

Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd
[1991] FCA 402

FEDERAL COURT OF AUSTRALIA

LOCKHART, BUCHETT AND GUMMOW JJ

LOCKHART J:

INTRODUCTION

This proceeding, between the Australian subsidiaries of two United States corporations, concerns the right to use the word CAPLETS as a trade mark. The central issue is whether the word CAPLETS has been used by each party as descriptive of the form or shape of its product or as distinctive of it in the course of trade. A single Judge of the Court (Hill J.) held that the appellant, Johnson and Johnson Australia Pty Limited, had infringed the trademark (CAPLETS) of the respondent, Sterling Pharmaceuticals Pty Limited, under s. 62 of the *Trade Marks Act 1955* ("the Act"). The appellant appeals from that judgment (reported in (1990) 96 ALR 277). Throughout my reasons for judgment the word "caplets" appears sometimes in that form and at other times as CAPLETS. Speaking generally, the latter style is used where appropriate to describe the form in which the trade mark is registered or as it is sometimes used on packaging, and the former where a different use is appropriate; but nothing more than this is intended by the different forms in which the word appears.

Both parties carry on the business in Australia of manufacturing and selling pharmaceutical products. The respondent is the registered proprietor under the Act of the trade mark CAPLETS in Part A of the register of trade marks ("the register") in respect of goods in Class 5 being "medicated tablets for human use" (No. A96,967). The word CAPLETS was used in Australia by the respondent at various times before 1986 in connection with its pharmaceutical products, but to a limited extent.

In early 1986 an affiliated company of the appellant in the United States, which produced TYLENOL, was the centre of considerable publicity when a person died as a consequence of taking a TYLENOL capsule. It was later found that the capsule had been adulterated with cyanide which apparently had been injected into it and other capsules by persons unknown. This led the appellant's affiliated companies in the U.S.A. and the appellant itself to consider

the production of a tablet in the form of a capsule as it would be less vulnerable to interference by third parties.

Commencing in 1986 there was a flurry of activity by both parties to introduce a pharmaceutical product in Australia as a tablet shaped as a capsule. In 1986 the respondent decided to produce its PANADOL product in the form of an elongated paracetamol tablet and to market it in packaging which bore the name PANADOL with the word CAPLETS appearing underneath it together with an asterisk against each word and a footnote stating that PANADOL and CAPLETS were registered trade marks. The respondent commenced to sell its PANADOL CAPLETS in July/August 1986 and in January 1988 it launched in Australia its PANADEINE CAPLETS product.

The appellant has marketed TYLENOL in Australia since 1982. In March 1986 the appellant considered whether it would be entitled to market TYLENOL in Australia using the word CAPLETS. In September 1986 the parent company of the appellant applied for the removal of the word CAPLETS from the register on the ground of non-use by the respondent under s. 23, but this application was later abandoned. The appellant considered alternative names and received conflicting advice as to whether its product should be marketed using the word CAPLETS on its packaging and advertising. In September 1989 the appellant launched its TYLENOL product in South Australia using the word CAPLETS.

In October 1989 the respondent commenced this proceeding against the appellant for infringement of its trade mark CAPLETS. The appellant denied that it had, by use of the word CAPLETS on its packaging and advertising of TYLENOL products, infringed the respondent's mark. The appellant claimed that it had not used the word CAPLETS as a trade mark but in a descriptive sense of the form or shape of the product itself or the dosage form. The appellant also claimed that, if it had used the word CAPLETS as a trade mark so as otherwise to infringe the respondent's mark, it had done so in good faith and as a description of the character or quality of its own goods being TYLENOL paracetamol analgesics and that, by virtue of s. 64(1)(b) of the Act, its use had not been an infringement of the respondent's mark. The respondent denied that the use by the appellant had been in good faith and a use as "a description of the character or quality" of the appellant's goods. The appellant claimed that,

although the respondent had used the word CAPLETS on its packaging and advertising, it had done so using the word not as a trade mark, but in a descriptive sense.

The appellant filed a cross-claim seeking an order that the respondent's trade mark CAPLETS be removed from the register pursuant to s. 23(1)(b) of the Act on the ground that up to one month prior to the date of the amended cross-claim of the appellant (20 October 1989) a continuous period of not less than three years had elapsed during which the trade mark was registered and during which there was no use in good faith of that mark by the respondent in relation to the goods in respect of which it was registered.

By its amended cross-claim the appellant also sought an order that the respondent's trade mark CAPLETS be expunged pursuant to s. 22 of the Act on the ground that there was a well-known and established use of the word "caplets" as the name or description of tablets consisting of pharmaceutical substances and shaped in the form of capsules by persons carrying on trade in those goods (ss s. 56(2)(a)). Although this claim was pursued at first at the trial, it was abandoned upon the conclusion of evidence and thus does not arise on the appeal.

The learned primary Judge said that there were three principal issues in the proceeding. He defined them as follows:-

1. Whether the respondent had in the continuous period of three years ending on 20 September 1989 used the trade mark CAPLETS in relation to its own products, PANADOL CAPLETS and PANADEINE CAPLETS (s. 23(1)(b));
2. Whether the use of the word CAPLETS by the appellant in the advertising and packaging of its TYLENOL paracetamol products (putting aside the provisions of s. 64(1)(b) of the Act) was an infringement by it of the respondent's registered mark CAPLETS (s. 58); and
3. Whether the use by the appellant of the respondent's registered trade mark CAPLETS was a use by it in good faith of the description of the character or quality of the appellant's goods (s. 64(1)(b)).

His Honour found in favour of the respondent on all three principal issues, restrained the appellant from infringing the respondent's mark CAPLETS and dismissed the appellant's cross-claim seeking removal for non-use.

The appellant challenges all three findings of his Honour, and, pursuant to leave granted on the hearing of this appeal, it made a further challenge to his Honour's judgment, namely, that, even

if the use by the appellant of the word CAPLETS was a trade mark use, the use was not identical or substantially identical with the respondent's registered trade mark or deceptively similar thereto (ss. 58 and 62(1)) and that no other use by the appellant (for example, on its packaging "24 CAPLETS") was an infringement under s. 62(1).

FACTS

Most of the findings of primary fact made by his Honour are not in dispute, but the inferences which he drew from certain of them are disputed by the appellant. Although there was a large amount of documentary and oral evidence at the trial, at the end of the day it was accepted by the parties before us (and it appears also before his Honour) that the critical facts on which the fundamental issues turn (whether the respondent's and the appellant's use of the word CAPLETS was as a mark or as a description of their respective goods) are the objective facts constituted by the form of packaging in which the products are sold and the form of advertising of them. Hence I have appended to these reasons a copy of each of the external packaging of the appellant's TYLENOL product in tablet and caplet form (his Honour having held that the latter was an infringement of the trade mark CAPLETS); also a copy of the external packaging of the respondent's PANADOL and PANADEINE products in tablet, capsule, caplet and soluble form.

THE FACTS

The essential facts must be stated. Between 1948 (when the trade mark CAPLETS was registered) and 1986 the mark lay substantially dormant in Australia. The respondent marketed various products in Australia using the mark to identify the dosage form of certain drugs (Betaplexin, Monodral, Trancapol, Myoflex and Mytelase). Betaplexin was sold nationally in Australia from about 1968 to 1973. Monodral was sold during approximately the same period. Mytelase was sold until about 1971, though on prescription. Myoflex was sold for some time in the early 1970's. Trancopal was sold from about 1968 to 1973. The evidence is not precise as to subsequent use of those products, but it may be that Mytelase was sold or at least available for sale during the period immediately following 1986. The word CAPLETS was also used between 1948 and 1986 in association with those products by the respondent itself internally (i.e. within the various agencies and structures of the respondent in Australia) on various documents including lists of recommended retail prices and delivery registers. After having

examined the evidence including the documents I am satisfied that the use of the word was purely descriptive.

Following the cyanide incident in the U.S.A., in March 1986 the respondent decided to commence the launch of an elongated paracetamol tablet in Australia. The evidence establishes that this was probably due at least in part to its view that the appellant might commence using the word CAPLETS here in conjunction with its product TYLENOL and start selling TYLENOL in the form of caplets (in the sense of tablets shaped as capsules).

In March 1986 the appellant commenced investigating the position in Australia with respect to the word CAPLETS and considered applying for registration of that word as a trade mark if it was not already registered; but it had been registered since 1948 with the respondent as the registered proprietor of the mark.

