Anchorage Capital Partners Pty Limited v ACPA Pty Ltd [2018] FCAFC 6

FEDERAL COURT OF AUSTRALIA

NICHOLAS, YATES AND BEACH JJ

THE COURT:

INTRODUCTION

1 The appellant, Anchorage Capital Partners Pty Ltd, was incorporated in Australia in August 2007. In March 2008, it obtained a financial services licence allowing it to carry on a funds management business raising money to make what are sometimes referred to as "turnaround investments" in struggling businesses which it buys, fixes up, and then sells for profit.

2 The first respondent, ACPA Pty Ltd, was incorporated in Australia in June 2011 and is a wholly owned subsidiary of the second respondent. The second respondent was incorporated in June 2003 in the United States of America and is based in New York. It was originally known as Anchorage Advisors L.L.C. but changed its name on 12 October 2010 to Anchorage Capital Group L.L.C. Both respondents provide financial services, however, the activities of the first respondent appear to be ancillary to the funds management operations of the second respondent. The second respondent and its affiliates use a number of names in connection with their business operations including the name ANCHORAGE and the names ANCHORAGE CAPITAL and ANCHORAGE CAPITAL GROUP (collectively "the US ANCHORAGE names"). Another name that the second respondent also alleged it and its affiliates used is the name ANCHORAGE CAPITAL PARTNERS although, as we later explain, there was no finding made by the primary judge in relation to such use.

3 In May 2011 the appellant applied for, and subsequently obtained, registration of three trade marks consisting of the word marks ANCHORAGE, ANCHORAGE CAPITAL and ANCHORAGE CAPITAL PARTNERS (collectively "the registered marks") with the following registration numbers:

Trade Mark	Number
ANCHORAGE	1425924
ANCHORAGE CAPITAL	1425929
ANCHORAGE CAPITAL PARTNERS	1425921

4 Each of the registered marks was registered under the *Trade Marks Act 1995* (Cth) ("the Act") with effect from 26 May 2011 ("the date of registration") in respect of services ("the registered services") in class 36 described as follows:

> Acquisition for financial investment; administration of financial affairs; advisory services relating to financial investment; conducting of financial transactions; financial advisory services for companies; asset management; financial fund management; financial investment management services; financial transaction services; all the aforementioned services targeted towards special situations and mismanaged or underperforming companies to help improve their financial performance.

5 It can be seen that each of the registered marks is registered in respect of various financial services "targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance." In its submissions the appellant referred to this as the "turnaround proviso". That term is not a totally apt description of the relevant language, which is not a true proviso, and which does not include any reference to "turnaround". Nevertheless, for convenience we have also used it in these reasons to refer to the qualification contained in the last three lines of the description of the registered services.

6 In June 2011 the first respondent commenced business from premises located in the Suncorp Tower at 259 George Street, Sydney. It described itself on signage erected at Suncorp Tower as "ACPA a subsidiary of Anchorage Capital Group LLC".

7 In June 2013 the appellant moved its principle place of business from its premises at Bridge Street, Sydney to Suncorp Tower. In September 2013, after the appellant moved offices from Bridge Street to Suncorp Tower, the first respondent removed its signage at the appellant's request.

8 On 14 February 2014 the appellant filed its originating application seeking relief against the first and second respondents in respect of their alleged infringement of each of the registered marks, for passing off, and for misleading and deceptive conduct in contravention of s 18 of the Australian Consumer Law ("ACL"). On 22 April 2014 the respondents filed their cross-claim seeking an order for the cancellation of each of the registered marks. The defences raised by the appellant to the respondents' cross-claim included an alleged estoppel which was said to preclude the respondents from seeking such an order.

9 On 21 August 2015 the primary judge dismissed the appellant's application: *Anchorage Capital Partners Pty Limited v ACPA Pty Ltd* (2015) 115 IPR 67 ("PJ-1"). References to paragraphs in the primary judge's reasons are to those in PJ-1 unless otherwise indicated.

10 A crucial finding made by the primary judge was that the appellant was not the owner of the ANCHORAGE or ANCHORAGE CAPITAL marks because the second respondent had used them in Australia in January 2007 before the appellant first used them.

11 In a second judgment delivered on 17 December 2015 his Honour ordered that the ANCHORAGE and the ANCHORAGE CAPITAL marks be cancelled: *Anchorage Capital Partners Pty Limited v ACPA Pty Limited (No 3)* (2015) 331 ALR 512 ("PJ-2"). His Honour declined to order the cancellation of the ANCHORAGE CAPITAL PARTNERS mark.

12 On 9 March 2016 the primary judge delivered a third judgment in relation to the costs of the proceeding. The costs orders made by his Honour required the appellant to pay some of the respondents' costs on an indemnity basis: *Anchorage Capital Partners Pty Limited v ACPA Pty Limited (No 4)* [2016] FCA 218 ("PJ-3"). His Honour ordered:

> 1. The applicant is to pay the respondents' costs on the cross-claim of defending the estoppel case on an indemnity basis.
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> 2. The applicant is to pay the respondents' costs on both the application and the cross-claim on a party-party basis before 11am on 20 June 2014 other than the costs referred to in order 1.
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> 3. The applicant is to pay the respondents' costs thereafter on an indemnity basis.

Given that the trial did not commence until 15 December 2014, the effect of the primary judge's costs orders required the appellant to pay the respondents' costs of the trial and preparation by the respondents in the months leading up to it, on an indemnity basis.

13 In this appeal, the appellant contends that the primary judge should not have cancelled any of the registered marks and that his Honour should have found that each of them was infringed by the respondents. The appellant also contends that his Honour should not have required the appellant to pay any part of the respondents' costs after 11am on 20 June 2014 on an indemnity basis.

14 The respondents have filed a notice of contention upon which they rely together with a cross-appeal challenging the primary judge's decision not to order the cancellation of the ANCHORAGE CAPITAL PARTNERS mark and also postulating a slightly different costs order to that made by his Honour.

15 The appellant does not challenge the primary judge's rejection of the appellant's estoppel defence or the primary judge's rejection of the appellant's case of passing off and for contravention of s 18 of the ACL. The appeal is therefore only concerned with the primary

judge's conclusions with respect to validity and infringement of the registered marks, whether those marks should have been cancelled, and costs.

16 For completeness we should mention that his Honour was not satisfied that the second respondent had a sufficient reputation in its name in Australia as at the date of registration to establish that the use of any of the registered marks would be likely to deceive or cause confusion or that their use would be contrary to law (see ss 42(b), 60 and 88(2)(a) and (c) of the Act). His Honour's findings with respect to these grounds for cancellation are not challenged by the respondents.

THE PRIMARY JUDGE'S REASONS

17 The primary judge commenced his judgment with a paragraph which the appellant submitted contains some key findings with respect to the nature and scope the second respondent's business. His Honour said at [1]:

> [1] … The applicant is called Anchorage Capital Partners Pty Ltd and is an Australian corporation. The second respondent is a Delaware limited liability corporation called Anchorage Capital Group LLC. Both of these firms have similar business models in that both raise money from professional investors which they then invest to make a profit. There are differences between them as to the kinds of investments they make and the manner in which they raise their funds. The applicant is involved in what its executives called the turnaround business which involves acquiring a controlling interest in a struggling business, fixing it up and then on-selling it at a profit. The second respondent by contrast, does not generally make that kind of investment. Rather, it acquires, broadly speaking, distressed debt or equity positions at a discount to their true value and then disposes of them at a profit when the true value is later realised. The applicant was at pains to distinguish the nature of these two kinds of business. I accept they are different.

18 It is apparent that his Honour accepted that there were differences between the businesses carried on by the appellant and the second respondent. But it is important to recognise that his Honour was not at this early point in his reasons dealing with the scope of the registered services or making any finding as to whether the second respondent had ever offered to provide services in Australia that were the same services, or the same kind of services, as the registered services.

19 The primary judge identified four issues related to ownership of the relevant marks. His Honour said at [32]-[33]:

> [32] It was not in dispute that the applicant would not be the owner of the ANCHORAGE marks if prior to the earlier of its first use of the marks in Australia another person in the course of trade in Australia used a mark which was substantially identical with the registered marks in relation to the same

> kinds of services for which the applicant's marks were registered: *The Shell Company of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 at 423-424 [1963] ALR 634; (1963) 1B IPR 523 at 532 per Kitto J; *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* (1984) 156 CLR 414 at 432; 56 ALR 193 at 204; 3 IPR 545 at 556 per Deane J (with whom Gibbs CJ, Mason, Wilson and Dawson JJ agreed).
>
> [33] The debate between the parties was fourfold: (a) whether there was an additional requirement that it should be shown that the earlier user of the mark was entitled to its exclusive use; (b) whether it was shown that the second respondent had used substantially identical marks to the ANCHORAGE marks in the course of trade; (c) whether it was open to the respondents to rely on use of substantially identical marks by other members of the second respondent's group; and, (d) if so, whether such use was established.

20 None of the four issues identified by the primary judge at [33] refers to the question whether the relevant use occurred in relation to the same kind of services in respect of which the registered marks were registered. In particular, the primary judge's discussion of the issues does not include any reference to the turnaround proviso. Mr Darke SC, who appeared for the appellant (but who did not appear at the trial) told us that this issue was raised by the appellant before the primary judge, and we were taken to some written submissions and transcript that confirms this. But as with a number of other points raised by the appellant in its appeal, it is clear that the turnaround proviso received much less emphasis before the primary judge than it was given during the appeal.

21 The primary judge held that the appellant was not the owner of either of the cancelled marks because the US ANCHORAGE names were used in Australia by the second respondent in electronic copies of a slide presentation ("the slide presentation") attached to emails sent to potential institutional investors in Australia in January 2007. His Honour said at [36]:

> [36] … [T]he evidence shows that on 25 and 30 January 2007 (before the applicant commenced business) the second respondent sent potential institutional investors a presentation made up of slides entitled 'ANCHORAGE CAPITAL GROUP' with the words 'ACP, ACC, & ASC FUNDS OVERVIEW' by which it sought to solicit investments in some of its funds. Although the applicant disputed this, I am satisfied that this was sent on behalf of the second respondent (which was confusingly not then called Anchorage Capital Group LLC). Although the presentation was said to be provided by an entity then bearing that name it was expressed to be sent on behalf of Anchorage Capital Group LLC and that entity's affiliates which included the second respondent (which, as I have said, was then known by another name). I accept that this was trademark use in the course of trade. The second respondent was seeking to provide its fund management services to investors using the US ANCHORAGE names.

22 We should point out that the copies of the slide presentation reproduced in the appeal papers (Part C, Tab 40.11 and 40.13) were incomplete. A complete copy of the slide presentation was

first made available to us at the commencement of the hearing of the appeal by Mr Darke SC. When in these reasons we refer to the slide presentation, we are referring to the complete document made up of 42 pages.

23 The primary judge found at [39] that the US ANCHORAGE names included marks that were identical to the cancelled marks, ANCHORAGE and ANCHORAGE CAPITAL. Those findings were not challenged by the appellant. However, his Honour did not accept that any of the US ANCHORAGE names was identical or substantially identical to the third of the registered marks, ANCHORAGE CAPITAL PARTNERS.

24 His Honour concluded that the second respondent used the US ANCHORAGE names in relation to funds management services on two occasions in January 2007 and this was sufficient to establish that the appellant was not the owner of the ANCHORAGE and ANCHORAGE CAPITAL marks. The appellant challenges the primary judge's finding that this use constituted trade mark use. Further, the appellant contends that the primary judge erred in holding (at least implicitly) that any such use occurred in relation to the same services, or services of the same kind, as the registered services.

25 The second respondent also claimed to have used its trade marks in Australia at other times prior to 2007. However, the primary judge was not satisfied that any of these other uses amounted to trade mark use. His Honour said at [42]:

> [42] … there were a number of instances prior to 2007 in which various fund entities within the second respondent's group used the US ANCHORAGE names in transactions in Australia. Often these were not related to negotiations to acquire interests (which were generally conducted by the second respondent) but were more closely tied to the settlement elements of the transactions. For the reasons I have already given, however, I do not think that any of these arrangements involved the use by these entities of the names as trademarks in the course of their trade. They were not attempting to distinguish their services from those of others using the names because they were not providing services by passively investing in Australian businesses. On the other hand, I do accept that the two presentations referred to above in relation to (b) also establish trademark use of the names by each of the entities on whose behalf they were sent (that is, all of the affiliates within the group) and not just the second respondent.

His Honour concluded that the second respondent and its affiliates used the second respondent's marks as trade marks in Australia in relation to the provision of fund management services on 25 and 30 January 2007. It was on this basis that his Honour found that the appellant was not the owner of the ANCHORAGE or ANCHORAGE CAPITAL marks. His Honour said at [43]:

> [43] In those circumstances, I conclude that the second respondent and its affiliates used the US ANCHORAGE names in relation to the provision by them of funds management services on two occasions in January 2007 before the priority date and that this use was sufficient to mean that the applicant was not the owner of the ANCHORAGE and ANCHORAGE CAPITAL marks. The power to remove the marks from the register is enlivened under s 88(1)(a) of the Act. A corollary of this conclusion is that the second respondent was entitled to seek registration of the ANCHORAGE and ANCHORAGE CAPITAL names as trademarks. It was for that reason that I would have upheld the second respondent's defence based on ss 122(1)(f) and 122(1)(fa) …

26 Given the issues that arise in the appeal, it is important to note that the primary judge was satisfied that the second respondent used the US ANCHORAGE names in Australia in January 2007 "in relation to the provision by them of funds management services." However, his Honour was not satisfied that there was any such use of any of the US ANCHORAGE names in Australia after the date of registration. It was on that basis that his Honour concluded that (apart from any other defences that might be available under s 122(1) of the Act) neither respondent infringed the registered marks within the meaning of s 120(1) of the Act. The appellant challenges the primary judge's finding to this effect. It also contends that the primary judge failed to consider an infringement case founded on s 120(2) of the Act.

27 In support of its argument before the primary judge that it should not be inferred that the second respondent intended to provide financial services in Australia in early 2007 and that any use of the US ANCHORAGE names in January 2007 did not constitute trade mark use, the appellant relied on s 911A of the *Corporations Act 2001* (Cth), relevant parts of which are set out later in these reasons. The appellant's case before his Honour was, in effect, that the second respondent could not lawfully provide such services in circumstances where it did not hold an Australian financial services licence without contravening s 911A. His Honour rejected this argument for the reasons given at [47]:

> [47] … First, I do not accept that the fact that a business was acting illegally in some ways provides a defence to a claim relating to its trade marks. The use of the US ANCHORAGE names was not a breach of the Corporations Act. Secondly, the second respondent's investment activities in Australia did not involve the conduct of a business here so that they cannot constitute the conduct of a financial services business even if they were providing a financial service.

28 We will refer to the appellant's argument based on s 911A in greater detail later in these reasons, but we should point out that this argument appears to have been given much greater attention by the appellant in the appeal than it was given before the primary judge. This may account for the brevity with which it was rejected by his Honour.

29 The primary judge held that the power to cancel the ANCHORAGE and the ANCHORAGE CAPITAL marks was enlivened because the appellant was not the owner of those marks (see ss 58 and 88(2)(a) of the Act), and the appellant's applications for registration of them could have been opposed on that ground.

30 After publishing PJ-1, the primary judge heard further submissions in relation to the matter of the discretion to cancel, or not to cancel, the ANCHORAGE and ANCHORAGE CAPITAL marks. As we later explain, his Honour held that there was such a discretion but nevertheless decided that those marks should be cancelled.

31 His Honour referred in PJ-2 to the High Court's decision in *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 at [22] in which reference was made to the "integrity" and "purity" of the Register and the concern of the trade marks legislation "… to ensure that the Register is maintained as an accurate record of marks that perform their statutory function to indicate the trade origins of the goods to which it is intended that they be applied." His Honour said at PJ-2 [14]-[17]:

> [14] In its survey of the operation of the Act in *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 the High Court observed (at 597 [22]):
>
> > 'Secondly, the legislative scheme reveals a concern with the condition of the Register of Trade Marks. It is a concern that it have "integrity" and that it be "pure". It is a "public mischief" if the Register is not pure, for there is "public interest in [its] purity". The concern and the public interest, viewed from the angle of consumers, is to ensure that the Register is maintained as an accurate record of marks which perform their statutory function – to indicate the trade origins of the goods to which it is intended that they be applied.'
>
> (Footnotes omitted)
>
> [15] On its face, the fact that the register currently records that the applicant is the owner of the marks when this is not correct would appear to detract from the accuracy of the register and hence, presumably, its 'purity' and 'integrity'. The applicant's answer to this was that the existence of the discretion under s 88(1) not to cancel a mark's registration meant that the Act did not in every case require an inaccurate entry to be removed.
>
> [16] No doubt this is correct, but it is no answer to the general observation that, absent good reason to the contrary, a public register should be accurate. It is therefore necessary to identify some reason why it would be a good idea for the register to remain inaccurate.
>
> [17] The applicant put forward ten matters as being relevant to the exercise of the discretion.

