one, but not the only, circumstance which could render a mark “not entitled to protection in a court of justice”. (see 86 ALR 549 per Gummow J), (24 FCR 370 Lockhart, Pincus and Von Doussa JJ).

In the instant case, Canon has not established any “blameworthy” conduct or any other matter on the part of the respondents in relation to the present application, which would disentitle the mark to protection in the courts and as a result the challenge under this provision must fail...

In the present matter, the delegate of the Registrar, when considering the s28(a) ground, relied on what was described as the “fully settled” practice of the Registrar developed from the *Murray Goulburn* case and dismissed the opposition on this ground because in her view there was “no hint of blameworthy action”. See also *Titan Manufacturing Company Pty Ltd v John Terence Coyne* (1991) 22 IPR 613; *Unidrive Pty Ltd v Dana Corporation* (1995) 32 IPR 155. Cf *Johnson & Johnson v Kalnin* (1993) 26 IPR per Gummow J where the point was apparently not raised.

In *Nettlefold Advertising Pty Ltd v Nettlefold Signs Ltd*, supra, Heerey J also analysed the judgments of the High Court in *Murray Goulburn* and went on to say:

It is difficult to see how a disjunctive reading of s28 could have been unintended. After all, if para (d) is to be read conjunctively with para (a), presumably the same reading must apply to paras (b) and (c). It does seem odd, to say the least, that if a mark contained scandalous matter, a finding to that effect would not be sufficient in itself to prevent (or expunge) registration.

As to authority, the New Zealand Court of Appeal in *Pioneer Hi-Bred Corn v Hy-Line Chicks* [1978]2 NZLR 50 in dealing with a statutory provision very similar to s28 (see *Murray Goulburn* at 427) rejected a cumulative construction. Richmond P (at 52) considered that the New Zealand legislature has “deliberately departed” from the wording of the UK provision. His Honour said:

The result is that in this country the words “the use of which would be likely to deceive or cause confusion” are no longer governed by the words “would...otherwise, be disentitled to protection in a Court of justice.” They should accordingly be given effect in accordance with their ordinary and natural meaning.

Pioneer was a case of opposition to registration and thus, unlike *Murray Goulburn*, on all fours with the present case.

However, there remains the decision of the Full Court of this Court in *Riv-Oland Marble Co (Vic) Pty Ltd v Settef SpA* (1988) 19 FCR 569. Although not an appeal from the Registrar, the issue of contravention of s28 was considered as at the date of registration and in this respect is indistinguishable from the present case. It was held by a majority (Bowen CJ and Lockhart J, Northrop J dissenting) that s28 was not to be construed disjunctively. Moreover the Full Court in *Murray Goulburn* (at 380-383) adopted the construction of the majority in *Riv-Oland*, although, as already noted, their Honours considered that the circumstances in which a mark was “not otherwise entitled to protection in a court of justice” were not confined to “blameworthy conduct” on the part of the applicant for registration. (As also appears above, a determination of this issue was not part of the ratio decidendi of the High Court in *Murray Goulburn*.)

I conclude that I am bound by the decisions of the Full Court in *Riv-Oland* and *Murray Goulburn* to hold that the requirement of s28(d) is cumulative on s28(a).

Heerey J makes no mention of the decision of Tamberlin J in *Cannon v Brook* so that it seems that two judges of the Federal Court at first instance arrived independently at the conclusion that the High Court had left open the matter of the issue of the operation of paras 28 (a) and (d) in opposition proceedings and that they were therefore bound by the decisions of the Full Court of the Federal Court in *Riv-Oland* and *Murray Goulburn*. This tribunal is similarly bound.

There is no evidence of any blameworthy conduct on the part of the applicant MBW which, on the evidence, commenced use of the trade mark in the United States well before the first use of the mark in Australia. The objection under s28 of the Act must therefore fail.

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There remains the question of proprietorship of the mark in Australia. The basis of a claim to proprietorship of a trade mark was explained by McGarvie J in *Settef v Riv-Oland Marble* 10 IPR 402 at 413:

Acquiring proprietorship

The basic common law principle is that the first person who uses a trade mark of an appropriate type within a country becomes the proprietor of the mark there: *Re Registered Trade Mark "Yanx"*; *Ex parte Amalgamated Tobacco Corp Ltd* (1951) 82 CLR 199 at 203; *Thunderbird Products Corp v Thunderbird Marine Products Pty Ltd* (1974) 131 CLR 592 at 603; *Moorgate Tobacco Co Ltd v Philip Morris Ltd* (No 2) 59 ALJR 77 at 83. A person who becomes proprietor of a trade mark in this way is entitled at common law to restrain a person who later commences to use the trade mark.