In April 1986 the respondent decided to proceed with the production of its product PANADOL CAPLETS. In July 1986 the respondent became aware that the appellant was planning to introduce TYLENOL (with packaging bearing the word "caplets") in Australia and New Zealand and the question arose within the respondent of whether the existing registration of the mark CAPLETS was susceptible of cancellation for non-use. The respondent was advised that it should make current use of the mark if this was possible. In July/August 1986 PANADOL CAPLETS were introduced on a trial basis, but the main launch of the product did not occur until January 1987. The original product was sold in a bottle. It described the product as "PANADOL CAPLETS" stating there were "50 CAPLETS" in the bottle. The dosage form referred to numbers of "caplets". The initial trial run was for approximately 12,000 bottles. The packaging of the product launched in January 1987 was altered to describe the contents as "capsule-shaped tablets" and the dosage instructions were in terms of "tablets". This appears to have been an attempt to ensure that the word "caplets" was not used in a descriptive sense.

In March 1986 the appellant's product manager in charge of the TYLENOL product instructed its patent co-ordinator to "check out the situation" with respect to the word CAPLETS in Australia. Following a search of the register which revealed the respondent's earlier registration for the trade mark CAPLETS, the appellant and its parent considered taking proceedings for removal of CAPLETS from the Australian register on the ground of non-use for the previous

three years; and, as mentioned earlier, the parent company lodged an application for removal of CAPLETS from the register in September 1986, but that was withdrawn in May 1987. It seems the reason for the withdrawal was that the appellant became aware of the marketing on a trial basis of the respondent's PANADOL CAPLETS in about the middle of 1986 and the appellant's product manager expressed the view that in those circumstances the chances of the appellant's being able to use the word CAPLETS in association with its new TYLENOL product in Australia were "very slim, if not negligible".

In 1988 the appellant received an opinion from an attorney in the United States that the respondent's prior registration of CAPLETS should not prevent the appellant from marketing a new product in Australia using the word "caplets" as a descriptive term. Indeed, it appears that he recommended that the appellant "take the risk of legal action" by the respondent. This led to some consternation among certain of the staff of the appellant, especially as the appellant's United States attorney also advised that the presence of any "registration rights" in CAPLETS by the respondent was irrelevant to the use by the appellant of the term in a non trade mark sense, that is in a descriptive sense. Doubtless the attorney in the United States approached the question with the knowledge that the word CAPLETS is a descriptive term in the United States, available for use in the marketplace by anyone to describe a capsule-shaped tablet.

The appellant's Australian legal advisers and marketing consultants were concerned about the bold approach suggested by the United States attorneys. But in due course the appellant reached the conclusion that it should follow the worldwide policy within the Johnson and Johnson group of marketing TYLENOL using the word CAPLETS and leaving it to the respondent to take appropriate action in the courts.

The case turns essentially upon a comparison between the packaging and advertising of the rival products. It is necessary to describe them. First, the packaging of the respondent's PANADOL CAPLETS. On the front of the package the word PANADOL appears in large red letters followed by an asterisk. Under that in bold black smaller letters appears the word CAPLETS again followed by an asterisk. Underneath that in smaller print appear the words "BRAND OF PARACETAMOL". Under that in yet smaller print appear the words "Each PANADOL TABLET contains PARACETAMOL 500 mg". There then appears in white against a green background the logo "Winthrop" and underneath that in large white letters the

words, "FOR PAIN RELIEF". At the bottom left of the front panel in white upon a red circular background appears a representation of two capsule-shaped tablets, one showing the word embossed in white "PANADOL" and the other the letters and numbers "WIN 182". On the bottom right of the front panel in white on a red background are the words "24 CAPSULE-SHAPED TABLETS". On the back panel appears in bold red letters the word PANADOL with an asterisk. Underneath appears the following:

"For the relief of pain and discomfort in rheumatic, muscular and neuralgic conditions, headaches and colds and following dental procedures. Reduces fever.

DOSAGE: Adults: One to two tablets (maximum 8 tablets per day). Children (7-12 years): Half to one tablet (maximum 4 tablets per day). Take with water every 3 to 4 hours if necessary. CAUTION: THIS PREPARATION IS FOR THE RELIEF OF MINOR AND TEMPORARY AILMENTS AND SHOULD BE USED STRICTLY AS DIRECTED. PROLONGED USE WITHOUT MEDICAL SUPERVISION COULD BE HARMFUL. STORE BELOW 30 C

USE ONLY IF FOIL SEAL OVER TABLET IS INTACT *Panadol and Caplets are registered trade marks. 2649763 Reg Vic 21834 WINTHROP LABORATORIES DIVISION OF STERLING PHARMACEUTICALS PTY LTD 75-79 ATKINS ROAD, ERMINGTON, SYDNEY, AUSTRALIA"

On the bottom and top flaps appear the words "PANADOL CAPLETS", again with asterisks. However on one flap they appear with the number "24" and on the other with a "use by" signification. In each case the print in which the word "PANADOL" appears is larger than that in which the word "CAPLETS" is printed.

On each of the side panels appears the word "PANADOL" in large red letters.

The packaging which I have described is that of the box containing 24 capsule-shaped tablets. The packaging of the PANADOL box containing 48 capsule-shaped tablets differs slightly from the packaging of the smaller box. These differences are, however, of no importance in the resolution of the issues in this case and need not be described.

The packaging of PANADEINE CAPLETS is substantially the same as the packaging of PANADOL CAPLETS.

It is necessary to describe the appellant's TYLENOL package in the form which it took immediately before the commencement of the present proceeding.

On the front panel of the packet appear the words "NEW from JOHNSON and JOHNSON". Underneath these words in large bold red letters is the word "TYLENOL" followed by an asterisk.

On the top right hand corner of the panel are the numbers and the word "24 CAPLETS". The word "CAPLETS" is in capital letters of size marginally smaller and thinner than the name Johnson and Johnson. However the word "CAPLETS" is one-third the height and much thinner than the word TYLENOL. These words, like the name of the appellant, are printed in blue.

Across the front panel in black type appear the following words superimposed on a yellow background: "For pain relief ... without aspirin. Easy to swallow." At the far right of that line are illustrations of two capsule-shaped tablets in white on a yellow background. At the bottom of the front panel of the packet in small blue print appear the words: "Each caplet contains PARACETAMOL 500 mg." The word "paracetamol" predominates.

On the back appears printed in small print the following:

"JOHNSON and JOHNSON TYLENOL Caplets provide temporary relief of pain and discomfort associated with headaches, muscular aches, rheumatism, arthritis, neuralgia, menstruation and temporary relief of symptoms associated with colds, flu and many viral infections. Reduces fever. JOHNSON and JOHNSON TYLENOL

Paracetamol CAPLETS:

*Contain no aspirin

*Will not cause gastric irritation and may be used by most persons with peptic ulcer, when taken as directed for recommended conditions. *Are not likely to cause a reaction in those who are allergic to aspirin and are therefore especially well suited for such persons. *Are easier to swallow than Tablets because they are specially shaped.

DOSE: Adults: 1-2 Caplets, every 4-6 hours. NOT MORE THAN 8 CAPLETS SHOULD BE TAKEN IN 24 HOURS. Children: 10-12 years - 1 Caplet, every 4-6 hours. NOT MORE THAN 4 DOSES SHOULD BE TAKEN IN 24 HOURS.

STORE BELOW 30 C

CAUTION: DO NOT USE IF BLISTER UNIT IS BROKEN. This preparation is for the relief of minor and temporary ailments and should be used strictly as directed. Prolonged use without medical supervision could be harmful."

On the right side of the rear panel the following words also appear:

"Johnson and Johnson

Australia Pty Ltd

154 PACIFIC HWY ST LEONARDS 2065 * TRADE MARK c [Johnson and Johnson
abbreviation] 1988"

On each of the side panels appear the words:

"Johnson and Johnson

TYLENOL Paracetamol 500 mg 24 CAPLETS"

The word "TYLENOL" is in red bold print and the word "CAPLETS" is in smaller, although large print. The top flap contains the words:

"Johnson and Johnson

TYLENOL

Paracetamol 500 mg

CAPLETS"

The name TYLENOL appears in prominent bold red print. The word "CAPLETS" is in smaller blue print but is marginally larger than the words "Paracetamol 500 mg".

The packaging described above is that of the box containing 24 caplets. The packaging of the TYLENOL box containing 12 caplets differs slightly from the packaging of the large box, but the differences are not of any importance in this case and need not be described.

THE RESPONDENT'S USE OF CAPLETS

The first question is whether the respondent had, during the three years prior to 20 September 1989, used the trade mark CAPLETS in relation to its products PANADOL and PANADEINE. This question is important both with respect both to the appellant's cross-claim for removal of the mark CAPLETS from the register and to the question raised by the initial application, which in my view is a related question, whether the appellant has infringed the respondent's mark. Logically the two questions are distinct, but, for reasons which later appear in my judgment, in my view "caplets" is such an essentially and inherently descriptive word (like tablets or capsules from which it is derived) that each party has used it in the same descriptive sense and not as indicative of origin.