The primary judge then had regard to the 10 different considerations said by the appellant to be relevant to the exercise of the discretion not to order cancellation of the appellant's trade mark registrations. We should say that we do not understand the appellant to suggest that his Honour did not address each of the 10 considerations that the appellant then relied upon.

32 It is apparent from his Honour's reasons that his exercise of the discretion to order cancellation of the appellant's registered marks was principally based on a consideration of the public interest in ensuring that the Register is accurate.

33 In support of his conclusion that none of the registered marks was infringed, the primary judge did not accept that either respondent used any of the US ANCHORAGE names in relation to the services in respect of which any of the registered marks was registered after the date of registration. His Honour said at [12]-[15]:

> [12] The applicant puts its case solely on s 120(1) of the *Trade Marks Act 1995* (Cth) ('the Act') ('A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered'). In this case it is necessary that the applicant therefore establish that: (a) the signs used by the respondents were substantially identical or deceptively similar to the applicant's trademarks; and (b) that the respondents used those signs 'in relation to goods or services in respect of which the trade mark is registered'.
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> [13] As to (a), I accept that the first respondent's use of the US ANCHORAGE names was substantially identical or deceptively similar to all three registered [sic] of the ANCHORAGE marks. In particular: ANCHORAGE is identical to ANCHORAGE; Anchorage Capital Group LLC is deceptively similar both to ANCHORAGE CAPITAL and ANCHORAGE CAPITAL PARTNERS. As to the ANCHORAGE email addresses, @anchoragecap.com is deceptively similar to ANCHORAGE CAPITAL but @acpa.anchoragecap.com is not. I do not accept that the first respondent's use of 'ACPA Pty Ltd a subsidiary of Anchorage Capital Group LLC' was deceptively similar to any of the marks.
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> [14] However, this is by the by. This is because, as to (b), I do not accept that either respondent has, since the priority date, used the US ANCHORAGE names 'in relation to goods and services in respect of which the trade mark is registered'. Neither respondent is shown to have dealt with or provided any services in Australia after the priority date.
>
> [15] Consequently, no infringement under s 120(1) can be established against either respondent. They were not using the US ANCHORAGE names as trademarks to distinguish their services because they were not dealing with or providing services when they used the names. Their use was not trademark use – the US ANCHORAGE names were not being used as a badge of origin in the sense that they were not being used to indicate a connexion in the course of trade between the only service actually provided by the second respondent, that of funds management, and the second respondent: *Coca-Cola Company v All-Fect Distributors Ltd* (1999) 96 FCR 107 at 115 [19]. There is simply no evidence that either respondent provided any of their funds management services to anyone in Australia after the priority date. What they have done is trade in their own names. This is not trade mark use.

34 The primary judge said that if he were to have concluded that the first respondent had used any of the registered marks or trade marks in relation to the services in respect of which they were registered, he would have accepted that the first respondent had a defence under s 122(1)(b)(i) of the Act on the basis that such use was use in good faith to indicate a characteristic of the first respondent's services. The correctness of that conclusion is not challenged by the appellant.

35 In relation to the second respondent, the primary judge concluded that it would have had a defence under s 122(1)(a)(i) of the Act on the ground that it had, in good faith, used its own name. His Honour was also satisfied that the second respondent would have had a defence under both s 122(1)(f) and s 122(1)(fa) on the ground that the second respondent is entitled to register the US ANCHORAGE names as trade marks. The appellant challenges the correctness of each of those conclusions.

36 The primary judge said at [18] that he would have rejected the second respondent's defences under s 124 of the Act on the basis that the second respondent had not continuously used the US ANCHORAGE names. His rejection of this defence is consistent with his view that the second respondent used the US ANCHORAGE names as trade marks in Australia in 2007 but that the evidence did not show that there had been any such use in later years. The respondents challenge the correctness of those findings.

THE GROUNDS OF APPEAL

37 There are 18 grounds of appeal relating to the trade mark issues (including **Ground 1** and **Ground 5** both of which are expressed in general terms) which may be summarised as follows:

(1) The primary judge erred in holding that the sending of the slide presentation on 25 and 30 January 2007 constituted use by the second respondent of the US ANCHORAGE names as trade marks in Australia in relation to services of the same kind as the registered services. (**Ground 2**)

(2) The primary judge erred in holding that any trade mark use by the second respondent of the US ANCHORAGE names did not involve the conduct of a financial services business in Australia and that there was therefore no breach by the second respondent of s 911A of the *Corporations Act 2001* (Cth). (**Ground 2A**)

(3) The primary judge erred in holding that it was open to the respondents to rely on use prior to the date of registration of the US ANCHORAGE names by any person other than the second respondent in seeking cancellation of the registered marks (**Ground 3**),

that the second respondent and other members of its corporate group were the owners of the cancelled marks, and that the appellant was not the owner of the cancelled marks (**Ground 4**).

(4) The primary judge erred in holding that the appellant bore the onus of demonstrating that the discretion to cancel should not be exercised, that the public interest favoured such cancellation and that, in the exercise of his discretion, he should order the cancellation of the cancelled marks. (**Grounds 6-7**)

(5) The primary judge erred in holding that the respondents would be prejudiced by not cancelling the cancelled marks, that he also failed to have regard to other matters relevant to the exercise of the discretion, including his findings concerning the respondents' own lack of reputation, and the lack of any likelihood that consumers would be confused or deceived by the appellant's use of the cancelled marks. (**Grounds 8-10**)

(6) The primary judge erred in failing to find that the respondents had infringed the registered marks under s 120(1) or s 120(2)(c) of the Act and in holding that the second respondent would also have been entitled to rely on the defences provided for in ss 122(1)(a), (f) and (fa) of the Act. (**Grounds 11-17**)

(7) The primary judge erred in failing to find that any application by the second respondent for registration of any of the registered marks or the US ANCHORAGE names would be rejected pursuant to s 33(1) of the Act on the ground provided for in s 44(2), or refused pursuant to s 55(1) on the grounds provided by ss 44(2), 57 and 60. (**Ground 18**)

38 There are also five further grounds of appeal (**Grounds 19-23**) relating to the appellant's appeal against the primary judge's indemnity costs order which we will address later in these reasons.

39 Ground 3 of the notice of appeal was not pressed because, as the appellant accepted in a footnote to its written submissions in chief, if there was trade mark use in the slide presentation (which it denied) then this was trade mark use by the second respondent as well as the other members of its corporate group.

THE NOTICE OF CONTENTION

40 The respondents seek to uphold the primary judge's judgment on additional grounds which may be summarised as follows:

(1) Given the primary judge's findings on the issue of ownership, his Honour was required to cancel the cancelled marks because s 88(1)(a) of the Act does not confer any discretion not to do so when grounds for cancellation are made out. (**Contention 1**)

(2) There was further use of the US ANCHORAGE names by the second respondent before the date of registration ("the additional prior use") in addition to the prior use found by the primary judge based on the slide presentation. (**Contention 2**)

(3) The primary judge's finding that the second respondent did not infringe the registered marks be upheld on the ground that it made out its defence under s 124(1) of the Act on the basis of the additional prior use. (**Contention 3a**)

(4) The primary judge's alternative findings of non-infringement of the registered marks based on s 122(1)(f) and (fa) of the Act should be upheld on the ground of the additional prior use. (**Contention 3b**)

(5) The primary judge's finding that the first respondent did not infringe the registered marks be upheld on the additional ground that the first respondent's defence pursuant to s 122(1)(a) of the Act was made out. (**Contention 3c**)

(6) The respondents also seek to support the indemnity costs order made by the primary judge on the basis of a *Calderbank* offer to the appellant dated 18 June 2014. (**Contention 4**)

During the hearing of the appeal the appellant made clear that it did not challenge the primary judge's finding that the first respondent's defence based on s 122(1)(a) of the Act was made out. It is therefore unnecessary for us to say anything further concerning Contention 3c.

THE GROUNDS OF CROSS-APPEAL

41 As already mentioned, the respondents contend by way of cross-appeal that the primary judge erred by not ordering the cancellation of the third of the registered trade marks, ANCHORAGE CAPITAL PARTNERS. They contend that his Honour should have found that the second respondent had also used the name ANCHORAGE CAPITAL PARTNERS as a trade mark in the slide presentation (**Ground 1**) and that he should therefore have found that the second respondent was also the owner of that mark. They also contended by way of cross-appeal that his Honour erred by failing to hold that each of the US ANCHORAGE names was (contrary to his Honour's finding at [39]) substantially identical to the ANCHORAGE CAPITAL PARTNERS mark (**Ground 2**).

42 The respondents also raised in their notice of cross-appeal some of the same matters raised in their notice of contention in relation to the cancelled marks in support of their further contention that the ANCHORAGE CAPITAL PARTNERS mark should have been cancelled. In particular, they placed reliance on the additional prior use (**Ground 3**) to which we have briefly referred and also contended that if there is a discretion not to cancel the ANCHORAGE CAPITAL PARTNERS mark, then it should be cancelled for essentially the reasons that the primary judge decided to order the cancellation of the cancelled marks (**Ground 4**).

43 The final ground raised in the cross-appeal relates to the primary judge's indemnity costs order (**Ground 5**).

VALIDITY ISSUES

Ownership

Background

44 We will first consider the appellant's challenge to his Honour's order cancelling the ANCHORAGE mark and the ANCHORAGE CAPITAL mark. This aspect of the appeal concerns the law with respect to the statutory concept of trade mark ownership or (as it was called in the context of previous trade mark legislation) the statutory concept of trade mark "proprietorship".

45 Section 27(1) of the Act provides that a person may apply for the registration of a trade mark in respect of goods and/or services if the person claims to be the owner of the trade mark in various circumstances including, relevantly, if the person is using or intends to use the trade mark in relation to the goods or services. Section 58 provides that the registration of a trade mark may be opposed on the ground that the applicant is not the owner of the trade mark.

46 Section 88(2) relevantly provides that the Court may order the cancellation of a registered trade mark on any of the grounds on which the registration of the trade mark could have been opposed under this Act. This was the source of the power exercised by the primary judge when ordering cancellation of the cancelled marks.

47 The concept of ownership in the relevant statutory context was explained by Dixon J (as he then was) in *Shell Co of Australia v Rohm & Haas Co* (1949) 78 CLR 601 at 627:

> 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.

48 Authorship in this context does not require that the applicant for registration be the first to conceive of the mark. Rather, it refers to the applicant's adoption of the mark with the intention of using it in Australia in relation to the goods or services with respect to which the applicant seeks to register the mark.

49 Hence, ownership may be acquired by the act of applying for registration of a trade mark even though the applicant has not previously used the mark and the mark has already been used outside Australia by someone else. However, the applicant's claim to ownership of the mark may be defeated if another person has previously used the mark, or a substantially identical mark, in Australia as a trade mark in relation to the same goods or services, or goods or services of the same kind, as those that are the subject of the application for registration.

Prior Use

50 It has been held that slight use of a mark in relation to the relevant goods or services may be sufficient to establish ownership for the purposes of s 58: *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* (1984) 156 CLR 414 at 432; *Malibu Boats West Inc v Catanese* (2000) 180 ALR 119 at [28], *Aristocrat Technologies Australia Pty Ltd v Global Gaming Supplies Pty Ltd* (2016) 121 IPR 150 at [112]-[119].

51 In *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* (1984) 156 CLR 414 Deane J (with whom Gibbs CJ, Mason, Wilson and Dawson JJ agreed) said at 432-434:

> The prior use of a trade mark which may suffice, at least if combined with local authorship, to establish that a person has acquired in Australia the statutory status of "proprietor" of the mark, is public use in Australia of the mark as a trade mark, that is to say, a use of the mark in relation to goods for the purpose of indicating or so as to indicate a connexion in the course of trade between the goods with respect to which the mark is used and that person: see, generally, *Shell Co. of Australia Ltd. v. Esso Standard Oil (Australia) Ltd*. [(1963) 109 CLR 407 at pp 423-424]; *Re Registered Trade Mark "Yanx"; Ex parte Amalgamated Tobacco Corporation Ltd*. [(1951) 82 CLR 199 at pp 204-205]; and the definition of "trade mark" in s. 6(1) of the *Trade Marks Act*. The requisite use of the mark need not be sufficient to establish a local reputation and there is authority to support the proposition that evidence of but slight use in Australia will suffice to protect a person who is the owner and user overseas of a mark which another is seeking to appropriate by registration under the *Trade Marks Act*. In such a case, the court "seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia": see *Seven Up Co. v. 0. T. Ltd.* [(1947) 75 CLR 203 at p 211]; *Aston v. Harlee Manufacturing Co.* [(1960) 103 CLR 391 at p 400].
>
> …
>
> 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*. [(1951) 82 CLR 199 at pp 204-205] 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* [(1963) 109 CLR 407 at p 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.

52 The principles referred to by Deane J have been applied to protect the trade mark rights of the owners of foreign trade marks whose marks had not been the subject of any substantial use in Australia, in circumstances where the same or a substantially identical trade mark had been applied for in Australia by another person seeking to obtain some advantage from the registration of the foreign mark in his or her name. However, the application of these principles does not depend upon characterising the other person's conduct as fraudulent or sharp or as involving some unconscientious misappropriation of the foreign trader's trade mark. They may also have application in a case where a person is found to have adopted the foreign trader's mark without any improper motive.

53 The relevant question is whether another person is shown to have a better title to the trade mark than the applicant for registration by reason of that person having used the trade mark either before the earlier of the date the applicant first used the mark as a trade mark in Australia or the date the applicant filed his or her application for registration.

Trade Mark Use

54 Use of a mark as a trade mark involves use of the mark to distinguish the goods or services of the person using the mark from the goods or services of other persons or, as it is sometimes expressed, as a badge of origin indicating a connection in course of trade between the goods or services in relation to which the mark has been used and the person applying the mark: see *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* (2016) 243 FCR 152 at [24]-[30] and the well-known authorities there referred to including *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 ("*E&J Gallo*"), *Coca-Cola Company v All-Fect Distributors Ltd* (1999) 96 FCR 107 and *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407. *E&J Gallo* concerned a claim for an order under s 101(2) of the Act for the removal of the trade mark BAREFOOT in respect of wines on

grounds of non-use. In opposing that claim the registered owner relied upon its use of a mark that included the word BAREFOOT in combination with a device in the form of a bare foot. In relation to the concept of trade mark use, the plurality (French CJ, Gummow, Crennan and Bell JJ) said at [41]-[43]:

> [41] The concept of "use" of a trade mark which informs ss 92(4)(b), 100(1)(c) and 100(3)(a) of the *Trade Marks* Act must be understood in the context of s 17, which describes a trade mark as a sign used, or intended to be used, to "distinguish" the goods of one person from the goods of others.
>
> [42] Whilst that definition contains no express reference to the requirement, to be found in s 6(1) of the *Trade Marks Act 1955* (Cth), that a trade mark indicate "a connexion in the course of trade" between the goods and the owner, the requirement that a trade mark "distinguish" goods encompasses the orthodox understanding that one function of a trade mark is to indicate the origin of "goods to which the mark is applied". Distinguishing goods of a registered owner from the goods of others and indicating a connection in the course of trade between the goods and the registered owner are essential characteristics of a trade mark. There is nothing in the relevant Explanatory Memorandum to suggest that s 17 was to effect any change in the orthodox understanding of the function or essential characteristics of a trade mark.
>
> [43] In *Coca-Cola Co v All-Fect Distributors Ltd* a Full Court of the Federal Court of Australia said:
>
>> "Use 'as a trade mark' is use of the mark as a 'badge of origin' in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods … That is the concept embodied in the definition of "trade mark" in s 17 – a sign used to distinguish goods dealt with in the course of trade by a person from goods so dealt with by someone else."
>
> That statement should be approved.