...

In considering who, within s.40(1) of the Act, was at the time of Settef's application for registration the proprietor of the trade mark, one considers who at common law was the proprietor in Australia: *The Shell Co of Australia Ltd v Rohm & Haas* (1949) 78 CLR 601 at 625 and 627. Settef claims to be the first person to have used the trade mark in Australia and therefore to have been proprietor at common law in Australia.

The right to claim proprietorship of a mark within the meaning of s.40(1) therefore depends on first use of the mark in Australia. The meaning of the word "use" in the Act (and there is no relevant difference between the concept of use at common law and that used in the Act) is to be understood in the context of the definition of "trade mark" in s.6(1) of the Act: *W D & H O Wills (Australia) Ltd v Rothmans Ltd* (1956) 94 CLR 182 at 191; *Estex Clothing Manufacturers Pty Ltd v Ellis & Goldstein Ltd* (1967) 116 CLR 254 at 271. That definition is as follows:

trade mark means -

- (a) except in relation to Part XI, a mark used or proposed to be used in relation to goods or services 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 ; ...

The word "use" itself is defined in s.6(2) as follows:

- (2) In this Act -
 - (a) references to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark; and
 - (b) 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.

It is essential therefore that the use relied on by a person claiming proprietorship of a mark be use for the purpose of indicating or so as to indicate a connection in the course of trade between the relevant goods and that person. As to the use of the mark by an overseas manufacturer exporting goods to Australia Windeyer J. observed in the *Estex* case (supra) at 271:

"When an overseas manufacturer projects into the course of trade in this country, by means of sales to Australian retail houses, goods bearing his mark and the goods, bearing his mark are displayed or offered for sale or sold in this country, the use of the mark is that of the manufacturer."

What constitutes a connection in the course of trade for establishing prior use of a mark in Australia was discussed by the High Court in *Moorgate Tobacco v Philip Morris* 3 IPR 545 at 557:

To establish prior use of the mark in Australia, Moorgate relies upon evidence that, during or in connection with discussions between Loew's and Philip Morris about the introduction of the low tar and nicotine cigarette in Australia, packets of cigarettes and associated advertising material displaying the name "KENT GOLDEN LIGHTS" were handed personally, or in one instance sent by mail, to representatives of Philip Morris in Australia. That evidence indicates that there were at least three occasions on which such cigarette packets and advertising material were so delivered. At the times when those items were so delivered, there was no intention on the part of Loew's that it would itself trade in the goods in Australia. Nor, for that matter, had it been decided what name would be used if Philip Morris were, under licence from Loew's, to commence to manufacture and market the goods in Australia at some indefinite future time.

The court was referred to a large number of cases and to some administrative decisions in which consideration has been given to ***what constitutes a use or user of a trade mark for the purposes of the statutory notion of proprietorship of the mark before registration.*** The cases establish that it is not necessary that there be an actual dealing in goods bearing the trade mark before there can be a local use of the mark as a trade mark. It may suffice that imported goods which have not actually reached Australia have been offered for sale in Australia under the mark (*Re Registered Trade Mark "Yanx"; Ex parte Amalgamated Tobacco Corporation Ltd*, supra, at 204-5) or that the mark has been used in an advertisement of the goods in the course of trade (*Shell Co of Australia v Esso Standard Oil (Australia) Ltd*, supra, at 422). In such cases, however, ***it is possible to identify an actual trade or offer to trade in the goods bearing the mark or an existing intention to offer or supply goods bearing the mark in trade.*** In the present case, there was not, at any relevant time, any actual trade or offer to trade in goods bearing the mark in Australia or any existing intention to offer or supply such goods in trade. There was no local use of the mark as a trade mark at all; there were merely preliminary discussions and negotiations about whether the mark would be so used. The cigarette packets and associated advertising were delivered to Philip Morris to demonstrate what Loew's was marketing in other countries and what Philip Morris might market, under licence from Loew's, if it decided to manufacture and trade in the goods in Australia and to use the mark locally at some future time. There was no relevant trade in the goods in Australia and the delivery of the cigarette packets and associated material to Philip Morris did not, in the circumstances, constitute a relevant user or use in Australia of the mark "KENT GOLDEN LIGHTS" for the purpose of indicating or so as to indicate a connection in the course of trade between the new cigarettes and Loew's." (Emphasis added)