The get-up of the rival products is obviously designed to achieve two diametrically opposite results. The respondent sought to make the word CAPLETS an indicator of origin and the

appellant sought to use it as descriptive of the dosage form in which TYLENOL is sold. The appellant has achieved its object, but the respondent has not, not through any lack of imagination and ingenuity, but because of the essentially descriptive nature of the word "caplets" which in my opinion has not acquired a secondary meaning attributable to the respondent's goods.

A "trade mark" is defined by s. 6(1) of the Act; and essentially, so far as relevant, it is a mark used in trade to distinguish the goods of the person who uses it; it is a badge of origin of the goods indicating a connection in the course of trade between the goods and the person who applies it to the goods: see *Attorney-General for the State of New South Wales v The Brewery Employes Union of New South Wales and Ors* (1908) 6 CLR 469; *Mark Foy's Limited v Davies Coop and Company Limited (The Tub Happy Case)* (1956) 95 CLR 190; *The Shell Company of Australia Limited v Esso Standard Oil (Australia) Limited (The Esso Case)* (1963) 109 CLR 407.

The right of a proprietor of a trade mark is defined by s. 58(1) of the Act as the right to the exclusive use of the trade mark in relation to the goods in respect of which the trade mark is registered. Section 62(1) provides that a registered trade mark is infringed by a person who, not being the registered proprietor or a registered user of the trade mark using by way of permitted use, uses a mark which is substantially identical with, or deceptively similar, to the trade mark, in the course of trade, in relation to goods in respect of which the trade mark is registered. But the use which is referred to in those sections is limited to the use of the mark as a trade mark. This proposition is established by the highest authority in this country: see the Tub Happy Case per Williams J. at 198-200 and the Esso Case especially per Kitto J. at 422-4 and the cases there cited; see also the various cases cited by Ricketson in *The Law of Intellectual Property*, para. 36.13 and Shanahan in *Australian Law of Trade Marks and Passing Off*, 2nd ed. 331-2.

Section 23(1)(b) of the Act states (relevantly):

"... a prescribed court ... may, on application by a person aggrieved, order a trade mark to be removed from the register in respect of any of the goods ... in respect of which it is registered, on the ground –

(b) that, up to 1 month before the date of the application, a continuous period of not less than 3 years had elapsed during which the trade mark was a registered trade mark and during which there was no use in good faith of the trade mark in relation to those goods ... by the registered proprietor ... of the trade mark ..."

Under s. 23(1)(b) the issue is not whether the trade mark has been in use for the three year period, but whether there was no use during that period. This does not require a regular and continuous course of conduct for the whole period. See *Estex Clothing Manufacturers Pty Limited v Ellis and Goldstein Limited* (1967) 116 CLR 254 at 258; Shanahan, *Australian Law of Trade Marks and Passing Off*, 2nd ed. at 274.

It was accepted before the primary Judge by the appellant that if the respondent had used its trade mark that use was in good faith.

The primary Judge, in his reasons for judgment, considered the question whether the Court can take into account the subjective purpose of the respondent or whether the sole test of whether a mark is a trade mark is the fact that it does in fact indicate the relevant connection between the goods and the owner of the mark. If subjective purpose had been relevant, the primary Judge found that the respondent had the subjective purpose of using the word CAPLETS as a trade mark. The primary Judge did not decide the point as he found that the respondent had in fact used the mark as a trade mark.

This question arises from the definition of "trade mark" in s. 6(1) of the Act which relevantly defines "trade mark" as meaning:

"a mark used or proposed to be used in relation to goods or services for the purpose of indicating, or so as to indicate a connexion in the course of trade between the goods or services and a person who has the right ... to use the mark, whether with or without an indication of the identity of that person."

The definition was, so far as presently relevant, inserted by the *Trade Marks Act 1948* (Cth) into the *Trade Marks Act 1905* (Cth) in place of the previous definition in the 1905 Act which was initially inserted by the *Trade Marks Act 1912* (Cth).

The words "so as to indicate" were inserted in the United Kingdom statutory definition of trade mark following the decision of the House of Lords in *Bass, Ratcliff and Gretton Ltd v Nicholson and Sons Ltd* (1932) 49 RPC 88 on the recommendation of the Report of the Departmental Committee, known as the Goschen Report, which was presented to the United Kingdom Parliament in 1934 (Cmd. 4568). Their Lordships gave differing views as to the effect of the words "used for the purpose of indicating" in the definition of "trade mark". It is not necessary

to analyse them apart from saying that Lord Macmillan stated that the words involved an objective test and did not contemplate "any deliberate resolution ... on the part of the user" (at 109) and the other members of the House (Lords Buckmaster, Warrington and Russell), while not being entirely specific on the point, may have seen room for a subjective intention. The Goschen Committee, while assuming Lord Macmillan's construction was correct, recommended the addition of the words "or so as to indicate" to remove any doubt that a usage will be within the definition if it in fact indicates the trade source of goods (Goschen Report, para. 16(v)). See also Shanahan, *Australian Law of Trade Marks and Passing Off*, 2nd ed. at p 21-22.

Whatever be the correct answer to this interesting question of the definition of "trade mark" in s. 6(1) of the Act, it is not necessary to answer it in this case because the crucial questions concern the alleged non-use by the respondent of its mark (s. 23(1)(b)) over the three year period previously mentioned and the alleged use by the appellant of that mark. It is established by the highest authority in this country that the use of a registered mark to which ss. 58 and 62 of the Act are directed must be actual use as a trade mark in the sense of a badge of origin: see the *Tub Happy Case* per Williams J. at 198-200; with whose reasons Dixon C.J. agreed, and the *Esso Case* per Kitto J. at 422-425, with whose reasons Dixon C.J., Taylor and Owen JJ. agreed. Section 23(1)(b) must in my view be directed to non-use of a registered mark in the same sense.

For the respondent to resist removal under s. 23(1)(b) by simply saying that during the last three years it used the word CAPLETS on its packages of products and it was its purpose in doing so to indicate a connection in the course of trade between the products and itself even if in fact it did not give that indication, would be contrary to the very foundations of the law of trade marks. A mark is either used as a trade mark or it is not. To say that a mark is used as a trade mark because that was the purpose of the registered proprietor would be inconsistent with the well established doctrine that use of a trade mark is as a badge of origin of goods, indicating a connection in the course of trade between the goods and the person who applies it to the goods (see my earlier comments and the cases therein cited). The Court, in considering the question of use as a trade mark under s. 23(1)(b), must adopt an objective standard and ask itself, is the mark being used in fact as a trade mark?

This is supported by the rationale behind s. 23(1)(b) which is to ensure that when marks are registered they are used as trade marks and it prevents the continuing registration of merely defensive marks in part A. That rationale would be defeated if any use of the mark would suffice and, as referred to by Kitto J. in the *Esso Oil Case* on p 424, the registered proprietor would have "something akin to a limited form of copyright" in the mark, and s. 23(1)(b) (subject to showing an absence of good faith) would be powerless to take away that copyright.

The mere fact that a word is descriptive or has a descriptive flavour does not necessarily prevent it being distinctive of somebody's goods: see the *Orlwoola* and *Perfection Cases* reported in (1909) 26 RPC 683, 837, 850, 854.

If a word is *prima facie* descriptive the difficulty of establishing that it is distinctive of the plaintiff's goods is considerably increased. Also if the plaintiff has not used the word simply for the purpose of distinguishing his own goods from those of others, but primarily for the purpose of describing the particular kind of article to which he has applied it and only secondarily, if at all, for the purpose of distinguishing his own goods, it will be more difficult for him to establish that it is distinctive of them.

A word may be so totally descriptive of the goods concerned as to be unregistrable, for example, *ELECTRICS* for electrical apparatus: see *Electrix* (1959) RPC 283 at 288. In less extreme cases the question is one of degree. There must be a sufficient degree of distinctiveness to counter balance the descriptive character of the word: see *Coats* (1936) 53 RPC 355 at 368 and *The Yorkshire Case* (1954) 71 RPC 150. A word which is *prima facie* descriptive may become distinctive in connection with particular goods and yet retain its descriptive meaning: see *Burberrys v J.C. Cording and Co. Ltd.* (1909) 26 RPC 693 per Parker J. at 704, and the *Perfection Case* at 857-8. But the word must in order to become distinctive have a new and secondary meaning different from its primary descriptive one and thus cease to be purely descriptive: see *Reddaway v Banham* (1896) AC 199 per Lord Herschell at 213.