(footnotes omitted)

55 We would also refer to the decision in *Woolworths Ltd v BP plc* (2006) 154 FCR 97 in which the Full Court said at [77]:

> [77] Whether or not there has been use as a trade mark involves an understanding from an objective viewpoint of the purpose and nature of the use, considered in its context in the relevant trade. How the mark has been used may not involve a single or clear idea or message. The mark may be used for a number of purposes, or to a number of ends, but there will be use as a trade mark if one aspect of the use is to distinguish the goods or services provided by a person in the course of trade from the goods or services provided by any other persons, that is to say it must distinguish them in the sense of indicating origin …

(citations omitted)

56 For present purposes we would emphasise the following two related points that emerge from the authorities: first, whether or not the use of a mark constitutes trade mark use depends on

the context in which such use occurs; secondly, a mark may be used as a trade mark even though it simultaneously performs a number of functions only one of which is to act as a badge of origin.

Substantially Identical

57 The relevant test for determining substantial identity was discussed by Windeyer J in *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407. His Honour said at 414:

> 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. "The identification of an essential feature depends", it has been said, "partly on the Court's own judgment and partly on the burden of the evidence that is placed before it". Whether there is substantial identity is a question of fact.

(citations omitted)

58 In *Carnival Cruise Lines Inc v Sitmar Cruises Ltd* (1994) 120 ALR 495 ("*Funship*") Gummow J noted at 513 that the phrase "substantially identical" as used in s 62 of the *Trade Marks Act 1955 (Cth)* ("the 1955 Act") "… requires a total impression of similarity to emerge from a comparison between the two marks": see also *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506 ("*Colorado*") per Allsop J (as the Chief Justice then was) at [106]-[110].

59 We have already referred to the facts in *E&J Gallo*. As we have mentioned, one of the issues that was considered by the High Court in that case was whether the word and device used by the registered owner was substantially identical to the registered mark BAREFOOT. The plurality referred at [20] to s 7(1) of the Act which provides as follows:

> If the Registrar or a prescribed court, having regard to the circumstances of a particular case, thinks fit, the Registrar or the court may decide that a person has used a trade mark if it is established that the person has used the trade mark with additions or alterations that do not substantially affect the identity of the trade mark.

60 The plurality later said at [69]:

> [69] … The addition of the device to the registered trade mark is not a feature which separately distinguishes the goods or substantially affects the identity of the registered trade mark because consumers are likely to identify the products sold under the registered trade mark with the device by reference to the word BAREFOOT. The device is an illustration of the word. The monopoly given by a registration of the word BAREFOOT alone is wide enough to include the

> word together with a device which does not substantially affect the identity of the trade mark in the word alone. So much is recognised by the terms of s 7(1), which speak of additions or alterations which "do not substantially affect the identity of the trade mark". Except for a situation of honest concurrent use, another trader is likely to be precluded from registering the device alone while the registered trade mark remains on the Register. The device is an addition to the registered trade mark that does not substantially affect its identity. Accordingly, the use of the registered trade mark with the device constitutes use of the registered trade mark in accordance with s 7(1).

Services of the Same Kind

61 The authorities establish that a person's ownership of a trade mark will usually extend not only to the goods or services in relation to which he or she has used or proposes to use, but also to other goods or services that are "of the same kind." The expression "the same kind of thing" derives from the judgment of Holroyd J in *Re Hicks Trade Mark* (1897) 22 VLR 636 at 640. His Honour said at 640:

> In order to substantiate his application to be placed on the register for this word he must have claimed to be the proprietor, and the word "proprietor" must be taken to mean the person entitled to the exclusive use of that name. If there is anyone else who would be interfered with by the registration of the word "Empress" in the exercise of a right which such person has already acquired to use the same word in application to the same kind of thing, then Hicks ought not to have been put on the register for that trade mark.

62 As Kenny J explained in *Colorado* at [6]:

> The owner of a mark does not have rights at large in relation to the mark. The effect of the 1995 Act, which, in this regard, is much the same as earlier trade mark legislation, is that a trade mark must be registered in respect of particular goods or services as set out in Sch 1 to the *Trade Marks Regulations 1995* (Cth): see reg 3.1, 4.4 and Sch 1; also the 1995 Act, ss 19 and 27. Ownership by first use is therefore ownership (or proprietorship) in relation to the goods or classes of goods on which the mark has first been used. The owner's right to registration in this circumstance is not limited to the identical goods or classes of goods but extends to goods or classes of goods "of the same kind": see *Jackson & Company v Napper* (1886) 35 Ch D 162 at 178 and *Re Hick's Trade Mark; Ex parte Metters Bros* (1897) 22 VLR 636 at 640.

63 Her Honour said at [14]:

> As we have seen, generally speaking, the prior public use in Australia of a mark as a trade mark – that is, the use of the mark in relation to goods or services in order to show a connection between the goods and the user of the mark – may support the user's claim to be the "owner" of the mark for the purpose of s 27 of the 1995 Act: see *Moorgate Tobacco Company Ltd v Philip Morris Ltd (No 2)* (1984) 156 CLR 414 at 432 per Deane J (with whom Gibbs CJ, Mason, Wilson and Dawson JJ agreed). For this purpose, too, the owner's right to registration extends to goods "of the same kind" as the goods that have already borne the mark: see *Jackson v Napper* 35 Ch D at 178 per Stirling J and *Re Hick's Trade Mark* 22 VLR at 640 per Holroyd J. Authoritative discussions show that this extension to goods of the same kind is confined to goods

> that are essentially the same, though they may differ in size, shape and name. This point is emphasised in *Jackson v Napper* 35 Ch D 162 where Stirling J gave some attention to this question in considering the difference between an axe and a hatchet.

64 As Allsop J also observed in *Colorado* at [89], there is a difficulty involved in fixing upon the proper frame of reference for the purpose of determining whether goods or services are of the same kind. Nevertheless, as his Honour also suggested at [89], the question whether goods or services are of the same kind must be addressed in a practical and common sense way and by asking whether the relevant goods or services are essentially the same.

The Appellant's Submissions

Power to cancel the registered trade marks

65 We will first consider the appellant's challenge to the primary judge's order for cancelling the registration for the ANCHORAGE and the ANCHORAGE CAPITAL marks. In short, the appellant's submissions (which fall into three groups) were that the second respondent could not be the owner of those marks because:

- any trade mark use of the US ANCHORAGE names in the slide presentation was not use in relation to the registered services or services of the same kind as the registered services;
- at the time the slide presentations were sent to Australia, the second respondent had no existing intention to offer to supply its services in Australia; and
- the names ANCHORAGE and ANCHORAGE CAPITAL, while used in the slide presentation, were not used as trade marks.

66 We will deal with each of these groups of submissions in turn.

Was the second respondent's use of the US ANCHORAGE names use in relation to the same kind of services?

The primary judge's reasons

67 We agree with the appellant that in considering the question of ownership the primary judge does not appear to have had regard to the turnaround proviso when determining whether the second respondent was the first to use the registered marks (or other substantially identical marks) in Australia in respect of the registered services. We should say, in fairness to the primary judge, that this issue appears to have received much more attention in the appeal than it did before the primary judge. Nevertheless, we are satisfied that the issue was raised by the appellant at the trial and that it is a matter that is open to the appellant to raise in the appeal.

The registered services

68 The starting point for the purpose of considering the appellant's first submission is the description of the services in respect of which each of the relevant marks is registered.

69 The description consists of a general description of a wide range of financial activities followed by qualifying words that we have referred to as the turnaround proviso. The effect of the qualifying words is that the registered services include, for example, financial investment management services or fund management services, but only if those services are "targeted towards special situations and mismanaged or underperforming companies to help improve their financial performance."

70 The evidence indicates that the turnaround proviso was introduced into the description of the registered services at the suggestion of an Examiner appointed by the Commissioner of Trade Marks in order to avoid rejection of the applications for registration on account of the existence of two other trade mark registrations. We should point out that it was not suggested by any party that the existence of these earlier trade mark registrations (which were not in evidence) had any bearing on the issues that arise in the case. Nor did the appellant submit that the fact that the Examiner suggested that the turnaround proviso be included in the description of the registered services should have any bearing on the determination of the issue now under consideration.

71 It is convenient to break the description of the registered services down into its various components which cover the following services:

(1) acquisition for financial investment targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(2) administration of financial affairs targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(3) advisory services relating to financial investment targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(4) conduct of financial transactions targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(5) financial advisory services for companies targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(6) asset management targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(7) financial fund management targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance;

(8) financial investment management services targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance; and

(9) financial transaction services targeted toward special situations and mismanaged or underperforming companies to help improve their financial performance.

For convenience we shall refer to these nine categories of services using the numbers we have given them.

The slide presentation

72 The first slide presentation was sent by email to an Australian email address associated with a well-known public company ("Company X") on 25 January 2007 in response to what is referred to as "your recent request". The subject of the email is described as "Anchorage Presentation" and the attached slide presentation is referred to as "the Anchorage Overview Presentation". A second slide presentation was sent by email to another company in Australia ("Company Y") on 30 January 2007. Both emails were sent by Anchorage Advisors LLC (as the second respondent was then known) which is the company which later became the parent company of the first respondent.

73 The slide presentation includes a cover page that includes a corporate mark consisting of a device and the words "ANCHORAGE CAPITAL GROUP – ACP, ACC & ASC FUNDS OVERVIEW". On the next page under the heading "IMPORTANT STATEMENT" the following appears:

> The enclosed materials are being provided by Anchorage Capital Group, L.L.C. and its affiliates (collectively "Anchorage") for informational and discussion purposes only and do not constitute an offer to sell or a solicitation of an offer to purchase an interest in any current or future Anchorage fund. Any such offer or solicitation shall be made only pursuant to the confidential private placement memorandum of the relevant fund (the "Memorandum"), which describes risks related to an investment therein. The Memorandum, including the risk factors and potential conflicts of interest described therein, should be read carefully prior to investment. No offer to purchase interests will be made or accepted prior to receipt by the offeree of the Memorandum and the relevant subscription documents, all of which must be read in their entirety. The information contained herein should be treated in a confidential manner and may not be reproduced or used in whole or in part for any other purpose. Each person receiving the enclosed materials thereby agrees to return them promptly upon request. Certain

> information contained herein has been obtained from published sources prepared by other parties. While such sources are believed to be reliable, none of Anchorage, its general partners, its investment advisers, or their respective affiliates, assumes any responsibility for such information.

74 The next page is headed "ANCHORAGE FUNDS". It includes a description of four investment funds, the Anchorage Capital Partners Funds ("the ACP Funds"), the Anchorage Cross-Over Credit Funds and the Anchorage Short Credit Offshore Funds ("the Anchorage Funds"). In describing the investment philosophy of the Anchorage Funds the slide presentation states:

- "Take what we view as limited risk until we believe asset class or sector dislocation occurs";
- "Pursue what we believe are best absolute risk-adjusted opportunities on both a long and short basis";
- "Seek to exploit valuation inefficiencies by applying fundamental credit and default analyses to a variety of markets";
- "Fundamental credit analysis drives the investment decision as compared to reliance on rating agencies, relative value or portfolio analytics";
- "Focus on situations that we believe are complete, misunderstood and/or under-followed";
- "Model-based portfolio tools assist portfolio management process but do not set rigid guidelines".

The slide presentation also states:

- "ACP Funds are global special-situations funds that invest across the capital structure on a long and short basis".

75 It is clear from the slide presentation that the ACP Funds seek higher risk-return opportunities than the other Anchorage Funds, including through "Equity Risk/Distressed" positions.

76 The appellant submitted that the slide presentation showed that the second respondent was promoting investment services associated with the buying and selling of mispriced assets for profit. It submitted that these services are not of the same kind as the registered services because they do not involve identifying companies which have "turnaround" prospects, investing in them and working with the management of those companies to turn them around before selling them. The appellant submitted that the investment services described in the slide presentation were of a quite different character.

77 The appellant's submissions at times suggested that it was not permissible when deciding whether any of the US ANCHORAGE names were used in relation to services of the same

kind as the registered services to look beyond the slide presentation for the purpose of deciding whether the services referred to in that document were the same as the registered services or services of the same kind. We do not think that is correct.

78 In our view the court is entitled to look beyond the slide presentation for the purpose of determining what services were being offered to its recipients. For example, where the slide presentation describes the type of investments made by the ACP Funds, we consider it is permissible to look to other evidence for the purpose of ascertaining the nature and scope of its various activities. This is because the question that must be addressed is whether the US ANCHORAGE names were used by the second respondent in relation to the registered services or services of the same kind.

79 The evidence includes copies of the second respondent's letter to investors dated 27 March 2007 ("the 2006 Annual Investor Letter") that includes a detailed description of "The Anchorage Funds" including the ACP Funds. Copies of the 2006 Annual Investor Letter were forwarded by the second respondent to a number of companies in Australia in September and October 2007.

80 The 2006 Annual Investor Letter states at p 9:

> The ACP Funds generated the majority of their returns in 2006 from Equity & Distressed investments. A number of our positions benefited from positive operational catalysts that helped the market recognize and value the underlying cash flow potential of our companies. These long positions subsequently experienced significant price appreciation. Such investments were consistent with our goal of finding Equity & Distressed investments with a particular emphasis on operational catalysts and cash flow expansion rather than multiple expansion …
>
> In 2006, we continued to focus on long positions we believed were either under-followed or misunderstood. Many of the investment opportunities we found tended to be in companies with market capitalizations below $3 billion, as larger companies were generally better followed and better understood. Also, we were particularly active in sectors where we had a research emphasis for an extended period of time. Generally, we were active in these sectors when the sectors were distressed. As a result, we have strong insight into the companies that participate in these sectors, the professionals who provide banking and legal advice to the sector and the management teams who have run the underlying companies. In addition, given where we were in the economic and credit cycle, we focused on situations where a specific operational catalyst was expected to lead to a revaluation of the company in the near-term.

81 The 2006 Annual Investor Letter shows that the ACP Funds focused on "Equity & Distressed Investments". These are defined in an appendix to the document to mean investments that generally have "an equity like profile" and include "holdings of equity securities and distressed

debt investments that generally have equity like risk …”. There is no doubt that this definition extends to holdings of either equity or debt in underperforming companies.

82 It is apparent from this evidence that the second respondent was, at the time it sent the slide presentation in January 2007, engaged in the management of funds used to acquire investments that included debt or equity investments in special situations involving mismanaged or underperforming companies. What is less clear is whether it can be said that these activities were conducted in order to “help improve” the financial performance of those companies.

83 There will be many situations in which investment by a fund manager in a mismanaged or underperforming company may help improve the financial position of the company. This could be true, for example, where the fund manager acquires securities issued by the company to raise funds for the purpose of increasing working capital, funding a restructure or reorganisation, or consolidating or retiring debt. In these situations the financial interests of the fund manager will frequently be aligned with the financial interests of the company because the return on investment will usually depend on the company achieving some improvement in its financial performance.

84 The question in this case is whether the services referred to in the slide presentation are the same kind of services as the registered services. We are satisfied that the services described in the slide presentation included the same services or the same kind of services as categories of service (1), (6), (7) and (8) referred to above. There seems to be little or no difference between the character of the services provided by a fund manager who targets “special situations and mismanaged or underperforming companies” and a fund manager who targets “special situations and mismanaged or underperforming companies to help improve their financial performance”.

85 The fact that in some cases the fund manager makes an investment to help improve the financial performance of an underperforming company in which the fund manager invests does not change the essential character of the relevant service. Investments by fund managers in mismanaged or underperforming companies are often made in the expectation that some change in the circumstances, including the company’s financial performance, will generate a financial return for investors and (usually through the payment of management and performance fees) the fund manager. Further, such investments, particularly those involving re-capitalisation or refinancing, will often be made for the purpose of helping to improve the financial performance of the company.

86 We reject the appellant's first group of submissions.

Did the second respondent intend to offer to supply its services in Australia?

87 The present case concerns the use of service marks. As Gummow J observed in *Funship* at 509:

> [A] service will not exist before its supply. Thus, the use of a trade mark in relation to services may readily be understood as a use in and about the soliciting and conclusion of contracts for the supply thereafter of services.

88 It was submitted that the primary judge erred in finding that the second respondent intended to supply services in Australia and that the evidence did not establish that the second respondent intended to supply or offer services in Australia until after May 2011. The submission focused on s 911A of the *Corporations Act 2001* (Cth) as it stood at the relevant time ("the Corporations Act") and Class Order 3/824.