In order to establish use in the relevant sense then it must be possible to identify an actual trade or offer to trade in the goods bearing the mark or an existing intention to offer or supply goods bearing the mark in trade. In the *Moorgate* case the Court found that there had been no actual trade or offer to trade in goods bearing the mark in Australia or any existing intention to offer or supply such goods in trade. There was

no local use of the mark as a trade mark at all; there were merely preliminary discussions and negotiations about whether the mark would be so used. Likewise, in *W.D. & H.O. Wills (Australia) Ltd v Rothmans Ltd* (1956) 94 CLR 182 cigarettes under the relevant trade mark were available in America. An Australian company having some association with the American manufacturer transmitted orders from Americans living in Australia to the American company. The cigarettes were purchased and paid for in the United States-i.e. no money was sent from Australia. They were then sent direct to the purchasers in Australia. The Australian company took no part in the importation but received a commission. The cigarettes were labelled as having been made in the United States for the Australian Company. The High Court held that there was no use of the trade mark in Australia because all "trade" in the goods took place in the United States. Trading ended once goods were purchased or otherwise acquired for consumption. On the other hand in the *Thunderbird* case (1974) 131 CLR 592 the importation of one unit as a prototype for the purpose of building and selling the goods in Australia was held to be use in Australia by the exporter. The Australian manufacturer who received the unit was not entitled to register the trade mark. Also, in *Blackadder v The Good Roads Machinery Co.* (1926) CLR 332 an Australian company imported machinery from the United States bearing the American exporter's trade mark. The Australian company removed the exporter's trade mark and put its own trade mark on the goods before sale. Although purchasers never saw the exporter's trade mark, the exporter was held to have used it in Australia.

In the absence of fraud it is not unlawful for a trader to become registered proprietor of a trade mark which has been used, however extensively, by another trader as a trade mark for similar goods in a foreign country, provided there has been no use of the foreign trade mark in Australia at the date of application for registration: per Williams J. in *The Seven Up case*.

Regardless of use, the right to register a foreign mark is restricted to those who cannot be said to owe any duty to the proprietor of the foreign trade mark. Thus the trade mark of a foreign company may not properly be registered in Australia by its agent or by an Australian importer of its goods or by an employee of the importer. Any such registration will be invalid even if the agent is honestly registering to protect the principal, or if the goods have never been sold in Australia bearing the trade mark (the "*Certina*" case (1970) 44 ALJR 191, also *Blackadder v Good Roads* (supra)).

In the present case there is no evidence of any trade or offer to trade in the goods in Australia by the applicant. Nor is there any evidence of any relationship, fiduciary or otherwise, between the applicant and opponent. Nor, in accordance with the *Seven-Up* case, above, was it an illicit misappropriation by the applicant to adopt the mark for use in Australia.

Reliance was placed on the circulation in Australia of magazines containing advertising for the applicant's boats before the claimed first use of the mark in Australia by the opponent or his predecessors in title. In particular there are exhibited to the declaration of Robert Kelson copies of extracts from a magazine, *Water Ski*, with dates of March 1986, July 1987 and Sept/Oct 1988 containing such advertisements. However, there is no evidence in this material of an offer to trade in the goods directed to an Australian audience.

For all of the above reasons I find that the applicant has failed to make good its claim to proprietorship based on authorship of the mark, the intention to use it in relation to the goods and the lodgment of the application for registration as per Fullagar J in *Aston v Harlee* (*supra*) as follows, at 398-399:

"Section 32 [of the 1905 Act]of the Act provides that any person claiming to be the proprietor of a trade mark may apply to the Registrar for the registration of his trade mark. The right to registration depends, therefore, on proprietorship of a mark. The conception of proprietorship, other than proprietorship acquired by a user which has made the mark distinctive of the applicant's goods, is a difficult conception, but it has been explained by Dixon J. in *Shell Co. of Australia Ltd v Rohm and Haas Co* (1), where his Honour refers to the history of the English legislation. His Honour quotes Cotton L.J. as saying in *In re Hudson's Trade Marks* (2): "The difficulty is this: Is a man to be considered as entitled to the use of any trade mark when he has never used it at all? That is a difficulty, but I think the meaning is this. If a man has designed and first printed or formed any of those particular and distinctive devices which are referred to in the first part of s 10, he is then looked upon as the proprietor of that which is under that Act a trade mark, which will give him the right so soon as he registers it." (3). Dixon J. then sums up the position by saying: "It is clear enough from the course of legislation and of decision that an application to register a trade mark so far unused must, equally with a trade mark the title to which depends on prior user, be founded on proprietorship. The basis of a claim to proprietorship in a trade mark so far unused has been found in the combined effect of authorship of the mark, the intention to use it upon or in connection with the goods and the applying for registration" (4). "Authorship", says his Honour a little later, "involves the origination or first adoption of the word or design as and for a trade mark." (5).