Distinctive means distinctive in the sense that the mark distinguishes the registered proprietor's goods from others of the same type in that market, though it does not mean that the goods must specifically identify the plaintiff as the source of those goods. Often the identity of the supplier will be unknown, but what is important is that a significant number of consumers in the relevant

market identify the plaintiff's goods as coming from one trade source: Ricketson, *The Law of Intellectual Property*, para. 25.8.

The inherent capacity of the word "caplets" to be used in a descriptive sense (i.e. descriptive of the form or shape of the product being sold) rather than used in a trade mark sense, distinguishing the goods of its producer from other goods, was recognised by the respondent both before and after it commenced to sell PANADOL CAPLETS in the middle of 1986. Indeed, even after August 1986 the respondent used the word plainly in a descriptive sense (i.e. descriptive of the capsule-shaped tablet) in its dealings with third parties: for example, promotional literature and brochures, communications with retailers, communications with government bodies such as the Victorian Health Commission and price lists sent to pharmaceutical wholesalers, to mention but some of them. Third parties who communicated with the respondent during this time also from time to time used the word in a descriptive sense. I need refer only to a marketing report prepared by Dangar Research Group Pty Limited and certain marketing reports prepared by S.S.C. and B: Lintas Worldwide. In its own internal documents after August 1986 the respondent used the word "caplets" in a descriptive sense. There is a considerable body of evidence to support this; but I need refer only to certain of it, namely, sales analyses, internal marketing plans and numerous internal memoranda and internal computer print outs.

There is also a considerable body of evidence (affidavits of witnesses, oral evidence and various advertisements and articles in "The Australian Journal of Pharmacy", "Australian Business" and the "Financial Review") that third parties used the word "caplets" in a descriptive sense in Australia, often in a pharmaceutical context, with respect to humans or veterinary products.

Reliance was placed in argument before us (and indeed before the primary Judge) on the fact that the word "caplets" has been used widely overseas in a descriptive sense to denote the form or shape of a product and not in a trade mark sense; the countries referred to include the U.S.A, Canada, the United Kingdom, New Zealand, Ireland, Korea, Puerto Rico, Philippines, Indonesia, Thailand and Guatemala. However, use in a descriptive sense of the word "caplets" outside Australia is not in my view of direct relevance to this case because it is essentially the use of the word in Australia that is critical for present purposes or the understanding of the term by people in Australia (whether derived from Australian or overseas sources).

There is a great deal of evidence about what the word "caplets" conveys to people in Australia from people who fall broadly into three categories: pharmacists, grocery wholesalers and the public. As his Honour pointed out in his reasons for judgment, a succession of pharmacists gave evidence on affidavit and were cross-examined as to their knowledge of the word "caplets", their understanding of what it means, how they first heard of the word and whether customers ever asked for "caplets" by that name and whether they did so in relation to PANADOL or PANADEINE. His Honour held that the substance of their evidence was to the effect that the word was generally understood to refer to a capsule-shaped tablet. His Honour said:

"Most of the pharmacists have been introduced to the word with the launch of the applicant's product. They recognised it as involving a new dosage form of the Panadol range. Many had seen the word only in connection with the applicant's product and some could not recall any products with the word "Caplets" upon them. Most were unaware of the respondent's product prior to giving evidence in the case.

Generally it can be said that the understanding as to the word "Caplets" being capsule-shaped tablets related to the applicant's product. Two pharmacists deposed that the word had been explained to them. It would seem rare for a customer to ask for "Caplets" as a product although in isolated cases customers had done so, albeit by reference to the applicant's product."

His Honour's reference to the "applicant" is to the respondent in this appeal and his reference to the "respondent" is to the appellant.

I have carefully analysed the evidence to which his Honour referred and other evidence; and, although I respectfully agree with his Honour that the evidence of many of these witnesses is to the effect that their understanding of the word "caplets" being capsule-shaped tablets, related to the respondent's product, it does not follow that their evidence can be interpreted as indicating that they regarded the word as identifying the respondent's product in a trade mark sense. Indeed, much of their evidence is plainly to the effect that they regarded the word "caplets" as descriptive of the product form.

Persons in the grocery industry also gave evidence and his Honour summed up their evidence, in my opinion correctly, as being that the word "caplets" was generally understood as referring to a capsule-shaped tablet being a dosage form. It is true (as his Honour said) that a number of witnesses associated the word with the product of the respondent, but again it does not follow from that conclusion that the association was in the trade mark sense as indicating a badge of origin of the respondent's products.

Merely to associate a word with the product of a particular producer does not mean that the association is necessarily one of origin. There is no reason why a person may have heard of the word CAPLETS only in association with the respondent's product PANADOL yet still regard it as PANADOL in a particular form, namely, a "caplet"; and that is not an association in a trade mark sense. Witnesses who to my mind (having perused their evidence) plainly understood the term "caplets" as being descriptive of the characteristics of the dosage form include Mr Fletcher, a buyer employed by Woolworths Supermarkets, Mr McCarthy and Miss Fleming, both of whom were buyers. Indeed, the evidence of Mr Darke, the group product manager of the respondent who had been in its employ since 1968, was to the overall effect that he understood the word "caplets" as descriptive of the characteristics of the dosage form.

Evidence was given before the primary Judge, over objection, of surveys conducted of people in the pharmaceutical industry, the grocery industry and the general public. His Honour said that some limited use could be made of the survey material for the purpose of indicating, not with strict mathematical accuracy, the relatively small number of persons in the three categories who had come across the word "caplets" in New South Wales; but his Honour said that it did not seem to him that this evidence was of great assistance in resolving the three issues before him; a conclusion with which I respectfully agree. I should add that his Honour reviewed the reported decisions with respect to the admissibility of survey evidence. As at present advised I agree in general with the views expressed by his Honour with respect to the admissibility of such evidence.

The primary Judge said that the question whether the respondent had used the word CAPLETS as a trade mark and the corresponding question whether the appellant's use of the word was as a trade mark were matters upon which the Court must make up its own mind, a statement with which I agree.

The respondent submitted that it had used the mark CAPLETS in a trade mark sense as being distinctive of its goods during the period from 20 September 1986 to 20 September 1989 and that this was sufficiently tested by considering the packaging of its PANADOL CAPLETS and PANADEINE CAPLETS products. Stripped to its essentials, the respondent says that the words PANADOL and PANADEINE connote well-known paracetamol products which enable those products to be identified as the products of the respondent; but by adding the word

CAPLETS under the words PANADOL and PANADEINE, the same result is achieved. It submits that the use of CAPLETS in this way is a trade mark use.

There is a fundamental difficulty with this proposition. I am prepared to accept that the word "caplets" is not a part of ordinary English usage in Australia and that it does not appear in any accepted dictionary (and I have looked at many of them). But the fact remains that "caplet" is a word which consists of the word "cap" plus the suffix "let"; a suffix well-known in the English language, examples of which are booklet, couplet, hamlet, tablet, ringlet, bracelet and gauntlet. The meaning of the word "caplet" will vary according to the goods with which it is associated. It may have a different meaning, for example, to hatters than pharmacists. In the relevant field of pharmaceutical products, "caplet" may have a variety of meanings, including a capsule-shaped tablet (which is the meaning which I first attributed to it and still do), a tablet-shaped capsule or a small capsule (the meaning ascribed to it by the primary Judge, but from which it follows that it is a capsule). There was evidence of a product manufactured by the appellant called Dispersalloy Caplets, which was used by dentists for filling teeth and consisted of a durable round plastic pouch on the outside and inside mercury and dispersalloy tablet. In that context it seemed that the caplet was a little cap. But the important thing to note is that "caplet" is essentially a word which conveys a meaning of the shape or form of a product or, in the pharmaceutical sense, of a dosage form: e.g. 1 or 2 caplets of Panadol per day.

The fact that the word "caplets" may not have found its way into the ordinary parlance of Australians does not deprive it of the characteristic of a descriptive word for the purposes of the law of trade marks. I confess to being unable to understand how the word, in association with pharmaceutical products, can have any meaning except as indicating the form or shape of the product. How the word could be said to be distinctive of a respondent's goods in the sense of a badge of origin is a proposition which prima facie I have difficulty in accepting. I see no intrinsic difference between it and words such as tablets or capsules except that they are now words of ordinary English usage, but that is a distinction of degree not quality. That is not to say that the word "caplets" being, as I think it is, essentially a descriptive word, is not capable of being distinctive of a particular proprietor's products. The decided cases are replete with examples of descriptive words having a secondary or distinctive meaning. The real question in this case is whether it is one of those cases. The respondent has used the word CAPLETS in association with the words PANADOL and PANADEINE obviously because those words are very well-known to consumers of paracetamol products. By placing CAPLETS underneath (or

for that matter beside) each of those words may lead people to link the two, but that is a very different question from asking whether CAPLETS is used in a trade mark sense. However this is not to deny the possibility of using two marks as trade marks in the same packaging or advertisement: for example, see the Tub Happy Case ("Exacto Cotton Garments - Tub Happy Cotton Fresh Budget Wise"). Another way of expressing what I have said is that the word "caplets" is essentially generic and that the evidence does not establish that it is a word which has acquired a secondary and distinctive meaning in Australia.