89 Section 911A(1) of the Corporations Act provided that, subject to the section, a person who carries on a financial services business in this jurisdiction must hold an Australian financial services licence covering the provision of financial services. Section 911A(2) included numerous exceptions including, in subpara (h)(ii), if the person provides the service in circumstances covered by an exemption specified in writing by ASIC under that subparagraph and published in the Gazette.

90 Section 911D of the Corporations Act provided that a financial service business is taken to be carried on in this jurisdiction if, in the course of carrying on the business, the person engages in conduct that is intended to induce people in this jurisdiction to use the financial services that person provides.

91 There was an exemption under s 911A(2)(1) in the form of Class Order 3/824 ("the Class Order") dated 26 September 2003 that was in force at all relevant times. The Class Order provided in para 1:

> (1) Under paragraph 911A(2)(1) of the *Corporations Act 2001* (*the Act*), the Australian Securities and Investments Commission exempts a person from the requirement to hold an Australian financial services licence for the provision of a financial service where all of the following apply:
>
> (a) the service is provided to wholesale clients only; and
>
> (b) but for section 911D of the Act, the person would not be carrying on a financial services business in this jurisdiction; and
>
> (c) the person does not hold an Australian financial services licence covering the provision of the service.

92 The appellant's analysis of the relevant statutory provisions, the Class Order and the judgment in *Australian Securities and Investments Commission v Activesuper Pty Ltd (No 1)* (2012) 92 ACSR 614 ("*Activesuper*"), were relied upon by it in support of the submission that the Court should not infer from the 25 January 2007 email or the slide presentation attached to it that the second respondent had an intention to supply investment services in Australia in circumstances where it would have been unlawful for it to do so by reason of s 911A(1). In essence, the appellant's submission was that the Court should not infer that the second respondent had any intention of providing financial services in Australia in early 2007 because, were it to have done so, the second respondent would have contravened s 911A(1) of the Corporations Act.

93 The appellant submitted that this Class Order would not apply to the second respondent if it was actually carrying on a financial business in Australia (ie. other than by reason of the deeming effect of s 911D). It also submitted that as at January 2007 the second respondent was actually carrying on a financial business in Australia.

94 We accept the first but not the second of these propositions. The evidence does not support a finding that the second respondent was actually carrying on a financial services business in Australia in January 2007.

95 The appellant relied on the following statement of Dodds-Streeton J in *Activesuper* at [47]:

> Provided that there are acts within Australia which are part of the company's business, the company will be doing business in Australia (see *Gebo Investments (Labuan) Ltd v Signatory Investments Pty Ltd* (2005) 54 ACSR 111 at [41], citing *Actiesselskabet Dampskib "Hercules" v Grand Trunk Pacific Railway Co* [1912] 1 KB 222) although the bulk of its business is conducted elsewhere (see *Australian Securities and Investments Commission v Edwards* [2004] QSC 344 at [39]) and it maintains no office in Australia (*Bray v F Hoffman-La Roche Ltd* (2002) 118 FCR 1; 190 ALR 1; [2002] FCA 243 at [63]).

96 There are a number of points to make in relation to Dodds-Streeton J's decision.

97 *Activesuper* was an interlocutory decision, made after an ex parte hearing at which the applicant sought leave to serve a foreign corporation outside the jurisdiction. The paragraph in the judgment on which the appellant placed reliance must be read in the context of what was said by her Honour immediately before at [43]-[46]. In those paragraphs her Honour referred to other decisions including *Hope v Council of the City of Bathurst* (1980) 144 CLR 1 in which Mason J observed at 8 that the words "carrying on" in the expression "carrying on business" imply the repetition of acts. This is consistent with the view that a foreign company may engage in some commercial activity in the jurisdiction but still not carry on business in the

jurisdiction. This view of the law is also reflected in the Revised Explanatory Memorandum to the Financial Services Reform Bill which included discussion concerning what became the definition of "financial services business" in s 761A ("a business of providing financial services") and s 911A of the Corporations Act, which (as previously mentioned) provides that a person who "carries on a financial services business in the jurisdiction" must hold a relevant licence.

98 The Revised Explanatory Memorandum stated at para 6.116:

> The common law meaning of 'carrying on a business' encompassing elements of system, repetition and continuity suggests that one-off transactions relating to the provision of financial services and financial products are unlikely to be caught by this regime. So, for example, a one-off issue of securities would be unlikely to fall within the definition of 'carrying on a financial services business'.

99 Whether a company is carrying on business in Australia is a question of fact: *Luckins (Receiver & Manager of Australian Trailways Pty Ltd) v Highway Motel (Carnarvon) Pty Ltd* (1975) 133 CLR 164 at 186. While it is correct to say that a company may be found to carry on business in Australia even though it does not maintain an office in Australia or the bulk of its business is carried on outside Australia, it does not follow that such a company will be found to carry on business in Australia merely because it has engaged in a small number of isolated transactions. Each case will depend on its own facts.

100 The evidence shows that the second respondent sent a copy of the slide presentation to Company X in January 2007 from which it may be inferred (as we discuss further below) that the second respondent was expressing its willingness to provide fund management services to Company X if the second respondent and Company X decided that they would proceed further. It is not suggested by the appellant that the second respondent entered into contracts or commercial arrangements with Company X as a result of this communication or that the second respondent had any premises, employees or agents, or any other presence, in Australia at that time.

101 It may be that as a result of sending the slide presentation to Australia, the second respondent could be taken to have been carrying on a financial services business in Australia by reason of the operation of s 911A of the Corporations Act. Whether or not that is so is a matter on which it is unnecessary for us to express an opinion. However, even if the second respondent was to be taken as carrying on a financial services business, the Class Order would most likely have applied to it, relieving it of the need to hold an Australian financial services licence.

102 Accordingly, we do not accept that s 911A of the Corporations Act is of any assistance in determining whether the second respondent intended to offer its fund management and investment services to either Company X or Company Y.

103 The appellant also submitted that the evidence did not establish that the second respondent had an existing intention to offer to supply or supply any of the registered services in Australia. It submitted that any use made of the US ANCHORAGE names in the slide presentation was not trade mark use because there was no intention to supply or offer to supply any services. Reliance was placed on the passage in the judgment of Deane J in *Moorgate* at 434 to which we have referred. In that case his Honour held that the use made of the relevant mark occurred in the course of negotiations and discussions about whether the mark would be used in the course of trade. This was held not to constitute use of the mark as a trade mark.

104 In essence, the appellant's submission was that the primary judge drew an impermissible inference when finding at [36] that, at the time the slide presentation was sent to Australia in January 2007, the second respondent was seeking to provide its fund management services to investors.

105 The High Court has recently reminded us that findings of fact by trial judges are not to be interfered with unless they are shown to be wrong: *Robinson Helicopter Company Inc v McDermott* (2016) 331 ALR 550 at [43]. Not only are we not convinced that the primary judge's finding was wrong, we are satisfied that it was correct.

106 In his first written statement (para 77) Mr Fitzpatrick stated that the slide presentation was sent to two companies from Australia in January 2007. In the cross-examination of Mr Fitzpatrick (T 346) it was put to him that in late January 2007 Anchorage Capital Group LLC was "delivering documents like that into the hands of *potential investors* …" [our emphasis]. The inference that the documents were sent to potential investors for the purpose of attracting investments in the Anchorage Funds is compelling.

107 While it is true that the slide presentation contains a notice making it clear that the document is not to be construed as an offer to sell or a solicitation of an offer to purchase an interest in any of the Anchorage Funds, it would be a mistake to infer from this that the second respondent and its affiliates were not intending to encourage the potential investors to apply to purchase such an interest using a prescribed private placement memorandum of the kind identified in the notice.

108 Mr Darke SC submitted that there were other "entirely plausible" explanations for sending the slide presentation to Australia. He submitted that it may have been sent for the purpose of seeing whether there was sufficient interest for the second respondent to provide its investment services in Australia. Were that the case one might expect to see a qualifying statement in the email advising that the second respondent was yet to decide whether to open its funds to investors from Australia. We do not consider Mr Darke's alternative explanation to be particularly convincing and consider it much more likely that the slide presentation was sent to Australia to create a market for the second respondent's services in Australia.

109 The appellant further submitted that the primary judge should have drawn an inference adverse to the respondents arising out of their failure to elicit evidence from any witness, including Mr Fitzpatrick, directed to the question of whether the second respondent had an intention to supply its investment management services to investors in Australia. In support of this submission the appellant relied upon the decision of the New South Wales Court of Appeal in *Commercial Union Assurance Company of Australia Ltd v Ferrcom Pty Ltd* (1991) 22 NSWLR 389 ("*Ferrcom*") in which Handley JA considered the application of the principles referred to in *Jones v Dunkel* (1959) 101 CLR 298 in circumstances where it may be inferred that a party refrains from examining a witness-in-chief on a particular topic for fear that it would have exposed facts unfavourable to that party.

110 We were informed by Mr Dimitriadis SC, who appeared for the respondents, that this point was not raised by the appellant before the primary judge, a proposition that was not contradicted by Mr Darke SC in his submissions in reply. This would explain why the primary judge did not address the question whether any such inference should be drawn. But putting this point aside, we would not infer that the failure of the respondents to elicit additional evidence from Mr Fitzpatrick on the topic of the second respondent's intentions was attributable to any fear on their part that such evidence would have exposed facts unfavourable to them.

111 In the result, we are satisfied that the primary judge was correct to conclude that at the time the slide presentation was sent to Australia in January 2007, the second respondent intended to provide fund management services to companies in Australia. The fact that the second respondent would not make or accept any offer for investment in their funds before the potential investor was provided with and had read the private placement memorandum is not inconsistent with that conclusion.

112 The question whether there has been trade mark use in Australia based on an offer to supply services by a foreign supplier does not depend on whether the foreign supplier made what may

be regarded as either an offer or an invitation to treat in contract law. Concepts derived from the field of contract law are of little assistance in deciding whether there has been trade mark use in such cases. In particular, a finding of trade mark use may be open if the foreign supplier uses the mark so as to indicate his or her willingness to supply the relevant services conditionally or on terms to be agreed.

113 We infer from the email and attached slide presentation that the second respondent was communicating its willingness to provide its funds management services to Company X and Company Y subject to preparation and completion of a private placement memorandum and on terms to be agreed. We do not think it matters that this was not an offer in the contractual sense or that it was conditional or qualified. Many financial services are advertised and promoted on the footing that the supplier is not required to provide them until various documents are completed and agreed. The use made of a mark in connection with such activities may still qualify as trade mark use sufficient to establish ownership provided the supplier is willing and able to provide the relevant services to persons with whom the supplier may choose to do business.

114 The appellant advanced an alternative submission which was that, if the second respondent had intended to provide financial services in Australia in January 2007, then it could never have acquired ownership of any of the US ANCHORAGE names in Australia because it could not lawfully carry on the business in which it was using or proposing to use those marks. Put shortly, the appellant submitted that a person could not acquire ownership of a trade mark on the basis of an intention to provide services in Australia that the person could not lawfully provide.

115 We do not accept the appellant's alternative submission. It is sufficient to say that the submission wrongly assumes that the second respondent could not carry on the business of providing financial services in Australia. It was always open to the second respondent to obtain a financial services licence or to bring itself within the exemption provided by Class Order 03/1100 entitled "US SEC regulated financial service providers". In fact it is common ground that it did this in 2009 when it executed a deed poll in favour of ASIC. It also ignores the fact that ownership of a trade mark can be acquired as a result of slight use that need not occur in the course of carrying on a business in Australia.

116 We reject the appellant's second group of submissions.

Was there trade mark use?

117 It was submitted by the appellant that the word “Anchorage” was not used in the slide presentation as a trade mark, but as a defined term in what the appellant’s written submissions characterised as “a legal document” to refer to Anchorage Capital Group LLC and its affiliates. The appellant also submitted that the term “Anchorage Capital” was not used in the slide presentation at all. We will deal with these two submissions in turn.

118 As to the first submission, the slide presentation is not a legal document but a marketing and promotional document. The fact that the word “Anchorage” is used in the slide presentation as a defined term is not inconsistent with that word also functioning as a trade mark. It is true that in the section of the slide presentation headed “IMPORTANT STATEMENT” Anchorage Capital Group LLC and its affiliates (which included the second respondent) are collectively defined by the word “Anchorage”. However, a consideration of the slide presentation as a whole indicates that this word also functions as a badge of origin by indicating a connection in the course of trade between the investment services described in the slide presentation and the relevant corporate entities; see, for example, the page in the slide presentation headed “ANCHORAGE FUNDS” where the word “Anchorage” is used to indicate a relevant connection between the relevant corporate entities and the investment funds described on the same page. In our view the word “Anchorage” is used in the slide presentation as a trade mark. The accompanying email also refers to the “Anchorage Presentation” and the “Anchorage Overview Presentation”. The word “Anchorage” is clearly being used in this email as a trade mark.

119 As to the second submission, the slide presentation also uses the composite term “Anchorage Capital Group”. The fact that the slide presentation may not use the words “Anchorage Capital” alone as a trade mark is immaterial because (as discussed further below) “Anchorage Capital Group” is in our opinion substantially identical to “Anchorage Capital”. To use the language of s 7(1) of the Act, the addition of the word “Group” to the mark ANCHORAGE CAPITAL, does not substantially affect its identity.

120 We reject the appellant’s third group of submissions.

The additional prior use relied upon by the respondents

121 The respondents relied upon what they submitted was evidence of other trade mark use by the second respondent or its affiliates of the US ANCHORAGE names in Australia in 2006 and 2007. These documents were reproduced in a folder provided to the Full Court entitled

"Respondents' Evidence of Prior Trade Mark Use" ("the Respondents' Bundle") that included 64 documents including the slide presentations of 25 January 2007 (Tab 27) and 30 January 2007 (Tab 28).

122 The documents relied on by the respondents include copies of the slide presentation and the 2006 Annual Investor Letter sent to potential institutional investors by email on 14 September 2007 and 11 October 2007. We are satisfied that this is evidence of further use by the second respondent and its affiliates in September and October 2007. This is well before March 2008 when the appellant obtained its financial services licence and (we infer) first commenced using the ANCHORAGE and ANCHORAGE CAPITAL marks in relation to any financial or investment services. In any event, nothing turns on this given the findings made in relation to the slide presentations of 25 January 2007 and 30 January 2007.

123 As to the other documents included in the Respondents' Bundle, we are not persuaded that any of them reveal any additional trade mark use of the US ANCHORAGE names in relation to the registered services or services of the same kind as the registered services. Apart from those to which we have already referred, the documents included in the Respondents' Bundle do not use the words ANCHORAGE, ANCHORAGE CAPITAL or ANCHORAGE CAPITAL PARTNERS as a badge of origin for any service that the second respondent or its affiliates provided or was offering to provide in Australia. Rather, the documents record communications between the second respondent or its affiliates' employees in the United States and persons in Australia in connection with potential investments in Australia by the Anchorage Funds. Unlike the slide presentations, these documents do not even faintly suggest that the second respondent or its affiliates were providing or offering to provide any service to the recipients or any other person in Australia.

124 We do not consider that the other documents relied upon by the respondents provide any evidence of trade mark use in Australia in 2006 or 2007.

Anchorage Capital Partners

125 The second respondent advanced two contentions relevant to the issue of substantial identity in support of its cross-appeal with respect to the ANCHORAGE CAPITAL PARTNERS mark.

126 First, the second respondent contended that the primary judge made no reference to the fact that the slide presentation uses the words "Anchorage Capital Partners" in relation to the Anchorage Funds and that his Honour should have found that "Anchorage Capital Partners" was used as a trade mark in the slide presentation.

127 Secondly, the second respondent contended that, contrary to the primary judge's finding, the marks "ANCHORAGE CAPITAL" and "ANCHORAGE CAPITAL GROUP" are substantially identical to the "ANCHORAGE CAPITAL PARTNERS" mark. It further contended that the appellant had made an admission to this effect in its statement of claim in the course of alleging infringement because the appellant pleaded that "Anchorage Capital" and "Anchorage Capital Group" are "substantially identical with and/or deceptively similar" to "Anchorage Capital Partners" and that this fact had been admitted by the respondents in their defence.