- (1) (1949) 78 CLR 601, at pp.625 et seq.
- (2) (1886) 32 Ch.D., at p.319,320.
- (3) (1949) 78 CLR at p.626.
- (4) (1949) 78 CLR at p.627
- (5) (1949) 78 CLR at p. 628

His Honour went on to explain that authorship of a mark does not mean that the proprietor of the mark must have been the "true and first inventor" or have "thought of it first". The proprietor of the mark may yet be the author although he has copied or adopted a mark registered in a foreign country in respect of the same description of goods. "Local authorship" will suffice. What is essential to a valid claim to proprietorship is that no other person has acquired a prior right to use the mark in Australia for the goods or services in question. There is no evidence that the applicant or any other person had acquired a prior right to the trade mark in suit.

I am satisfied on the evidence before me that the first user of the trade mark MALIBU in Australia and therefore the proprietor here of the mark was Fibremaster Pty Ltd by virtue of the well-attested sale of a MALIBU ski boat to Zoltan Fritz on 28 October 1988. I am also satisfied that Fibremaster Pty Ltd did not dispose of its interest in the trade mark. The agreement of 9 August between Fibremaster Pty Ltd (the Vendor) and Robert Boyle (the Purchaser) is in the following terms:

WHEREAS

- A. The vendor owns *the goods* described in the Schedule ("goods").
- B. The purchaser wishes to buy *the goods* from the Vendor.
- C. The Vendor sells and the Purchaser buys *the goods* on the terms and conditions set out in this agreement.

THE PARTIES AGREE

1. In consideration of payment of \$10,000 within seven (7) days of the date of this agreement the Vendor sells to the Purchaser and the Purchaser buys from the Vendor *the goods* on the terms and conditions of this agreement.
2. *Title to the goods* free of encumbrances and all other adverse interests *shall pass* to the Purchaser on the date of this Agreement.
3. The Vendor shall deliver *the goods* to the Purchaser immediately upon signing this Agreement.
4. The risk in *the goods* shall remain the Vendors until delivery of the goods to the Purchaser.
5. That it is agreed between the parties that the Purchaser *reserves the right to use the names* "Fibremaster Malibu Skier" and Fibremaster Playmate" in its dealings with the goods. (Emphasis added)

This is clearly an agreement to pass title in the goods itemised in the Schedule and discloses no intention to pass title in any trade marks. The words “reserves the right to use” are consistent with no more than an intention to grant a licence to use the names there specified including MALIBU.

The subsequent (?) consultancy agreement between Stejcraft Pty Ltd, Eric Tattersall and Robert Boyle is in similar terms. The relevant clauses are:

8. Boyle hereby warrants and acknowledges that he is the proprietor of the Boat Moulds and is able to lawfully sell the ownership thereof to the Company following which the Company may lawfully sell any boats built by it from the Boat Moulds and that further the Company ***shall be lawfully entitled without any restriction to use*** the business names, trademarks and/or patents referred to in Clause 11 hereof

11. ***Upon the execution hereof*** Boyle shall furtherwith ***make available to*** the Company all Trade Marks, Busines Names, Patents and any other registerable (sic) interests in the Boat Moulds. (Emphasis added)

Once again the terms of the agreement are consistent with nothing more than an intention to grant a licence to use the business names, (unspecified) trade marks etc, to which, as I have found, Mr Boyle had no title. In any case the agreement, two copies of which are in evidence, at SC1 and ET9, is unexecuted and therefore of no assistance to the opponent. Ms Pettigrew did make an application for special leave to adduce further evidence in the form of an executed copy of the agreement which I refused because I do not believe that it is the purpose of the provisions relating to further evidence to allow defects in the existing evidence to be cured when those defects are pointed out as late as at the hearing of the opposition.

My finding that Fibremaster Pty Ltd never divested itself of rights in the trade mark MALIBU may seem an unsatisfactory result given that the evidence points to the fact that that company had been liquidated. However, I can come to no other conclusion on the evidence. Moreover, a company extract from the records of the Australian Securities Commission (ASC) which is exhibited to the declarations of Brian Neal and Robert Kelson shows that as late as 17 July 1996 the status of the company was shown as “under external administration and/or controller appointed”. I do not therefore know whether the company has been dissolved or is still in existence. There is no

evidence from the liquidator as to the fate of the trade mark although there are copies of ASC records which show sales of stock, plant and equipment. On the evidence before me the company is still the owner of the trade mark.

Conclusion

I have found that the grounds of opposition based on ss24 and 28 of the Act have not been made out. With respect to the proprietorship of the trade mark in Australia pursuant to s40 I have found that neither the applicant nor the opponent can lay claim to be the proprietor of the trade mark and that while the opposition has been successful to that extent and the application is therefore refused I make no award as to costs.

Michael Homann
Hearing Officer

7 November 1997