The logical extension of the arguments for which the respondent contends is that it would be impossible for any person (except itself or its licensees) to use the word "caplets" in any circumstances when used in business with respect to paracetamol products without infringing its trade mark; that is, it confers a monopoly on the respondent with respect to the word "caplets". To my mind the mere statement of that proposition exposes a fallacy. A trade mark does, of course, confer a monopoly upon its registered proprietor with respect to the use of the mark in trade, but a word such as "caplets", new though its use in Australia may be, is so closely akin to undoubtedly descriptive words like "tablets" and "capsules", that it must relate to the description of the form or quality of the product rather than the trade identity of the product itself. In the pharmaceutical context, it is an amalgam of the two words "capsule" and "tablet", but that does not of itself make it an inventive or distinctive word.

PANADOL and PANADEINE are also marketed by the respondent in tablet and capsule form and the word TABLETS and CAPSULES appear on their respective boxes in a similar position and form as CAPLETS appears, but plainly indicating the dosage form which the contents take. A person seeing the boxes would believe that they were the product of the respondent, not because the word TABLET or CAPSULE appears near the word PANADOL or PANADEINE but because of the well-known brand names of PANADOL and PANADEINE. The same applies to the word CAPLET. As used in business, the word CAPLETS appearing on the packaging of the respondent has no greater significance as a trade mark than the words TABLETS or CAPSULES.

The respondent's products are marketed in various retail and other outlets including grocery stores, supermarkets and pharmacies, where they appear beside each other on the shelves so that the shopper sees, for example, PANADOL TABLETS, PANADOL CAPSULES, PANADOL CAPLETS, and PANADOL SOLUBLES beside each other. The context in which

the mark appears is an important factor in examining whether a mark has been used as a trade mark: see the discussion by Kitto J. in the *Esso Case* at 422, 424-5. Examining the different PANADOL products beside each other provides powerful emphasis to the conclusion that CAPLETS is used by the respondent in trade in a descriptive, not trade mark, sense and that consumers would so understand it. Similarly with respect to PANADEINE CAPLETS. Nor does the addition of an asterisk to the word CAPLETS and pointing to the fact that the mark CAPLETS is a registered trade mark elevate the use on the packets to use as a trade mark.

Having read the literature and promotional material and examined the packaging in which PANADOL and PANADEINE are presented it seems to me that the use of the word CAPLETS is essentially of a descriptive nature. I agree with the primary Judge that the word CAPLETS is used by the respondent on the PANADOL and PANADEINE boxes to refer to the capsule-shaped tablets contained in the boxes, but I respectfully disagree with his Honour when he took the next step of concluding that it was thereby used to indicate the product made by the respondent. The respondent's use of the word CAPLETS is therefore truly descriptive or generic and not distinctive.

I would add that there is, I think, considerable force in the argument advanced by counsel for the appellant that what the respondent is really claiming in this case is copyright in the word CAPLETS.

Accordingly, the essential matters to which I referred earlier are determinative of the result of this case which is that the word "caplets" is essentially descriptive, albeit not yet a common English word, and that the evidence does not elevate it into a different or secondary sense as being distinctive of the respondent's goods, or for that matter those of the appellant. The placing of the word CAPLETS below or near the name of the analgesics PANADOL and PANADEINE in my opinion adds nothing by way of indicating that the goods come from the respondent. This indication is derived from the words PANADOL and PANADEINE themselves. The word by its nature is not readily capable of distinguishing the goods of a trader from other goods. They are essentially descriptive of the character or quality of goods.

Considerable reliance was placed in argument by counsel for the respondent on the *Tub Happy Case*. In that case the words "Tub Happy" were registered under the provisions of the *Trade Marks Act 1905* in class 38 in respect of articles of clothing. In the opinion of Dixon C.J. and

Williams J. the words were in the nature of a coined phrase and with only a remote reference to the character or quality of the article of clothing and as such, were validly registered. In dissent, Kitto J. expressed the opinion that the words were essentially descriptive of the quality of the goods. The word "caplets" in the pharmaceutical industry is quite different and illustrates the point often made in the reported cases on the law of trade marks that apart from general principles, cases depend upon their particular circumstances; the facts of one case being of little guidance to the determination of another.

I would allow the appellant's cross-claim and order that the trade mark CAPLETS be removed from the register in respect of the relevant goods pursuant to s. 23(1)(b) of the Act.

THE APPELLANT'S USE OF CAPLETS

I turn to the next question whether the use by the appellant of the word CAPLETS is an infringing use. This assumes the validity of the registration of the mark CAPLETS. For the reasons which I have given to support the conclusion that the respondent's use of the mark CAPLETS is not use as a trade mark I conclude also that the appellant's use of the word CAPLETS is not an infringing use; but this conclusion is reinforced even more strongly by the manner in which the word "caplets" is used in trade by the appellant. I have described earlier the form of packaging adopted by the appellant for its product TYLENOL on which the word CAPLETS appears (see also the copies appended to my reasons). The context in which CAPLETS appears on the TYLENOL packaging and in its advertising demonstrates plainly in my opinion that the use is essentially descriptive and not a badge of origin in the sense that it indicates a connection in the course of trade between the product TYLENOL and the appellant. A person looking at the packaging would assume that the word CAPLETS describes or indicates the shape of the product contained in it or the dosage form. It is used in a descriptive sense precisely as the words tablets or capsules are used. The use by the appellant of the word CAPLETS is not an infringing use.

It is not necessary to consider the contention of the appellant that in any event the use by it of the word CAPLETS was not an infringement, a contention based on the assumption that the appellant's use was a trade mark use.

DEFENCE UNDER S. 64(1)(B)

The appellant contends that if it fails on the previous issues it nevertheless should succeed in its defence based on s. 64(1)(b), namely, that the alleged infringing acts constitute the use in good faith by it of a description of the character or quality of its goods and therefore is not an infringing use. In view of my earlier findings it is not necessary to consider this question; but counsel for the appellant contended that as the primary Judge made a finding of absence of good faith it was only fair that his client be absolved from this finding if this Court were of the view that the use of the word CAPLETS by the appellant was a use in good faith.

As to the use by the appellant of the word CAPLETS as a description of the character or quality of the TYLENOL product I need say no more than I have said previously when dealing with the earlier questions. In my opinion that aspect of the defence under s. 64(1)(b) has been made out.

As to the question of good faith, I have read the reasons for judgment of Gummow J. and agree with what his Honour has said on this question.

ORDERS

I would make the following orders:-

1. That the appeal be allowed.
2. That orders 2, 3, 4 and 5 made by the primary Judge on 28 June 1990 be set aside.
3. That the application be dismissed.
4. That the trade mark "CAPLETS" number A96,967 registered in Part A of the register in respect of medicated tablets for human use included in class 5 be removed from the register pursuant to s. 23(1)(b) of the [Act](#).
5. That the respondent pay the costs of the appellant at first instance and of this appeal.
6. That the appellant be granted liberty to apply on the question of damages, if any, suffered by it in consequence of the grant of the interlocutory injunction in the proceeding.

BURCHETT J:

The facts of this case are fully stated in the reasons of Gummow J., and it would be unnecessarily repetitive for me to go through them.

The claim for infringement turns upon the nature of the use made by the appellant of the word "CAPLETS". But before attempting a measure of that use, I must state the standard against which it is to be measured. What is use as a trade mark? In *Estate of P.D. Beckwith, Inc. v. Commissioner of Patents* (1920) 252 US 538 at 543, the Supreme Court of the United States described "the function of a trade-mark" as being "to point distinctively, either by its own meaning or by association, to the origin or ownership of the wares to which it is applied". An acceptance of this view is the foundation of the well known judgment of Kitto J. in *The Shell Company of Australia Limited v. Esso Standard Oil (Australia) Limited* (1963) 109 CLR 407. Kitto J. (at 425) considered whether a mark had been used "as a trade mark" by asking whether it was used "for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the petrol (the product there in question) and the appellant" and whether representations of it had been used "as being marks for distinguishing Shell petrol from other petrol in the course of trade". More colourfully, Whitford J. in *Mars GB Ltd v. Cadbury Ltd* (1987) RPC 387 at 402 pictured the use of a trade mark (in the sense under discussion) as the planting of a flag "to identify the fact that you are in a particular trader's territory". See also *Pioneer Kabushiki Kaisha v. Registrar of Trade Marks* (1977) 137 CLR 670 at 683.