128 In answer to the pleading point, the appellant raises two matters. First, it says that the relevant admission in the statement of claim left open a case that "Anchorage Capital", "Anchorage Capital Group" and "Anchorage Capital Partners" were deceptively similar but not substantially identical. Secondly, it says that the relevant pleading, which is said to be the second respondent's cross-claim, included an allegation to the effect that "Anchorage Capital", "Anchorage Capital Group" and "Anchorage Capital Partners" were substantially identical but that this was answered with a non-admission in the appellant's defence to cross-claim.

129 It is apparent that the parties gave these pleading issues little if any attention before the primary judge. In particular, we accept the second respondent's submission (which was not contradicted by the appellant) that the second respondent advanced a case before the primary judge based on its use of the name "Anchorage Capital Partners" in the slide presentation.

130 As to the pleading point raised by the second respondent, and the appellant's answer to it, we do not need to resolve either of them because, in our opinion, the name "Anchorage Capital" is substantially identical to the "ANCHORAGE CAPITAL PARTNERS" mark. The common feature of the name "Anchorage Capital" and the mark "ANCHORAGE CAPITAL PARTNERS" are the words "Anchorage Capital". The word "PARTNERS" makes a relatively unimportant contribution to the overall impression conveyed in a side by side comparison of the two marks. In our view the name "Anchorage Capital" and "ANCHORAGE CAPITAL PARTNERS" are substantially identical.

131 The appellant accepted that the name "Anchorage Capital Partners" was used in the slide presentation but submitted that it was not used as a trade mark. We do not accept that submission. Those words were used to identify the second respondent's and its affiliates' funds and served to distinguish those funds from funds established and managed by other fund managers. In our view the use of the name "Anchorage Capital Partners" in the slide presentation constituted trade mark use by the second respondent.

Discretion to Cancel

Background

132 As we have mentioned, the primary judge approached the application for cancellation of the registered marks on the basis that, if a relevant ground for cancellation was established, the court had a discretion as to whether or not to order cancellation. For reasons we have explained, the primary judge ordered cancellation of two of the registered marks in respect of which he was satisfied a ground for cancellation had been established. The appellant says that even if grounds for cancellation were established, the primary judge should have declined to make any order for cancellation on discretionary grounds.

133 Before the primary judge the respondents argued that, if grounds for cancellation were established, there was no discretion to refuse to make an order for cancellation. The respondents raised the same argument in their notice of contention. It is convenient to deal with this threshold issue before considering the appellant's appeal against the primary judge's decision not to refuse to make an order for cancellation on discretionary grounds.

The relevant statutory provisions

134 Sections 87, 88 and 89 of the Act provide:

> **87 Amendment or cancellation—loss of exclusive rights to use trade mark**
>
> (1) If section 24 or 25 applies in relation to a registered trade mark, a prescribed court may, on the application of an aggrieved person or the Registrar, but subject to subsection (2) and section 89, order that the Register be rectified by:
>
> (a) cancelling the registration of the trade mark; or
>
> (b) removing or amending any entry in the Register relating to the trade mark;
>
> having regard to the effect of section 24 or 25 (as the case may be) on the right of the registered owner of the trade mark to use the trade mark, or any sign that is part of the trade mark, in relation to particular goods or services.
>
> (2) If section 24 or 25 applies in relation to the trade mark because the trade mark contains a sign that:
>
> (a) has become generally accepted within the relevant trade as the sign that describes or is the name of an article, substance or service; or
>
> (b) describes or is the name of:
>
> (i) an article or substance that was formerly exploited under a patent; or
>
> (ii) a service that was formerly provided as a patented process;
>
> the court may decide not to make an order under subsection (1) and allow the

trade mark to remain on the Register in respect of:

(c) the article or substance or goods of the same description; or

(d) the service or services of the same description;

subject to any condition or limitation that the court may impose.

88 Amendment or cancellation—other specified grounds

(1) Subject to subsection (2) and section 89, a prescribed court may, on the application of an aggrieved person or the Registrar, order that the Register be rectified by:

(a) cancelling the registration of a trade mark; or

(b) removing or amending an entry wrongly made or remaining on the Register; or

(c) entering any condition or limitation affecting the registration of a trade mark that ought to be entered.

(2) An application may be made on any of the following grounds, and on no other grounds:

(a) any of the grounds on which the registration of the trade mark could have been opposed under this Act;

(b) an amendment of the application for the registration of the trade mark was obtained as a result of fraud, false suggestion or misrepresentation;

(c) because of the circumstances applying at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion;

(e) if the application is in respect of an entry in the Register—the entry was made, or has been previously amended, as a result of fraud, false suggestion or misrepresentation.

89 Rectification may not be granted in certain cases if registered owner not at fault etc.

(1) The court may decide not to grant an application for rectification made:

(a) under section 87; or

(b) on the ground that the trade mark is liable to deceive or confuse (a ground on which its registration could have been opposed, see paragraph 88(2)(a)); or

(c) on the ground referred to in paragraph 88(2)(c);

if the registered owner of the trade mark satisfies the court that the ground relied on by the applicant has not arisen through any act or fault of the registered owner.

(2) In making a decision under subsection (1), the court:

(a) must also take into account any matter that is prescribed; and

(b) may take into account any other matter that the court considers relevant.

(Notes omitted)

135 Section 87 only applies in circumstances where either s 24 or s 25 applies in relation to a registered trade mark. Section 24 is concerned with situations in which a registered trade mark has become descriptive of an article, substance or service: see, for example, *Re Daiquiri Rum Trade Mark* [1969] RPC 600. Section 25 is concerned with situations in which a registered mark that is the only commonly known way to describe or identify an article or substance previously exploited under a patent that is no longer in force or a service previously exploited as a patented process. It is not necessary to refer to either s 24 or s 25 in any greater detail, but it is worth mentioning that s 56 of the 1955 Act contained analogous provisions.

The respondents' submission

136 The second respondent submitted that although the word "may" in s 88(1) is used in a facultative sense, that is to say, to confer authority to make an order for rectification in particular circumstances, it did not follow that once those circumstances are found to exist, it is open to the Court not to exercise that authority. According to the respondents' submission, s 88(1) is part of a statutory scheme which establishes a discretion not to cancel a registered trade mark in some situations but not others.

137 The different senses in which the word "may" can be used in a statutory provision that confers a power to take a step (eg. cancelling a licence or refunding an overpayment) were explained by Gleeson CJ and McHugh J in *Samad v District Court of New South Wales* (2002) 209 CLR 140 as follows at [32]-[34]:

> [32] When a statutory power is conferred by the use of words of permission, there may arise a question whether the effect is to impose an obligation, or, at least, an obligation that must be performed in certain circumstances. Even where it is plain that the intention of the legislature was permissive, questions may arise as to the nature of the considerations that the person in whom the power is confided may be entitled or bound to take into account in the exercise of the discretion conferred. Issues of this kind are to be resolved as a matter of statutory interpretation, having regard to the language of the statute, the context of the relevant provision, and the general scope and objects of the legislation [*Ward v Williams* (1955) 92 CLR 496 at 505, per Dixon CJ, Webb, Fullagar, Kitto and Taylor JJ].
>
> [33] As was pointed out in *Ward v Williams* [(1955) 92 CLR 496 at 506] there is a long history of legislative intervention in New South Wales "to restrain the development of the notion that permissive words may have a compulsive effect". The current provision is s 9 of the *Interpretation Act* 1987 (NSW) which, except in so far as the contrary intention appears in an Act or instrument (s 5), provides that the word "may"', if used to confer a power, indicates that

> the power may be exercised or not, at discretion.
>
> [34] An example of a statutory provision in which a contrary intention appeared may be seen in *Finance Facilities Pty Ltd v Federal Commissioner of Taxation* [(1971) 127 CLR 106]. Section 46(3) of the *Income Tax Assessment Act 1936* (Cth) provided that, if the Commissioner was satisfied that certain conditions as to non-payment of dividends were fulfilled, the Commissioner "may allow" a private company a rebate in its assessment. This Court held that, if the Commissioner was satisfied of the specified condition, then he was obliged to allow the rebate. The taxpayer had a right or entitlement. The context indicated that it was not intended that the Commissioner should have a discretionary power to defeat that right or entitlement. The word "may" conferred a power; and the statutory intention was that the power be exercised if the condition was fulfilled. That decision may be compared with *Commissioner of State Revenue (Vict) v Royal Insurance Australia Ltd* [(1994) 182 CLR 51], where this Court was divided on the question whether a provision empowering a revenue authority to refund overpaid duty conferred a discretion, or whether it merely gave authority to make a payment which had to be exercised in the circumstances indicated.

138 In support of their submission the respondents relied upon the decision of Branson J in *EOS Australia Pty Ltd v Expo Tomei Pty Ltd* (1998) 42 IPR 277 ("*EOS*") in which her Honour expressed the view that s 88(1) of the Act does not confer a discretion not to cancel a registered trade mark. The registered owner in that case sought to rely on equitable concepts of delay and acquiescence. Her Honour said at 286-287:

> It is necessary to give consideration to the relevance, if any, of such equitable notions in the context of s 88(1) of the Act. Section 88 is concerned with the integrity of a public register, and not merely with the respective rights of parties inter se. In my view, s 88(1) does not itself give to a court a true discretion to order, or not to order, rectification of the register where a ground of rectification specified in s 88(2) is established. The word "may" is used in the subsection, in my view, in the facultative sense and not so as to create a true discretion. As Brennan J pointed out in *Commissioner of State Revenue (Vic) v Royal Insurance Australia Ltd* (1994) 182 CLR 51 at 84-5; 126 ALR 1 at 23:
>
>> The question whether the repository of a discretionary power is under a duty to exercise the power depends upon the intention of the legislature as revealed in the language of the statute and, in ascertaining that intention, there is a prima facie presumption "that permissive or facultative expressions operate according to their ordinary natural meaning". Therefore, if the facultative term "may" is used in the creation of a power, it does not in itself impose a duty to exercise the power but such a duty may be found in the statutory context in which the power is created. Thus, where a power is conditioned upon the existence of an event or upon the formation of a particular opinion by the repository of the power, the condition may sometimes be taken to specify the circumstances in which the power must be exercised.
>
> The power created by s 88(1) is conditional upon the existence of facts or events, or upon the formation of a particular opinion by a prescribed court. Moreover, the terms of s 89 of the Act tend to suggest that s 88(1) does not vest a true discretion in a prescribed court, in that s 89 gives to such a court discretion, in limited circumstances only, not to grant an application for registration. Such a limited discretion would seem

> to be consistent with a statutory intention to protect the integrity of the register, and would seem to be inconsistent with an unlimited discretion being created by s 88(1).

139 There are a number of points to make in relation to her Honour's observations in *EOS*.

140 First, the Act uses the words "may" and "must" in various provisions to distinguish situations in which a power may be exercised from those in which a power must be exercised. For example, the word "must" is used in s 42 so as to compel the rejection of an application for registration of a trade mark that contains scandalous matter: see also, by way of further example, ss 39, 40, 43, 44(1), 51(2), 68, 83A(3), 84(1), 108(1) and 110(1). When a discretion is conferred, the word "may" is used: see, for example, ss 38, 44(3), 66(1), 83A(6) and 84A(1).

141 Secondly, relevant provisions of the Act must be read subject to the *Acts Interpretation Act 1901* (Cth) the provisions of which apply "subject to a contrary intention". Section 33(2A) of that Act provides:

> Where an Act assented to after the commencement of this subsection provides that a person, court or body may do a particular act or thing, and the word ***may*** is used, the act or thing may be done at the discretion of the person, court or body.

The amendments to the Act that introduced s 33(2A) were made in 1987. Accordingly, subject to any contrary intention, s 33(2A) of the Acts Interpretation Act governs the interpretation of s 88(1) of the Act.

142 Thirdly, s 89 regulates the exercise of the discretion to order rectification under s 87 (ie. where s 24 or s 25 applies) and also in situations in which the registration of a trade mark could have been opposed on the ground that the mark is liable to deceive or confuse (ie. where ss 43, 60 or 61 applies). Section 89 covers its own particular field and is aimed at dealing with some well-known difficulties that were encountered in the construction of relevant provisions of the 1955 Act.

143 It is unnecessary for us to refer to these difficulties in any detail for the purpose of making our point. However, the interplay between s 28(a) (particularly when read with s 28(d)) and s 22(1)(b) in the 1955 Act in circumstances where a registered mark only became deceptive after the date of registration, raised a number of difficult issues that were not finally resolved until the High Court gave judgment in *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45 ("*Campomar*") some five years after the 1995 Act came into force.

144 The first issue concerned the significance of the registered proprietor's own conduct in relation to the mark, and whether the registered proprietor's own blameworthy conduct contributed to

the mark becoming deceptive. The second issue related to the onus of proof. Was it for the applicant for rectification to prove that a mark that became deceptive after its registration did so by reason of some blameworthy conduct on the part of the registered proprietor or was it for the registered proprietor to show that it was not responsible for the mark becoming deceptive?

145 These issues were considered in *Re Bali Brassiere Co Inc's Trade Mark; Re Berlei Ltd's Application* (1968) 118 CLR 128 and, on appeal, *Berlei Hestia Industries Ltd v Bali Co Inc* (1973) 129 CLR 353, *HTX International Pty Ltd v Semco Pty Ltd* (1983) 78 FLR 57 at 63-64, *Riv-Oland Marble Co (Vic) Pty Ltd v Settef SpA* (1988) 19 FCR 569 at 573-574 (Bowen CJ), 578-589 (Northrop J), 596-598 (Lockhart J) and *New South Wales Dairy Corporation v Murray Goulburn Co-operative Co Ltd* (1990) 171 CLR 363 at 391. In *Campomar* the High Court adopted a construction of the relevant provisions of the 1955 Act that deprived s 28 of the 1955 Act of the "continuing or secondary operation" that gave rise to these issues: see *Campomar* at [68]-[76].

146 All of this indicates to us that the broad discretion conferred by the use of the word "may" in s 88(1) was not intended to be confined unless the power to cancel depends on the application of ss 24 or 25 (s 88(1)(a)) or on a finding that the trade mark is liable to deceive or confuse (s 88(1)(b) and (c)). In our view, unless s 89 is engaged, the discretion under s 88(1) is at large, constrained only by the general scope and objects of the Act.

147 In *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 15 NSWLR 158 ("*Charles of the Ritz*") McLelland J (as his Honour then was), referring to both the discretion under s 22(1) of the 1955 Act to order rectification and the discretion under s 23(1) of the 1955 Act to order removal, said at 221:

> The court's powers to order rectification of the Register under s 22(1) and to order the removal of a trade mark under s 23(1) are in each case of a discretionary nature. This is the natural and ordinary meaning of the words used and promotes the underlying policy of the Act by giving the court a sufficient degree of flexibility to give effect to public interest considerations. The existence of a discretion to withhold relief even if a ground for rectification or removal has been made out is also well established by authority: see, as to rectification, *Hannaford & Burton Ltd v Polaroid Corporation* [1976] 2 NZLR 14 at 17-18 (Privy Council); *General Electric Co (of USA) v General Electric Co Ltd* at 751; 526-529; *Berlei Hestia Industries Ltd v Bali Co Inc* (at 363); *Imperial Group Ltd v Philip Morris & Co Ltd* (1982) 8 FSR 72 at 87-88 and as to removal, *Re Carl Zeiss Pty Ltd's Application* (1969) 122 CLR 1 at 5-6 and the earlier cases there referred to, and "*Astronaut" TradeMark* [1972] RPC 655 at 672.
>
> The proper approach under both s 22(1) and s 23(1) is that if the condition of exercise of the court's power has been established, the entry of the mark should be expunged, or the mark should be removed, as the case may be, "unless sufficient reason appears for leaving it there": cf *Carl Zeiss* (at 11); *"Astronaut*" (at 672).

148 In our view, what his Honour said in these passages is also true of s 88(1) of the Act except in so far as the discretion is qualified by the operation of s 89 in the particular circumstances to which it refers.

149 We respectfully disagree with Branson J's statements in *EOS* in so far as they suggest that s 88(1) of the Act does not confer any discretion not to cancel a mark in circumstances where the power to cancel is enlivened.

150 We reject the respondents' submission that there is no discretion to not cancel the registered marks in the circumstances of this case.