In the *Shell* case, Kitto J. (at 424) denied that the right protected by trade mark law is "something akin to a limited form of copyright". He was prepared to assume the mark had been used, and that, in another context, that use could have been an infringement. However, he said (at 422):

"But the context is all-important, because not every use of a mark which is identical with or deceptively similar to a registered trade mark infringes the right of property which the proprietor of the mark possesses in virtue of the registration."

Although the mark was used with reference to Shell petrol, in context, the message conveyed related to the qualities of that petrol and not to its brand or origin. Accordingly, there was no infringement.

Counsel for the respondent sought to distinguish the *Shell* case as concerned with a pictorial, and not a verbal, trade mark. But the logic applies to both, as Kitto J. made explicit (at 426) in his discussion of *J.B. Stone and Co. Ltd. v. Steelace Manufacturing Co. Ltd.* (1929) 46 RPC 406, which involved the word "Alligator".

Counsel for the respondent also submitted that the mere use of a word constituting a trade mark in relation to goods sold was sufficient to establish infringement. Not only is this contrary to the Shell case; it would make innumerable sellers at second-hand liable for using brand names, as for example, by selling Holden Commodore cars. The reason why such sales do not actually infringe is that the use of the brand name at the time of the sale of a used product is not a trade mark use: *Fender Australia Pty Ltd v. Bevk trading as Guitar Crazy* (1989) 89 ALR 89 at 96-97. It is a descriptive use, identifying the goods by reference to their origin when new, which is no longer, at any rate generally, a relevant commercial origin for the purposes of trade mark law.

If Kitto J's remark that "the context is all-important" is heeded, the significance of the word "CAPLETS", as used on the appellant's packets, becomes plain. The large top face of the packet is dominated by the word "TYLENOL", in great red letters, much larger than any other writing on it. Over to the right hand side, in quite slight lettering, appears: "24 (or, as the case may be) CAPLETS", and underneath is an illustration showing that caplets are capsule-shaped tablets, accompanied by the message: "Easy to swallow". Above the cardinal word "TYLENOL", in strong blue and yellow, appear the words: "NEW from Johnson and Johnson". At the bottom, in small letters, is stated: "Each caplet contains PARACETAMOL 500 mg". The other aspects of the packet neither add to, nor subtract from, the impression made by the prominent face I have described, but the foil in which the doses within are enclosed bears, as well as the name "TYLENOL" and certain other writings, the words "CAPSULE-SHAPED TABLETS".

The respondent argues the word "caplets" is unknown to the recognized dictionaries. Though it is said to have acquired the meaning of a capsule-shaped tablet overseas, the respondent claims it has not acquired any meaning in Australia. Emphasis was placed upon the illustration on the packet as demonstrating the incapacity of the word, in itself, to convey any sufficient sense. But "caplets" is, after all, a combination of familiar sounds, used to impart the notions of capsule and tablet, and the context of the illustration, if necessary, is also likely to be effective to ensure an understanding.

Not every word is a blank disc upon which any recognizable significance can only be moulded by usage; some words have a currency from the moment they are minted, bearing a perceptible, even if previously unfamiliar image. A brilliant example of sustained use of new-coined words

to convey an imprecise, but yet vivid, descriptive meaning is to be found in Lewis Carroll's *Through the Looking Glass*:

"'Twas brillig, and the slithy toves
Did gyre and gimble in the wabe:
All mimsy were the borogoves,
And the mome raths outgrabe."

"Caplets" is not only more prosaic than this; it conveys, at any rate in the context of the illustrations upon the packet and the actual articles within it, not to say the accompanying repetition in ordinary language, a plain and direct meaning. No one looking at the packet could doubt that the product was sold under the name Tylenol, that the company concerned in its sale was Johnson and Johnson, and that it had been made up in the form of the stated number of caplets. If a person, who had not seen the product before, had any doubt about the exact form of the drug which was a caplet, that doubt could not have survived the briefest examination of the packet and its contents.

In these circumstances, I am unable to find that the word "caplets" has been used as a trade mark, any more than Warrington L.J. could regard the word "Chocaroons", when it appeared after a "conspicuously printed" brand name, as other than a term for the kind of sweet in the box so marked: *In the Matter of an Application by Williams's Ld. for the Registration of a Trade Mark* (1917) 34 RPC 197 at 203-204. In my opinion, the claim of infringement should have been dismissed.

The appellant also challenged the view of the learned trial judge that it had not established there was no use in good faith of the trade mark by the respondent during the period of three years referred to in s. 23(1)(b) of the *Trade Marks Act 1955*. In my opinion, this aspect of the appeal fails. The respondent's packets of Panadol and Panadeine each bore the word "CAPLETS", quite prominently displayed immediately after the word "Panadol" and the word "Panadeine". In each case, an asterisk directed attention to a notification of the fact that "Caplets", as well as the other brand name, is a registered trade mark. These packets also bore writings describing the form of the contents by the word "tablet", and stating the quantity as a specified number of "capsule-shaped tablets".

In that context, I think the use of the word "CAPLETS", in association with the words "Panadol" and "Panadeine", and with a statement that each is a registered trade mark, must be regarded as a trade mark use. If it is not, I have difficulty in seeing how the respondent could have made a trade mark use of its registered trade mark, which must (by virtue of s. 59 of the Act) be deemed to have been validly registered.

Under the circumstances, there is no need to reach a conclusion about the use of survey evidence in this case, which was debated at the trial of the action. However, lest silence be taken as acceptance of a view that was expressed below in relation to my own judgment in *Shoshana Pty Ltd v. 10th Cantanae Pty Ltd* (1987) 18 FCR 285 at 295-301, I should make it clear I did not there intend to indicate any agreement with the restrictive approach to survey evidence adopted in some of the earlier cases in Australia. (Nor was the decision so understood in academic debate which followed: see detailed discussion in (1989) 12 Syd LR 218 et seq., especially at 237; nor in the later decision in *TV-am plc v. Amalgamated Television Services Pty Ltd* (1988) 10 ATPR 40-891 at 49,622.) On the contrary, I cited more recent authority which is supportive of the use of properly controlled survey techniques. It was simply not appropriate, for the purposes of that case, as it is not for those of this case, to pursue the analysis to its ultimate conclusion.

The final issue debated at the hearing of the appeal was whether the learned trial judge was correct in negating the "good faith" of the appellant for the purposes of s. 64(1)(b) of the Act. I am not required to decide this matter, in view of the conclusion I have reached on the issue of infringement. However, if I had been convinced of an error on such an issue, I would have been prepared to say so. But it seems to me the finding was purely one of fact based on oral evidence given under cross-examination. Such a finding has a substantial degree of invulnerability upon appeal. If the trial judge, who saw and heard the witness, had held the opposite, his decision could not, I think, have been overturned, but that conclusion does not require the finding he did make to be set aside. This is not the occasion for an attempt to unravel the difficulties of construction posed by s. 64 (1)(b).

In my opinion, the appeal should be allowed to the extent I have indicated, and the appellant should have half its costs below and of the appeal.

GUMMOW J:

INTRODUCTION

This is an appeal from the decision of a Judge of this Court (Hill J.) in which his Honour held that the registered trade mark of the respondent had been infringed by the appellant and that a cross-claim by the appellant seeking expungement of the trade mark for non-use, should be dismissed. His Honour's decision is reported, (1990) 96 ALR 277, and has been the subject of learned comment in the United States: Note (1990) 80 Trademark Reporter 560.

The respondent is the registered proprietor, pursuant to the provisions of the *Trade Marks Act 1955* ("the Act"), of trade mark No. A96,967, comprising the word "CAPLETS" ("the Trade Mark"). The Trade Mark is registered in Part A of the Register in respect of goods in Class 5, being "medicated tablets for human use".

Both parties to the litigation are Australian subsidiaries of United States corporations, and each subsidiary carries on the business throughout Australia of manufacturing and selling pharmaceutical products. Winthrop Laboratories is a division of the respondent.

In its Statement of Claim, the respondent complained of the promotion, advertising, offering for sale and sale by the appellant of analgesic tablets as "TYLENOL CAPLETS". This was said to involve the use by the appellant, without the licence of the respondent, of the Trade Mark or of a mark substantially identical with or deceptively similar to it within the meaning of ss. 58 and 62 of the Act. As will later appear, on the appeal there was a dispute as to whether what was done by the appellant involved the use as its trade mark of the composite expression "TYLENOL CAPLETS" or merely the use as its trade mark of "CAPLETS".