The Primary Judge's Exercise of Discretion

151 The appellant accepted that the primary judge's decision to cancel the ANCHORAGE mark and the ANCHORAGE CAPITAL mark involved the exercise of a discretion to which the principles referred to in *House v The King* (1936) 55 CLR 499 apply. Hence, Mr Darke SC accepted that it was necessary for the appellant to demonstrate some error by the primary judge that affected his exercise of the discretion under s 88(1) of the Act. As was said in *House v King* at 504-505:

> The manner in which an appeal against an exercise of discretion should be determined is governed by established principles. It is not enough that the judges composing the appellate court consider that, if they had been in the position of the primary judge, they would have taken a different course. It must appear that some error has been made in exercising the discretion. If the judge acts upon a wrong principle, if he allows extraneous or irrelevant matters to guide or affect him, if he mistakes the facts, if he does not take into account some material consideration, then his determination should be reviewed and the appellate court may exercise its own discretion in substitution for his if it has the materials for doing so. It may not appear how the primary judge has reached the result embodied in his order, but, if upon the facts it is unreasonable or plainly unjust, the appellate court may infer that in some way there has been a failure properly to exercise the discretion which the law reposes in the court of first instance. In such a case, although the nature of the error may not be discoverable, the exercise of the discretion is reviewed on the ground that a substantial wrong has in fact occurred.

152 The appellant postulated five distinct errors that were said to have affected the primary judge's exercise of the discretion. These were:

- the primary judge wrongly held that the appellant bore the onus of demonstrating that the discretion not to cancel the marks should be exercised in the registered owner's favour;
- the primary judge wrongly equated the accuracy of the Register of Trade Marks ("the Register") solely with the recordal of ownership derived from first use;

- the primary judge failed to have regard to the fact that the second respondent would not be able to obtain registration of either of the cancelled marks due to the continued presence on the Register of the ANCHORAGE CAPITAL PARTNERS mark which his Honour declined to cancel;
- the primary judge failed to have regard to the fact that use of the registered trade marks by anyone other than the appellant would be likely to deceive or cause confusion; and
- the primary judge "failed to accept" that the respondents would not suffer any prejudice if the court declined to cancel the appellant's trade marks.

153 There was a further argument obliquely raised by the appellant in its oral submissions directed at what was referred to as the second respondent's unlawful use of the US ANCHORAGE names. The argument was, as we understood it, that the primary judge erred by failing to have regard to the fact that the appellant could not lawfully have used any of the US ANCHORAGE names in Australia in relation to financial services. The argument was not fully developed before us and, in any event, reflects a view of the facts that we have previously rejected.

154 Moreover, although the appellant raised many considerations before the primary judge which it said were relevant to the exercise of the discretion, the matter of unlawful use was not one of them. In those circumstances we do not think it could be said that his Honour erred by not taking it into account when exercising the discretion: *Macedonian Orthodox Community Church St Petka Inc v His Eminence Petar The Diocesan Bishop of The Macedonian Orthodox Diocese of Australia and New Zealand* (2008) 237 CLR 66 at [120]-[121].

155 We now turn to the other postulated errors.

156 The primary judge said in PJ-2 at [8] that the appellant bore the onus of demonstrating that the discretion under s 88(1) should not be exercised to cancel the marks. The appellant contended that this was an error.

157 The appellant submitted that given s 88 of the Act places the onus on the party seeking cancellation to satisfy the Court that the registration should be cancelled, and that the Act uses clear words in s 89(1) to indicate when a specific burden falls upon the registered owner to satisfy the Court that its registration should not be cancelled, it is not appropriate to read s 88(1) so as to have it impose any onus on the registered owner in the absence of clear words that point to such a result.

158 Leaving aside situations in which s 89(1) of the Act applies, when deciding whether to exercise the discretion under s 88(1), the correct approach is to ask, as McLelland J did in *Charles of the Ritz*, whether sufficient reason appears not to order the cancellation of a registered mark once the statutory discretion to make such an order has been enlivened. If the evidence does not disclose sufficient reason not to cancel the mark then it should be cancelled. In the ordinary course of events, it will be for the party that resists the cancellation of the registered mark to persuade the court that there is a sufficient reason not to order its cancellation.

159 We do not think the primary judge's statements in relation to onus reflect any error. In circumstances where the primary judge was satisfied that the grounds for cancellation were made out, it was for the appellant to persuade his Honour that the discretion not to cancel should be exercised in its favour. This is precisely how the primary judge approached the exercise of the discretion.

160 We turn to the second of the postulated errors which are said by the appellant to have affected the primary judge's exercise of the discretion under s 88(1) of the Act.

161 The appellant submitted that if his Honour had regard to the state of the Register as an accurate record of marks which perform their statutory function, he should not have made any order for cancellation. This was because, so the appellant submitted, it was the appellant that had the reputation in the registered marks in Australia, which it had used without deception since late 2007.

162 In our view the appellant's submission reflects a misunderstanding of the primary judge's reasons at PJ-2 [14]-[16].

163 There is a public interest in ensuring that marks the use of which are likely to give rise to deception or confusion are not registered as trade marks. But that is not the only public interest that is relevant in the context of an application for an order cancelling a mark made under s 88. There is also a public interest in ensuring that trade mark registrations only be made in favour of applicants who are entitled to obtain them. As the High Court explained in *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 at [27], the Act offers various facilities for "… ensuring that the Register is pure in the sense that no mark is to be registered unless valid, and no registration of a mark is to continue if it is not valid …".

164 Whether or not an applicant could properly be regarded as the owner of a mark does not depend on the nature or scope of its reputation in the mark, but whether it first used the mark in

Australia or (if the mark had not already been so used) whether the appellant was the first to apply for the registration of the mark.

165 The findings made in this proceeding demonstrate that the appellant never was the owner of the ANCHORAGE and ANCHORAGE CAPITAL marks and that they should never have been registered in the appellant's name.

166 If the appellant used the marks for a number of years without causing any deception then that is a consideration that may be relevant to the exercise of the discretion. But we do not accept the suggestion, which seems to us to be implicit in the appellant's submission on this topic, that such a consideration would be determinative, or even one that must be given significant weight.

167 In any event, regardless of what weight might be given to the absence of deception or confusion in this case, we do not understand the primary judge to have approached the exercise of the discretion on the basis of a mistaken view of what constitutes the "integrity" or "purity" of the Register. It is apparent from his Honour's reasons that he was satisfied that the Register should be rectified by ordering the cancellation of the ANCHORAGE and ANCHORAGE CAPITAL marks because they had been registered on the footing that the appellant was the owner in circumstances where this was found by him not to be the case. We do not see any error in his Honour's approach.

168 We now turn to the third of the errors alleged to have been made by the primary judge when exercising discretion. It was submitted by the appellant that his Honour failed to have regard to the fact that the second respondent could not obtain registration of any of the US ANCHORAGE names due to the continued presence of the ANCHORAGE CAPITAL PARTNERS mark which his Honour declined to cancel.

169 Once again, this is not a matter that the primary judge was invited to take into account by the appellant. We do not think that failing to take it into account is an error of the kind necessary to satisfy the requirements of *House v The King*. In any event, it seems to us that this is a matter that would carry little weight.

170 Assuming that the second respondent would not be able to obtain registration of any of the US ANCHORAGE names unless the ANCHORAGE CAPITAL PARTNERS was cancelled, we do not see why this is a reason not to cancel the other marks which the primary judge found were owned by the second respondent rather than the appellant.

171 The appellant next submitted that the primary judge erred by failing to have regard to the fact that the use of the registered trade marks by anyone other than the appellant would be likely to deceive or cause confusion.

172 The primary judge said at PJ-2 [33]:

> I concluded in the primary judgment that there was no risk of the consumers in the relevant markets being deceived. No doubt, if there was a risk of confusion this might provide an independent basis for cancelling the registration of the marks. But its absence is not a reason to permit a person to remain on the register who is not the owner of the marks.

173 We do not understand the last sentence of PJ-2 [33] to mean that the absence of any risk of confusion is not a relevant consideration when exercising the discretion under s 88(1) of the Act. Rather, it reflects what we understand to be the view taken by his Honour in the circumstances of the case before him that the absence of any risk of confusion was not a reason why the appellant should be permitted to maintain its registrations for trade marks that it did not own. Were we to re-exercise the discretion, we would give this consideration little weight.

174 It should be remembered that the absence of confusion was partly due to the steps taken by the respondents aimed at ensuring that confusion did not occur. The name given to the second respondent, and the removal of the signage at Suncorp Tower, are prime examples of steps taken by the respondents to avoid confusion.

175 This brings us to the last of the matters raised by the appellant in relation to the primary judge's exercise of the discretion. In short, the appellant submitted that the primary judge was bound to accept that the respondents would not suffer any prejudice if the court declined to cancel the appellant's registered trade marks.

176 In our opinion this submission is misconceived. Since both respondents were sued by the appellant for infringement of the registered marks both under s 120(1) and s 120(2) of the Act, it could not be denied by the appellant that each of the respondents was a person aggrieved by the appellant's trade mark registrations. Further, the respondents' past conduct has been constrained by the existence of the appellant's trade mark registrations, and the respondents' future conduct will almost certainly also be constrained unless those registrations are cancelled.

177 The point is best illustrated by a simple example. If the employees of the second respondent were to hand out business cards or brochures in Australia that included the word ANCHORAGE used as a trade mark it would very likely be liable for trade mark infringement (unless the marks are cancelled) even if there was no possibility of the recipients of those

documents being deceived or confused. This is because the respondents will have used as a trade mark a mark that is identical to the ANCHORAGE mark. The fact that the word ANCHORAGE as it appears on the business card or brochure might not deceive or confuse because it is accompanied by some form of statement making clear that it was the second respondent and its affiliates using the ANCHORAGE mark would be immaterial in an infringement action brought under s 120(1) of the Act.

178 The rights enjoyed by the registered owner include the exclusive right to use the registered mark or any substantially identical or deceptively similar mark as a trade mark (subject to any relevant defences) in relation to the goods or services in respect of which the mark is registered (see s 20). This right is much broader than the right to prevent others from using an unregistered trade mark to engage in passing off. It represents one of the principal advantages that the Act confers on a registered owner of a trade mark. As Gummow J explained in *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 349:

> [T]here may be a trade mark use and thus infringement in a case where the defendant adds words to indicate that it, rather than the plaintiff, is the trade origin of the goods or services in question. The addition of such words might negative the risk of passing-off. But this is one distinction which marks off an infringement action from a passing-off suit. Further, there may still be a trade mark use in a given case (such as the phrase in the *Tub Happy* case, "Exacto Cotton Garments – Tub Happy Cotton Fresh Budget Wise"), although another trade mark also is used by the defendant in the same packaging or advertisement.

(citations omitted)

See also *Saville Perfumery Ltd v June Perfect Ltd* (1941) 58 RPC 147 at 161 per Sir Wilfred Greene MR (as he then was) and *Wingate Marketing Pty Ltd v Levi Strauss & Co* (1994) 49 FCR 89 at 121-123 per Gummow J.

Re-exercise of the Discretion

179 Since the appellant has not shown that the primary judge made any error of the kind referred to in *House v The King*, there is no occasion for us to re-exercise the discretion under s 88(1) of the Act. However, were we to have been required to re-exercise the discretion we too would have cancelled the ANCHORAGE and ANCHORAGE CAPITAL marks. We will now explain why.

180 Before us the appellant relied upon the following discretionary considerations in support of its contention that the ANCHORAGE and ANCHORAGE CAPITAL marks should not be cancelled:

(a) even if the trade marks were cancelled, neither respondent would obtain registrations of the trade marks in its own name, if it were to apply for them; (**proposition (a)**)

(b) even if the trade marks were cancelled, the appellant would obtain new registrations of the trade marks under sections 44(3) or 44(4) of the Act, if it were to apply for them; (**proposition (b)**)

(c) even if the trade marks were cancelled, and regardless of the matters in (a) and (b) above, the appellant could lawfully continue to use the trade marks; (**proposition (c)**)

(d) the primary judge had found that the appellant had adopted the trade marks innocently, had a reputation in the trade marks, and had been using the trade marks without deception; (**proposition (d)**)

(e) the primary judge had found that the second respondent had only used the trade marks slightly, and not at all since 2007, while the first respondent had not used the trade marks at all; (**proposition (e)**)

(f) the primary judge had found that neither respondent had any reputation in the trade marks; and (**proposition (f)**)

(g) the primary judge had found that there was no likelihood of consumers being confused or deceived by the appellant's use of the trade marks. (**proposition (g)**)

181 Proposition (a), even if correct, is not a matter of great significance. For present purposes, the primary concern must be not whether the respondents are entitled to have any of the US ANCHORAGE names registered, but whether the appellant should be permitted to maintain registrations for trade marks of which it was not the true owner.

182 Proposition (b) is not one that was developed in the appellant's written or oral submissions. Sections 44(1), (2), (3) and (4) of the Act provide:

> **44 Identical etc. trade marks**
>
> (1) Subject to subsections (3) and (4), an application for the registration of a trade mark (***applicant's trade mark***) in respect of goods (***applicant's goods***) must be rejected if:
>
> (a) the applicant's trade mark is substantially identical with, or deceptively similar to:
>
> (i) a trade mark registered by another person in respect of similar goods or closely related services; or

(ii) a trade mark whose registration in respect of similar goods or closely related services is being sought by another person; and

(b) the priority date for the registration of the applicant's trade mark in respect of the applicant's goods is not earlier than the priority date for the registration of the other trade mark in respect of the similar goods or closely related services.

(2) Subject to subsections (3) and (4), an application for the registration of a trade mark (***applicant's trade mark***) in respect of services (***applicant's services***) must be rejected if:

(a) it is substantially identical with, or deceptively similar to:

(i) a trade mark registered by another person in respect of similar services or closely related goods; or

(ii) a trade mark whose registration in respect of similar services or closely related goods is being sought by another person; and

(b) the priority date for the registration of the applicant's trade mark in respect of the applicant's services is not earlier than the priority date for the registration of the other trade mark in respect of the similar services or closely related goods.

(3) If the Registrar in either case is satisfied:

(a) that there has been honest concurrent use of the 2 trade marks; or

(b) that, because of other circumstances, it is proper to do so;

the Registrar may accept the application for the registration of the applicant's trade mark subject to any conditions or limitations that the Registrar thinks fit to impose. If the applicant's trade mark has been used only in a particular area, the limitations may include that the use of the trade mark is to be restricted to that particular area.

(4) If the Registrar in either case is satisfied that the applicant, or the applicant and the predecessor in title of the applicant, have continuously used the applicant's trade mark for a period:

(a) beginning before the priority date for the registration of the other trade mark in respect of:

(i) the similar goods or closely related services; or

(ii) the similar services or closely related goods; and

(b) ending on the priority date for the registration of the applicant's trade mark;

the Registrar may not reject the application because of the existence of the other trade mark.

(Notes omitted)

183 The appellant's submissions (brief as they were) relied upon both s 44(3) and s 44(4) of the Act. It is important to note that although s 44(4) of the Act might prevent the Registrar from

rejecting any further application by the appellant in accordance with s 44(2) or (3), it could not provide an answer to an opposition filed by the respondents on the ground that the appellant was not the owner of the mark. Whether the appellant could obtain new registrations in the absence of some agreement between the appellant and the respondents which the Registrar could have regard to when exercising the discretion under s 44(3) is not a matter that we need to address.

184 This is not a case in which we are satisfied that the appellant would, or is even likely to, obtain new registrations for its existing registered marks in the event they are cancelled. In those circumstances proposition (b) is not a consideration that we are able to give any weight.

185 Proposition (c) is correct provided the appellant does not engage in misleading or deceptive conduct or passing off. This also holds true for the respondents if the registered marks are cancelled. However, for so long as the registered marks remain on the Register, the respondents risk being sued by the appellant for trade mark infringement. As we have explained, even if their use of the US ANCHORAGE names occurred in circumstances where no person was likely to be deceived or confused, they could still be found liable for infringement under s 120(1) of the Act. This is a matter that weighs heavily in favour of cancelling the registered marks.

186 We accept that on the primary judge's unchallenged findings proposition (d) is correct. It is also a matter that might carry weight if the ground on which the registered marks were found liable to be cancelled related to their capacity to deceive or cause confusion as at the date of registration. However, given the ground of cancellation established in this case, we are not inclined to give proposition (d) any significant weight.

187 Proposition (e) ignores the fact (which we have previously discussed) that the respondents' conduct has been constrained by the existence of the registered trade marks and the appellant's insistence that the respondents not use any of the US ANCHORAGE names as trade marks in relation to the registered services (s 120(1)) or services of the same description as the registered services (s 120(2)). Once again, we are not inclined to give proposition (e) any significant weight.

188 We do not accept that proposition (f) is correct. The primary judge found at [44]:

> Section 88(1)(a) will be enlivened by s 60 via s 88(2)(a) only if the US ANCHORAGE names had acquired before the priority date a reputation in respect of the services for which the applicant's marks are registered. I have found that the second respondent only used the ANCHORAGE names to distinguish services on two occasions in respect

> of its fund raising activities in January 2007. I do not accept that it had developed a reputation in Australia in the names in respect of those services. Consequently, s 60 does not apply and provides no basis to exercise the power in s 88(1)(a).

189 The finding in the penultimate sentence of [44] is to be understood in the context of the respondents' challenge to the validity of the registered marks (which was rejected by the primary judge) based on s 60 of the Act. Section 60 provides:

> **60 Trade mark similar to trade mark that has acquired a reputation in Australia**
>
> The registration of a trade mark in respect of particular goods or services may be opposed on the ground that:
>
> (a) another trade mark had, before the priority date for the registration of the first-mentioned trade mark in respect of those goods or services, acquired a reputation in Australia; and
>
> (b) because of the reputation of that other trade mark, the use of the first-mentioned trade mark would be likely to deceive or cause confusion.

(note omitted)

190 We do not understand the primary judge's reasons at [44] as including a finding that the second respondent had no reputation in the US ANCHORAGE names. It may be accepted that its reputation was too slight to satisfy the requirements of s 60, but it is beyond question that the second respondent had some reputation in Australia (established by the prior uses that occurred in 2007) in the US ANCHORAGE names. In any event, accepting that the second respondent's reputation in the US ANCHORAGE names was only slight, we do not consider this is a matter that should be given any significant weight in exercising the discretion.

191 Proposition (g) is another consideration that might carry weight in the event the registered marks were found to have been deceptive as at the date of registration. However, it is not a consideration that we are inclined to give much weight in the circumstances of this case.

192 In our view, the public interest in ensuring that no registration of a trade mark continues if it is found to be invalid is of considerable significance in this particular case. Further, in our view it would be quite unjust to subject the respondents to the future inconvenience they will suffer as a result of having to avoid using any of the US ANCHORAGE names in Australia as a trade mark. On the other hand, if the registered marks are cancelled, both the appellant and the respondents will be able to use their names and marks so long as they not do so in a misleading or deceptive manner or so as to engage in passing off. Having considered these matters and the other matters raised by the appellant, we are not satisfied that sufficient reason has been

shown to not cancel the registered marks, including the ANCHORAGE CAPITAL PARTNERS mark.

INFRINGEMENT ISSUES

193 Given our conclusion that each of the registered marks should be cancelled, the infringement issues raised in the notice of appeal and the notice of contention will have no bearing on the outcome of the appeal. However, it is desirable that we express our views in relation to the infringement issues that were dealt with in the parties' submissions.

194 Section 120(1) and (2) of the Act relevantly provide:

> **120 When is a registered trade mark infringed?**
>
> (1) A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.
>
> (2) A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to:
>
> (a) goods of the same description as that of goods (***registered goods***) in respect of which the trade mark is registered; or
>
> (b) services that are closely related to registered goods; or
>
> (c) services of the same description as that of services (***registered services***) in respect of which the trade mark is registered; or
>
> (d) goods that are closely related to registered services.
>
> However, the person is not taken to have infringed the trade mark if the person establishes that using the sign as the person did is not likely to deceive or cause confusion.

(notes omitted)

195 The primary judge said at [12] that the appellant put its case solely under s 120(1) of the Act. We accept that was an error and that the appellant also relied on s 120(2) of the Act. However, the primary judge rejected the appellant's infringement case for reasons that apply to both the s 120(1) and s 120(2) claims.

Did the respondents use any of the registered marks as a trade mark?

196 The key passages in the primary judge's reasons are at [14]-[15] which we previously set out. In those paragraphs the primary judge said that neither respondent was shown to have dealt with or provided any services in Australia and that neither used the US ANCHORAGE names

as trade marks to distinguish their services because they were not then dealing with or providing such services in Australia.

197 In our view the primary judge has taken too narrow a view of what is required to establish trade mark infringement. In the present case the registered marks would be infringed by the second respondent if it were to have used those marks (or any other marks substantially identical or deceptively similar to any of the registered marks) as a trade mark in relation to the registered services in circumstances where none of the defences provided for in s 122 or s 124 applied.

198 A person may infringe a registered trade mark by using it in relation to the services in respect of which it is registered even though that person has not "dealt with or provided any services in Australia" during the period of the relevant registration. The question in this case was whether the respondents used any of the US ANCHORAGE names in Australia as a trade mark in relation to the registered services after the date of registration (ie. 26 May 2011). In our view the evidence established that the respondents did so.

199 On 31 March 2014 Mr Howes of the first respondent sent to Mr Cohen of CBRE an email attaching another slide presentation which Mr Howes described as a "simple overview of the firm". This was in response to a request from Mr Cohen seeking information about the first respondent and Mr Cohen's specific question, "Would you describe your business as a boutique PE firm?" PE in this context refers to "private equity".

200 On the first page of the presentation the following appears:

ANCHORAGE
CAPITAL GROUP

There is no doubt that this was trade mark use. The mark is clearly used as a badge of origin. The real question is whether it was used in relation to the registered services. It is clear from later sections of the presentation that it is. For example, pages 1-3 includes the following statements:

Page 1: Anchorage Overview

- Founded in 2003, Anchorage Capital Group, L.LC. ("Anchorage") is a private investment firm focused on the credit, special situations and illiquid investment markets primarily in North America, Europe, and Australia.
- Anchorage is an investment adviser that focuses on a wide range of assets across the corporate credit spectrum and throughout a company's capital

structure, including performing bank loans and bonds, credit derivatives, defaulted debt and restructured and special situation equity.

…

Page 2: Anchorage Approach

- Seek to provide speed and certainty in fluid, complex, multi-jurisdictional transactions

- Emphasize a consensual approach with all stakeholders, including creditors, sponsors, customers and management teams

- Work closely with management through pre-investment planning, operational diligence, governance, strategy, talent and profit improvement initiatives

- Manage public relations challenges surrounding distressed company situations

- Patient owner and partner who realizes that some investments require significant time and resources to realize full value

Page 3: Breadth of Transaction Types

1) Debt Investments

   - Includes senior bank debt, junior secured debt, bonds, mezzanine debt, preferred/convertible stock, trade claims, sellernotes, capital leases and other obligations

   - Anchorage seeks to quickly and discreetly acquire obligations from stakeholders who wish to monetize illiquid debt investments

2) Out-of-Court Restructurings/Turnarounds

   - Dedicated team that leads the restructuring of distressed companies

   - Significant expertise working with creditors to restructure debt; provide liquidity to creditors who wish to sell their position as well as access to capital for the company undertaking a restructuring

3) Equity Investments in Private and Public Companies

   - Includes control and minority investments

   - Anchorage partners with other distressed investment sponsors and existing management in buy-outs and corporate divestitures

4) Insolvency ·

   - Experience with insolvency regimes in all jurisdictions where we invest

5) Special Situations Financings

   - Significant experience working with companies to craft financing solutions in conjunction with other sources of capital where access to traditional lending is difficult

6) Corporate-Backed Collateralized Debt Obligations and Other Structured Credit Investments

   - Extensive experience investing in corporate-backed CDOs, such as CLOs, Bank Trust Preferred CDOs, Real Estate Trust Preferred

CDOs, synthetic tranches, credit linked notes and high yield collateralized bond obligations

- Experience with structured credit instruments such as asset-backed securities, including aircraft positions such as ETCs and EETCs, and distressed corporate credit collateral claims

201 Whether the respondents used the US ANCHORAGE names as a trade mark in relation to registered services does not depend on what services they may have previously provided in Australia. There will be trade mark use if the mark is used in or about the soliciting a supply of services. The presentation is a marketing document aimed at creating opportunities in which the second respondent might work with distressed companies in which it makes investments in the expectation that they may be "turned around". This is clearly a use in relation to the registered services.

202 The evidence also includes a letter dated 28 May 2013 sent by the second respondent to another business based in Australia in connection with a proposed acquisition of another group of companies. The ANCHORAGE name and logo (reproduced above) appears in the letterhead. Relevantly, the letter states:

> Anchorage is a private investment firm that was founded in 2003. Anchorage focuses on the credit and special situations markets of North America, Europe and Australasia. The Firm is headquartered in New York, with additional offices in London, Luxembourg and Sydney.
>
> Anchorage currently manages approximately US$11.2 billion, including a dedicated fund for illiquid investments. The firm has over 130 employees, of whom approximately 53 are investment professionals.
>
> Since 2010, Anchorage has invested over US$400 million across various businesses in Australia and New Zealand. These investments have comprised various financial instruments including senior debt, junior ranking debt and equity. A number of these investments have required major financial and operational restructuring. Anchorage has been a significant investor in each of these restructurings.
>
> …
>
> As a general rule, Anchorage's approach to similar investments has been to ensure that, as soon as practicable, a strong and experienced board is appointed to oversee the running of the business. These boards are typically comprised of both of representatives of the shareholders and of independent members. Anchorage primarily selects its appointees to such board for their industry / sector expertise and their ability to add value to that investment. The board is then empowered to work with senior management to drive the overall corporate strategy, including ensuring that management teams are appropriately resourced and incentivized.
>
> …
>
> The Information Memorandum provides only high-level information regarding current employees and the need for the current leases. It is our intention to take on all employees on terms no less favourable than what they currently receive, assuming

> those terms are commercially reasonable. Anchorage expects to work with the existing employees to maximise the value of the business.

203 The letter indicates a willingness to make the proposed acquisition on terms that would enable the second respondent to appoint its representatives to the board who would then work with senior management to maximise the value of the business and add value to the second respondent's investment.

204 The respondents did not advance any contention which, if accepted, would take them outside the scope of s 120(2)(c) of the Act if they were found liable for infringement under s 120(1) of the Act. But it does not follow that because the respondents are within the scope of s 120(1) they are also within the scope of s 120(2)(c). Section 120(1) and s 120(2)(c) are mutually exclusive in the sense that if the respondent has used the registered mark in relation to the registered services, that same use could not also constitute use in relation to the services of the same description as the registered services. The point is of some significance in that s 120(2) provides a defence (broadly equivalent to the "Part B defence" under s 62(2) of the 1955 Act) that is not found in s 120(1) of the Act. In light of our earlier finding, it is not necessary for us to say anything more in relation to s 120(2) of the Act.

Defences to Infringement

205 We shall now consider the statutory defences that were relied upon by the respondents which are referred to in the notice of appeal and the notice of contention. These are the defences provided for in s 122(1)(a), (f) and (fa) and s 124 of the Act which provide:

> **122 When is a trade mark not infringed?**
>
> (1) In spite of section 120, a person does not infringe a registered trade mark when:
>
> (a) the person uses in good faith:
>
> (i) the person's name or the name of the person's place of business; or
>
> (ii) the name of a predecessor in business of the person or the name of the predecessor's place of business; or
>
> …
>
> (f) the court is of the opinion that the person would obtain registration of the trade mark in his or her name if the person were to apply for it; or
>
> (fa) both:
>
> (i) the person uses a trade mark that is substantially identical with, or deceptively similar to, the first-mentioned trade mark; and

(ii) the court is of the opinion that the person would obtain registration of the substantially identical or deceptively similar trade mark in his or her name if the person were to apply for it; or

…

124 Prior use of identical trade mark etc.

(1) A person does not infringe a registered trade mark by using an unregistered trade mark that is substantially identical with, or deceptively similar to, the registered trade mark in relation to:

(a) goods similar to goods (***registered goods***) in respect of which the trade mark is registered; or

(b) services closely related to registered goods; or

(c) services similar to services (***registered services***) in respect of which the trade mark is registered; or

(d) goods closely related to registered services;

if the person, or the person and the person's predecessor in title, have continuously used in the course of trade the unregistered trade mark in relation to those goods or services from a time before:

(e) the date of registration of the registered trade mark; or

(f) the registered owner of the registered trade mark, or a predecessor in title, or a person who was a registered user of the trade mark under the repealed Act, first used the trade mark;

whichever is earlier.

(2) If the unregistered trade mark has continuously been used only in a particular area of Australia, subsection (1) applies only to the use of the trade mark by the person in that area.

(notes omitted)

Section 122(1)(a)(i)

206 The primary judge found that the second respondent had a defence to the appellant's claim based on the second respondent's use in good faith of the ANCHORAGE and ANCHORAGE CAPITAL GROUP names on the ground that these were uses by the second respondent of its own name. We should record that there was no challenge to the primary judge's finding that the second respondent used those names in good faith.

207 The authorities that have considered the defence under s 122(1)(a)(i) of the Act and similar provisions in the 1955 Act and the *Trade Marks Act 1938* (UK) provides some guidance as to the circumstances in which a corporation may be regarded as having made use of its own name. The most well-known of these is *Parker-Knoll Limited v Knoll International Limited (No 2)*

[1962] RPC 265, a case in which the defendant, Knoll International Limited, was sued for passing off and infringement of the plaintiff's registered trade mark PARKER-KNOLL. The House of Lords accepted that the protection afforded by s 8(a) of the 1938 Act extended to the defendant's use not merely of its full corporate name, but also the natural abbreviation of that name to KNOLL INTERNATIONAL. However, the protection was held not to extend to the defendant's use of the word KNOLL. There were similar outcomes in *Smith & Nephew Plastics (Australia) Pty Ltd v Sweetheart Holding Corporation* (1987) 8 IPR 285 where King J held that s 64(1)(a) of the 1955 Act did not permit the respondent to use "Sweetheart" and *SAP Australia Pty Ltd v Sapient Australia Pty Ltd* (1999) 45 IPR 169 at 181 where Wilcox J observed (*obiter*) that neither "Sapient" nor "Sapient Corporation" could properly be regarded as the name of the respondent (Sapient Australia) for the purposes of s 122(1)(a) of the Act.

208 In our view the second respondent's use of the name ANCHORAGE CAPITAL GROUP was within the scope of the protection afforded by s 122(1)(a)(i) of the Act. This would include the use of those words as part of the mark appearing on the first page of the presentation which Mr Howes sent to Mr Cohen. However, contrary to the view of the primary judge, we do not think that the second respondent's use of the names ANCHORAGE or ANCHORAGE CAPITAL was within the scope of the protection afforded by s 122(1)(a)(i) of the Act.

Section 122(1)(f) and (fa)

209 The primary judge found that the second respondent would have had a defence under s 122(1)(f) and (fa) if (contrary to his other findings) the second respondent had engaged in what would otherwise have constituted infringing use of the registered marks or marks substantially identical or deceptively similar to the registered marks.

210 Sections 122(1)(f) refers to "the trade mark" which indicates that it is concerned with situations in which the respondent to the infringement proceeding has an entitlement to have the trade mark that is alleged to have been infringed registered in his or her name. On the other hand, s 122(1)(fa) extends to marks that are substantially identical or deceptively similar to the trade mark which the respondent is alleged to have infringed. Subparagraph (fa) was first introduced into the Act by amendments made in 2001.

211 Both subparas (f) and (fa) posit a hypothetical trade mark application by the respondent, but do not provide any express indication as to the time at which the hypothetical application is taken to have been made. At what date is the registrability of the trade mark referred to in s 122(1)(f) and the trade mark referred to in s 122(1)(fa)(ii) taken to be made? This question was referred

to by Yates J in *Optical 88 Ltd v Optical 88 Pty Ltd (No 2)* (2010) 89 IPR 457 at [173]-[176] who did not decide the point.

212 In answering this question it should be recalled that s 122(1) creates a number of other defences to a claim for trade mark infringement. These include s 122(1)(e) which provides that a person does not infringe a trade mark when "the person exercises a right to use a trade mark given to the person under this Act." This includes, but is not limited to, a right conferred by the Act on the registered owner of a mark.

213 Section 122(1)(e) ensures that a registered owner of a trade mark cannot be held liable for infringement of another registered trade mark if he or she does no more than exercise a right conferred on him or her as the registered owner. As previously explained, this includes the exclusive right to use the registered mark in relation to goods or services in respect of which it is registered. It suggests to us that s 122(1)(f) and (fa) are also concerned with the state of affairs in existence as at the date the alleged infringing conduct occurs.