His Honour held that the appellant had infringed the Trade Mark, and granted permanent injunctive relief. An interlocutory injunction had been sought by the present respondent promptly upon the commencement by the respondent of the offending trade; this meant that, at the trial, an award of only nominal damages was appropriate. His Honour considered a defence based upon para. 64 (1) (b) of the Act. This provides that notwithstanding anything contained in the Act, the use in good faith by a person of a description of the character or quality of his goods or services does not constitute an infringement of a trade mark. In this regard, the learned primary Judge held that the defence had not been made out because the use relied on by the appellant was not shown to have been a use in good faith within the meaning of s. 64.

The appellant challenges the holdings of the learned primary Judge both as to infringement and as to descriptive use in good faith.

The registration of the Trade Mark was first effected on 9 November 1948 pursuant to the Trade Marks Act 1905, and upon the coming into force of the Act on 1 August 1958, the Trade Mark was deemed by sub-s. 5 (2) thereof to be registered in Part A of the Register under the new statute.

By its Amended Cross-Claim, the appellant alleged that up to one month prior to the date thereof, 20 October 1989, a continuous period of not less than three years had elapsed during which the Trade Mark was registered and during which there was no use in good faith of the Trade Mark by the respondent in relation to any goods in respect of which it was registered; accordingly, an order was sought that the Trade Mark be removed from the Register pursuant to para. 23 (1) (b) of the Act. The respondent successfully resisted this cross-claim; it relied principally upon the use of "CAPLETS" on the packaging of two of its products for pain relief, which, in addition to the use of "CAPLETS", prominently featured another registered trade mark, either "Panadeine" or "Panadol". The appellant also challenges the decision of the learned primary Judge upon this non-use issue.

The appellant contends that there was no use by the respondent of "CAPLETS" as a trade mark within the relevant three year non-use period. On the other branch of the case, the appellant submits that the use of "CAPLETS" on its Tylenol product was not an infringing use. Thus, the concept of use of a mark "as a trade mark" is of central importance to this case.

By its Amended Cross-Claim, the appellant also sought an order that the Trade Mark be expunged pursuant to s. 22 of the Act. This was solely on the footing that within the meaning of para. 56 (2) (a) thereof, there was a well-known and established use of the word "CAPLETS" as the name or description of an article, namely tablets composed of pharmaceutical substances and shaped like capsules, by persons carrying on trade in that article. This branch of the cross-claim was pursued at the trial and a substantial body of evidence was adduced. But the claim was abandoned at the conclusion of evidence and thus it does not arise on the appeal. At the trial, no submission was put that there had been sufficient use of the word "CAPLETS" in Australia by persons other than the respondent in relation to goods of the same description for the purposes of the application of s. 56.

It may be observed that subject to the succeeding sub-sections, sub-s. 56 (1) provides that the registration of a trade mark does not become invalid by reason only of the use, after the date of registration, of a word of which the mark consists as the name or description of an article or substance. The claim pursued but then abandoned at the trial was that the registration of "CAPLETS" ought, by dint of sub-s. 56 (3), to be deemed to be wrongly remaining on the Register for the purposes of s. 22, because of its well-known and established use as the name or description of an article or substance by persons in the trade. This provision of the statute is not directed to use in that way by consumers.

In the result, it appears that a large portion of the evidence before his Honour would not have been tendered had the only issues in the case concerned infringement and non-use. Nevertheless, his Honour in his judgment did review much of this material. For example, he made findings upon such topics as the respondent's use of the word "CAPLETS" prior to the commencement in 1986 of the alleged three year period of non-use (96 ALR at 280-281), and the effect of survey evidence as establishing that a relatively small number of persons being consumers and those in the pharmaceutical and grocery industries had come across the word "CAPLETS" at all in New South Wales (96 ALR 291-296), although, as the learned primary Judge pointed out, he did not find it necessary to rely upon such evidence in deciding the live issues in the case.

Against the background of the range of evidence considered in the judgment under appeal, it is necessary to keep steadily in mind that s. 59 provides:

"In legal proceedings relating to a registered trade mark (including applications under section 22) the original registration of the trade mark . . . shall be deemed to be valid unless the contrary is shown."

In the present case, no point turns on whether the phrase "the original registration" refers to that in 1948 under the 1905 statute, or to the deemed registration upon commencement of the 1955 Act: cf. *F.H. Faulding and Co. Limited v Imperial Chemical Industries of Australia and New Zealand Limited* ("the Barrier Cream Case") (1965) 112 CLR 537 at 557 per Kitto J.

The essential point is that, non-use aside, there was no challenge to validity; and this was not a passing-off case in which there had to be proof of distinctiveness if the plaintiff were to succeed. Accordingly, it would be inaccurate to describe the real questions on this appeal as

whether the trade mark sued upon was truly an invented word, or essentially generic, or a descriptive word which had acquired a secondary or descriptive meaning.

TRADE MARK USE

When the issue is one of infringement, a pivotal question is whether the use complained of is use by the alleged infringer as a trade mark. The answer to that question requires an understanding of the "purpose and nature" of the impugned use: *The Shell Company of Australia Limited v Esso Standard Oil (Australia) Limited* ("the Shell Case") (1963) 109 CLR 407 at 426 per Kitto J. As his Honour there points out, with reference to *Edward Young and Co. Ltd v Grierson Oldham and Co. Ltd* (1924) 41 RPC 548, and as s. 66 of the present Act also indicates, the nature of the allegedly infringing use may be considered in the light of a usage common in the relevant trade. The relevant context, where the mark is a word mark, includes a consideration of the way in which the word has been displayed in relation to the goods and advertisements of which complaint is made: *Mars GB Ltd v Cadbury Ltd* (1987) RPC 387 at 402, per Whitford J.

Where the trade mark allegedly used by the defendant comprises ordinary English words (such as "Page Three", considered by Slade J. in *News Group Newspapers Limited v The Rocket Record Company Limited* (1981) FSR 89 at 102) then, as this decision illustrates, that circumstance may be taken into account by the Court in the process of reasoning by which it accepts or rejects a submission that the use in question is not a trade mark use but a description of the goods in question. To say that is not to gainsay the point made by Dixon C.J. in *Mark Foy's Limited v Davies Coop and Company Limited* ("The Tub Happy Case") (1956) 95 CLR 190 at 194-195, that language is not always used to convey a single, clear idea; a mark may have a descriptive element but still serve as a badge of trade origin. However, where the issue is one of infringing use by use of a word mark (as in the present case), the fundamental question remains, to paraphrase what was said by Williams J. in the same case (*supra* at 205), whether those to whom the user is directed are being invited to purchase the goods (or services) of the defendants which are to be distinguished from the goods of other traders "partly because" (emphasis supplied) they are described by the words in question.

Upon the present appeal, counsel for the respondent submitted that there is a trade mark use if the defendant applies the mark to packaging of goods "so as to refer to those goods". Counsel

for the appellant submitted that this was to put the matter too widely and was an illegitimate attempt to expand the exclusive rights given by the trade mark legislation to something akin to a literary copyright. I agree. A similar submission had been put to Hill J. and rejected (96 ALR at 306).

To adapt what was said in the Shell Case (and in this regard nothing decisive for this purpose turns upon the nature of the user there in question, a television advertisement), the true issue may be expressed as follows, as Kitto J. put it (supra at 425):

"With the aid of the definition of 'trade mark' in s. 6 of the Act, the adverbial expression (use as a trade mark) may be expanded so that the question becomes whether, in the setting in which the particular pictures referred to were presented, they would have appeared to the television viewer as possessing the character of devices, or brands, which the appellant was using or proposing to use in relation to petrol for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the petrol and the appellant. Did they appear to be thrown on to the screen as being marks for distinguishing Shell petrol from other petrol in the course of trade?"

Counsel for the respondent placed much reliance upon various passages in the English Court of Appeal judgments in *J.B. Stone and Co. Ltd v Steelace Manufacturing Co. Ltd* (1929) 46 RPC 406. But, as the treatment of that decision by Kitto J. indicates (supra at 426), it is quite consistent with the Australian authorities which, in any event, bind this Court.

Whatever may be the effect of the recent developments in the passing-off action, and the reach into this field of s. 52 of the *Trade Practices Act 1974*, it remains the case that the primary function of a trade mark registered in Part A or B of the Register is that of distinguishing the commercial origin of goods or services sold under the mark. The registered mark serves to indicate, if not the actual origin of the goods or services, nor their quality as such, the origin of that quality in a particular business, whether known or unknown by name.