214 We think it is clear that s 122(1)(e) is directed to the state of affairs in existence as at the date the allegedly infringing conduct occurs. It is only if the respondent has a right to use a registered trade mark given to him or her under the Act at that point in time that s 122(1)(e) could ever provide a defence. This provides some important context which assists in answering the question under consideration.

215 If subparas (f) and (fa) were understood to refer to a hypothetical trade mark application made prior to the date of the alleged infringement (eg. the date of the respondent's first use), it would lead to the rather odd result that the respondent would have the benefit of a defence under those provisions that was broader than that which it would have had under subpara (e) if the respondent had actually applied for and obtained registration of the same trade mark prior to engaging in the alleged infringing conduct.

216 If on their proper construction, subparas (f) and (fa) were concerned with a hypothetical trade mark application made as at the date the respondent first used the relevant mark, it would leave open the possibility that the respondent could rely on the defence under subpara (f) or (fa) even if it was clear that as at the date the alleged infringement occurred (perhaps many years after the respondents' first use) any application for registration could have been successfully opposed on the grounds provided for in s 43, s 44(2) or s 60 of the Act. It would also undercut the requirements of s 124 of the Act which provides a defence based on prior continuous use.

217 In the present case Mr Darke SC submitted that the question of registrability is to be assessed as at the date of the hearing. We do not think that that is correct, but nor do we think that registrability should be assessed as at the date of the second respondent's first use. In our view the application of s 122(1)(f) and (fa) is to be assessed as at the date of the alleged infringing conduct. If the court is not satisfied that the respondent would obtain registration of the relevant trade mark with effect from that date, then the defence fails.

218 The appellant's pleaded case against the second respondent alleged infringement since the middle of 2011. That is the date at which it is appropriate to decide whether, in the opinion of the court, the second respondent could have obtained trade mark registration for the US ANCHORAGE names. By that time the appellant had been carrying on its business for approximately three years.

219 We do not agree with the primary judge's finding at [45] that "none of the relevant consumers would ever be confused by the marks" given that the second respondent's unregistered marks were either identical or substantially identical to the appellant's registered marks. There was at all relevant times a strong likelihood that a significant number of consumers (no matter how intelligent and sophisticated) would be caused to wonder if businesses engaged in the provision of financial services using the same names, and operating in the same field, were somehow associated. It is on that basis we think it unlikely that the second respondent could have successfully resisted an opposition by the appellant on s 60 grounds as at the middle of 2011 or at any relevant time thereafter.

Section 124

220 The primary judge rejected the second respondent's defence under s 124 of the Act. Given the primary judge's finding that the second respondent did not use the US ANCHORAGE names as trade marks in Australia after 2007, his Honour's conclusion with respect to s 124 necessarily followed.

221 Although we have taken a different view of the second respondent's conduct in 2013 and 2014 which (as we have explained) involved use of the US ANCHORAGE names as trade marks, we are not satisfied that the second respondent was entitled to the benefit of a defence under s 124 of the Act. No doubt the US ANCHORAGE names were used by the second respondent in the United States throughout the period commencing from a time before the appellant first used the registered marks to the date of the alleged infringements. However, s 124 required the second respondent to show that it used the US ANCHORAGE names as trade marks in

Australia, and that it did so continuously throughout that period. We are not satisfied it did so. Accordingly, we are not satisfied that the second respondent satisfied the requirements of s 124 of the Act.

INDEMNITY COSTS

222 We have already referred to the indemnity costs orders made by the primary judge. The appellant does not challenge the primary judge's indemnity costs order made in relation to the respondents' costs of defending the estopppel claim. However, the appellant submitted that the primary judge erred in ordering it to pay the respondents' other costs of the application and cross-claim in respect of the period from 11am, 20 June 2014 onwards on an indemnity basis. His Honour made that order on the basis of what he considered to be the appellant's unreasonable failure to accept an offer of compromise dated 18 June 2014.

223 The respondents' primary position in relation to the primary judge's costs order was that the appellant had failed to demonstrate any error on the part of the primary judge. It also submitted that if the primary judge's costs order was affected by error, and this court was of the view that it should be set aside, then there should be an indemnity costs order made in lieu of that made by his Honour on the basis of the appellant's failure to accept an offer of compromise dated 5 August 2014 or, alternatively, an offer of compromise dated 5 November 2014.

224 The respondents' submissions assumed that we would not set aside the indemnity costs order made by the primary judge unless satisfied that his Honour's decision was affected by a *House v The King* type error. However, in making the indemnity costs order, the primary judge was not exercising a discretion to which the *House v The King* principles apply. The question before his Honour was not whether he should exercise a discretion to apply r 25.14(2) but whether it had any application to the facts of this case. This depended on whether the appellant's failure to accept the offer of compromise was unreasonable, and required an evaluative judgment to be made in relation to which the trial judge will usually enjoy a distinct advantage: see generally *Branir Pty Ltd v Owston Nominees (No 2) Pty Ltd* (2001) 117 FCR 424 at [29] per Allsop J (as he then was, Drummond and Mansfield JJ agreeing). Accordingly, we would not set aside the primary judge's costs order unless we were satisfied that it was affected by a material error or unless we were of the clear opinion that the conclusion reached by his Honour was wrong.

225 The offer of compromise that the primary judge held the appellant to have "unreasonably failed to accept" for the purposes of r 25.14(2) of the *Federal Court Rules 2011* (Cth) ("the Rules") was in the following terms:

> The First and Second Respondents/the Cross-claimant (the **Respondents/Cross-claimant**) offer to compromise this proceeding.
>
> The offer is that:
>
> 1. the Applicant's/Cross-respondent's claim be discontinued;
> 2. the Respondents'/Cross-claimant's cross-claim be discontinued; and
> 3. the Applicant/Cross-respondent pay the Respondents/Cross-claimant $285,000 (including GST) (being approximately 50% of the Respondents'/Cross-claimant's actual costs) in respect of the Respondents'/Cross-claimant's costs within 28 days of the date of acceptance of this offer.
>
> This offer is inclusive of costs.
>
> The offer of compromise is open to be accepted for 14 days after service of this offer of compromise.

226 Rule 25.14(2) provides:

> If an offer is made by a respondent and an applicant unreasonably fails to accept the offer and the applicant's proceeding is dismissed, the respondent is entitled to an order that the applicant pay the respondent's costs:
>
> (a) before 11.00 am on the second business day after the offer was served—on a party and party basis; and
>
> (b) after the time mentioned in paragraph (a)—on an indemnity basis.

227 The primary judge noted at PJ-3 [11] the appellant's submission that it was not unreasonable for it to reject the offer of compromise because it involved no genuine compromise and effectively required a complete capitulation by the appellant. His Honour then said at PJ-3 [12]-[15]:

> [12] In relation to the applicant's own claim, looked at in isolation, the applicant's submission is apparently correct. The best the respondents could achieve in relation to it was likely that it be dismissed with costs. I do not think that the amount of costs it would eventually have received would have been much in excess of $285,000. Thus the only element of compromise it involved was the discontinuance of the proceeding rather than its dismissal.
>
> [13] However, the offer was not made in isolation. The respondents also offered to discontinue their cross-claim. That cross-claim was valuable to the respondents. By offering to let it go the respondents were permitting the applicant to continue to maintain the registration of the trade marks. Of course, what was involved was a discontinuance so it remained possible that the matter might be revisited in the future. Nevertheless, it was the abandonment of something valuable.
>
> [14] In those circumstances, the offer appears to me to have involved an element of genuine compromise, perhaps not an enormous compromise but not de minimis either. Further, it was an offer which bore, in my view, a reasonable relationship to the strength of the applicant's position. By the time it was made the applicant was confronted by weaknesses on several fronts. To begin with,

the respondents had by 18 June 2014 advanced a prior use allegation. The applicant's own lawyers had warned it that this might well happen even before the applicant had applied to register the trade marks in 2011. It knew from before it sought registration that there was, therefore, a real problem about the respondents' prior use of the marks. It certainly knew that by 18 June 2014 when it was facing these allegations in formal court proceedings. Likewise, the misleading and deceptive conduct case was, with respect, obviously unviable. Some, perhaps not very great, reflection would have shown that neither firm was trying to exploit the reputation of the other and, further, that the idea that the relevant consumers in the market might be confused was very difficult to sustain having regard to who they were. In other words, the proceeding involved very serious risks for the applicant.

[15] I accept, therefore, that the respondents' offer did involve genuine compromise which reflected the strength of their case and, hence, that the applicant unreasonably failed to accept it. In those circumstances, r 25.14 is enlivened. It is not necessary therefore to consider the remaining offers.

228 The appellant submitted that these paragraphs disclose three relevant errors.

229 First, it submitted the primary judge erred in failing to consider whether the appellant's failure to accept the offer of compromise was unreasonable. It submitted that his Honour focused entirely on the question of whether or not the offer of compromise involved genuine compromise on the respondents' part but not whether the appellant's failure to accept the offer was unreasonable.

230 Secondly, the appellant submitted that as a result of the primary judge's first error, his Honour failed to have regard to any of the considerations which have been held to be relevant in determining whether a failure to accept an offer of compromise was unreasonable. In support of this submission the appellant identified the following four specific matters which it contended the primary judge failed to have regard to:

(a) the stage the proceeding had reached at the time the offer of compromise was made;

(b) the extent of information relevant to the determination of the respondents' prior use allegations which was available to the appellant when the offer was made;

(c) the nature and complexity of the issues which were required to be determined by the court in deciding the proceeding; and

(d) the fact that the extent of the compromise made in the offer was relatively small.

231 Thirdly, the appellant submitted that the primary judge erred by relying on an incorrect finding that the appellant's lawyers had warned the appellant the respondents might well advance a prior use allegation in response to any trade mark infringement action and that the appellant

therefore knew before it filed its trade mark applications that there was "… a real problem about the respondents' prior use of the marks."

232 The respondents' first answer to the appellant's submissions was that the appellant sought to resist the order for indemnity costs based on the failure to accept the offer dated 18 June 2014 solely on the basis that it involved no genuine compromise on the respondents' part so that if his Honour was satisfied (contrary to the appellant's submissions) that this was not the case, then it followed that his Honour was entitled to make an order for indemnity costs against the appellant.

233 We do not accept that submission. The costs issues were dealt with by his Honour on the papers. The written submissions filed by the appellant clearly show the appellant relied upon a number of other matters apart from that which is recorded at PJ-3 [11]. In particular, the appellant submitted to his Honour that, at the time the offer of compromise was made, many of the allegations and defences which were ultimately contested at trial either had not arisen at that time or were in different form, that there had been no exchange of evidence or discovery at that time, and that although the respondents had provided the appellant with some examples of what was said to be the second respondent's alleged prior use of the US ANCHORAGE names, the documents provided by the respondents' lawyers to the appellant's lawyers were heavily redacted. None of these matters is explicitly addressed in his Honour's reasons.

234 As to the primary judge's observation that there was "a real problem" about the respondents' prior use of the marks, there are a couple of points to make.

235 First, when his Honour refers to the respondents' prior use of the marks, he could only be referring to the second respondent's first use of the US ANCHORAGE names in Australia because the first respondent was not incorporated until some years after the appellant commenced using the ANCHORAGE and ANCHORAGE CAPITAL marks.

236 Secondly, we do not agree with his Honour's interpretation of the email correspondence of 24 May 2011 between the appellant and its lawyers upon which his observation was apparently based. The email includes a recommendation by the appellant's lawyers that the appellant apply for the trade mark registrations. The appellant's lawyers stated:

> A primary benefit of owning a registered trade mark is that the owner can bring trade mark infringement proceedings against a person who uses a similar trade mark in relation to similar services for which the trade mark is registered, without having to prove reputation in the trade mark in Australia. It is worth pointing out that an alleged infringer may defend an infringement claim by asserting that if it were to apply to register the mark it is using, it would obtain registration of that mark.

> Assuming that [the appellant] obtained registration of its trade marks first and proceeded to sue [the second respondent] for trade mark infringement, there may be scope for [the second respondent] to assert that if [it] were to apply for the Anchorage trade mark it would obtain registration on the basis that it is an "honest concurrent user". The principle of honest concurrent use comes into play when a later user of a trade mark honestly adopts a trade mark for use in Australia, and uses it concurrently with the first user. The success of any such defence would depend amongst other things, on [the second respondent] showing that it had made sufficient use of its Anchorage mark in Australia.

237 We do not think it can be said that the appellant was advised, and therefore knew, that there was "… a real problem about the respondents' prior use of the marks" prior to applying for them. On the contrary, the advice given by the lawyers reflected an assumption that the appellant was the first user of the registered marks in Australia but that the second respondent might be able to defend infringement proceedings brought against it on the basis that it was entitled to obtain its own registrations pursuant to s 44(3) of the Act. We are satisfied that his Honour misunderstood the effect of the advice provided to the appellant by its lawyers.

238 We are also satisfied that the primary judge wrongly conflated the question whether the offer made by the respondents was an offer involving genuine compromise and the question whether it was unreasonable for the appellant not to accept the offer at the time it was made. It did not follow, contrary to the reasoning disclosed in PJ-3 [15], that because the respondents' offer involved genuine compromise, the appellant's failure to accept that offer was unreasonable.

239 In his oral submissions Mr Dimitriadis SC suggested that the primary judge's indemnity costs order "proceeds on the basis that the case was by that stage [ie. 18 June 2014] doomed to fail." We do not think that reflects a correct interpretation of his Honour's reasons. In any event, the question that matters most for present purposes is whether, given the information then available to the appellant, it should have known that its case must fail or (at the very least) was likely to fail. The primary judge's reasons do not address that question.

240 As at 18 June 2014 the respondents had not served any of their written evidence and had not given discovery. They had previously provided to the appellant's lawyers a copy of the slide presentation but it was in a heavily redacted form. Mr Fitzpatrick's first proof of evidence was not served until 26 September 2104, and discovery was not given by the respondents until 28 November 2014. According to the respondents' chronology, an unredacted copy of the slide presentation was not made available to the appellant until 5 November 2014.

241 We are not satisfied that the information available to the appellant at 18 June 2014 was sufficient to enable the appellant to form any firm view as to its prospects of successfully

defending the respondents' attack upon the validity of the appellant's trade mark registrations. It certainly did not provide a sound basis for concluding that it was likely that the appellant's claims against the respondents would fail.

242 Another matter that we think is of considerable significance is the terms of the offer. It required the appellant to pay a substantial portion of the respondents' costs but offered the appellant little in return for that payment. The mutual discontinuances proposed by the respondents would have permitted the respondents to bring a fresh proceeding for cancellation of the appellant's registered marks at any time in the future and without any contractual restraint upon their right to do so or their right to use the US ANCHORAGE names in Australia. The underlying commercial dispute would have been left entirely unresolved.

243 We do not consider the appellant's failure to accept the 18 June 2014 offer was unreasonable. We are of the clear opinion the primary judge's conclusion on this issue was wrong.

244 The other offers of compromise dated 5 August 2014 and 5 November 2014 that the respondents relied upon were in precisely the same terms as the first offer except that they sought costs in the amounts of $385,000 and $765,000 respectively.

245 Much of what we have said concerning the first offer also applies to the second and third offers. Discovery had still not been given by the respondents and the unredacted copy of the slide presentation was not provided to the appellant (according to the respondents' chronology) until the day the third offer was made. Both proposed mutual discontinuances which, if accepted, would have left the underlying commercial dispute unresolved.

246 We are not persuaded that the appellant's failure to accept either the second offer or the third offer was unreasonable.

247 The respondents' notice of contention also placed reliance upon the appellant's failure to accept a Calderbank offer dated 18 June 2014 (Contention 4). No written or oral submissions were advanced by the respondents in support of that contention which we understood the respondents to have abandoned.

DISPOSITION

248 The appeal against orders 2 and 3 made by the primary judge on 9 March 2016 should be allowed. The appeal against the primary judge's other orders should be dismissed. In lieu of orders 2 and 3 made by the primary judge on 9 March 2016, there should be an order that the

applicant is to pay the respondents' other costs of the application and the cross-claim (ie. those not covered by the primary judge's order 1) on a party/party basis.

249 The cross-appeal should be allowed. In addition to the orders made by the primary judge on 21 August 2015, there should be an order cancelling the applicant's trade mark registration number 1425921 for the mark ANCHORAGE CAPITAL PARTNERS.

250 The parties will be given the opportunity to file short written submissions addressing the costs of the appeal and cross-appeal.