In addition, a registered mark may serve secondary or derivative functions. But the fact that it does so does not detract from the importance of the mark's primary function. In his article "The Trademark Right: Consumer Protection or Monopoly?" (1982) 72 *Trademark Reporter* 233 at 240-241, Mr Shanahan deals as follows with these further functions of trade marks:

"One is the descriptive or indicating function. When a customer orders 7UP he does not expect to get sarsaparilla. He knows that he is going to get a particular sort of soft drink - so in that sense the mark has a kind of descriptive function. However, the mark is not simply a description. It indicates to all and sundry that the soda bearing the mark owes its formulation and quality to a particular organization. It is therefore a trademark.

Of course it is not every trademark that has this function. A house mark applied to a range of products will not function this way; but if a trademark is applied to only one product in the range, consumers will associate the trademark with that product.

The other secondary function is the so-called advertising or marketing function. Through advertising, through the allegiance of satisfied customers and, to some extent, through word of mouth, a business acquires a good will. It is the trademark that symbolizes that good will, and the trademark thus becomes, by association, a potent marketing tool.

Sometimes these secondary functions are abused, but generally they bring important benefits. The descriptive function provides both trader and consumer with a shorthand identification for the product. The marketing function assists the trader in developing and maintaining his market."

So it is, as counsel for the respondent urged upon us, that there may nonetheless be an infringement where the defendant appropriates the trade mark to serve these secondary functions, provided, one must add, there is use as a trade mark, that is to say, use to serve the primary function I have described.

Accordingly, there 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: *Caterpillar Loader Hire (Holdings) Pty Ltd v Caterpillar Tractor Co.* (1983) 77 FLR 139 at 141-142, per Franki J. 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; see *LSK Microwave Advance Technology Pty Limited v Rylead Pty Limited* (1989) ATPR 40-958 at 50,456, per Burchett J. 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. See also *Wrigley's (Australasia) Limited v Life Savers (Australasia) Limited* (1936) 37 SR (NSW) 9 at 16 per Nicholas J.

INFRINGEMENT

With these matters in mind, I turn to consider the issue of infringement as it arises on the appeal.

Attached to these reasons for judgment is a copy of the exterior packaging of the Johnson and Johnson Tylenol product in respect of which his Honour found there to have been an infringing use of the Trade Mark. The product came in a box and in two sizes, one containing 12 items and the other 24. The annexure shows a box which has been flattened out to show the front,

side and back panels together with the end tabs. The printed material appears against a white background, save for yellow strips on the front and side panels and end tabs. The word "Tylenol", as it appears on the front and side panels and end tabs, is printed in red and the name "Johnson and Johnson" is depicted in blue. The arrow on the front panel opposite the figures "24" appears in blue. So also does the word "CAPLETS"; the figure "24" (and on the other packet "12") appears in red. The function of the product is described by the words "for pain relief . . . without aspirin". The contents of the packet are contained in inner packaging on which "Tylenol" is prominently featured in blue, but "CAPLETS" does not appear. The phrase "capsule-shaped tablets" appears next to the description "PARACETAMOL 500 mg".

The packaging clearly indicates the origin of the goods as Johnson and Johnson, and the reader is told on the front panel that the packet contains a product which is "new from Johnson and Johnson". Next to this appears on the front panel in heavy red type "Tylenol", with an asterisk. If the reader is sufficiently interested, this will take his attention to the back panel where the asterisk appears next to the words "TRADE MARK". But the depiction of the word Tylenol is the striking feature of the packaging. On one of the end tabs "CAPLETS" appears in almost the same size print as "PARACETAMOL 500 mg", both being featured far less strikingly than "TYLENOL". On the front panel, it is said "Each caplet contains PARACETAMOL 500 mg". The phrase "24 CAPLETS" appears in the same form on the front and two side panels, save that on the front panel there is the addition of the arrow pointing at "24".

It also should be noted that the words "Easy to swallow" appear in the yellow strip on the front panel beside a drawing of two objects which, placed as they are under the phrase "12 CAPLETS", would readily be taken as identifying the form or method of dosage of the contents of the packet.

In the Statement of Claim, the complaint was of the use of "TYLENOL CAPLETS", but the two terms are not used as a composite. This is a case where the alleged use, at its highest, is of the Trade Mark per se; no question arises under s. 62 (1) of use of a mark which, whilst not identical to, is substantially identical with or deceptively similar to the registered mark.

His Honour's reasoning on this branch of the case appears in the following passage (96 ALR at 305-306):

"The words and figures '24 caplets' appearing on the front and side panels seem,

however, to me to . . . identify the word 'Caplets' with the product on the box and with the manufacturer, Johnson and Johnson. It is true that on the front cover for example, in small print appear the words 'each caplet contains paracetamol 500 mg'. This, as (the appellant) submitted, showed the word in the singular used as a noun and as descriptive of the dosage form. The same comments were made in respect of the material on the back of the packet.

I accept without question the (appellant's) submission that the whole of the packet must be examined, as all of it is relevant to (the appellant's) use and as showing the 'context' of that use. I have taken the whole packet into account. However, I am left with the clear view that the word 'caplets' or 'caplet' as used by (the appellant) does indicate a connection between the relevant goods, i.e. (the appellant's) tablet in the package and (the appellant) as the manufacturer of them and as named on the package.

Such use is use as a trade mark."

The word "CAPLETS" in the present context might reasonably draw to mind small capsules; that was his Honour's first reaction to it (96 ALR at 300). It might also suggest as his Honour also pointed out (96 ALR at 304) an amalgam of "capsule" and "tablets", thereby suggesting tablets shaped as capsules. The point is that, accepting for present purposes that the word "CAPLETS" had not at the relevant time passed into the English language as used in this country, nevertheless it might fairly readily be understood, in a context such as the present, as indicating or describing the form or method of dosage of the product to be found inside the packages in question. The packaging includes statements that each caplet contains paracetamol 500 mg and that the Johnson and Johnson "TYLENOL Paracetamol Caplets" are "easier to swallow than Tablets because they are specially shaped". The instructions as to dosage are given in terms of the number of caplets which are to be taken.

It is undoubtedly true, as counsel for the respondent urged upon us, that a term such as "caplets" might readily be susceptible of use on packaging in a trade mark sense so as to indicate a particular form or method of dosage emanating from Johnson and Johnson, whilst "Tylenol" was used concurrently and to indicate a different connection in the course of trade, namely the trade origin not of the dosage form but of the active ingredient, paracetamol 500 mg. That submission has greater force when one considers the case concerning non-use of the Trade Mark by the respondent, a subject to which I will return.

However, on the question of infringement, one asks whether, in the setting on the package on which "CAPLETS" is depicted, it appears to possess the character of a word which Johnson and Johnson is using in relation to its paracetamol product, for the purpose of indicating or so

as to indicate a connection in the course of trade between Johnson and Johnson and the contents of the package. Does CAPLETS appear as a mark for distinguishing a Johnson and Johnson product from other pain killing products, in the course of trade?

In my view, in the circumstances as I have attempted to describe them, the appellant has not used "CAPLETS" on its packaging so as to invite persons to purchase the product in the packaging which is to be distinguished from the products of other traders, partly because the term "CAPLETS" is used in relation to them: cf. The Tub Happy Case supra at 205.

It follows, in my view, that the appeal on the infringement issue should succeed. It therefore becomes unnecessary, for present purposes, to determine whether the appeal also should succeed on the availability of the defence of use of the Trade Mark in good faith by the appellant as a description of the character or quality of its goods.

On this part of the case, the relevant mind of the corporate appellant was treated as that of its managing director, Mr McNair. Counsel for the appellant strongly urged that even if, to dispose of the appeal, it was unnecessary to do so, nevertheless the Court should enter upon this part of the case so as to remove what was submitted to be an unwarranted slur upon the bona fides of the appellant. There is force in this submission.

Nevertheless, before reverting to this branch of the case, I should deal with the other principal point, that concerning non-use by the respondent of the Trade Mark.

NON-USE

Paragraph 23 (1) (b) of the Act provides:

"23(1) Subject to this section and to section 93, a prescribed court or the Registrar may, on application by a person aggrieved, order a trade mark to be removed from the Register in respect of any of the goods or services in respect of which it is registered, on the ground –

(a) . . .

or

(b) that up to 1 month before the date of the application, a continuous period of not less than three years had elapsed during which the trade mark was a registered trade mark and during which there was no use in good faith of the trade mark in relation to those goods or services by the registered proprietor or a registered user of the trade mark for the time being."

The litigation has been conducted on the footing that there is no dispute that if there has been use of the Trade Mark in the manner and within the period otherwise described in para. 23 (1) (b), the user has been in good faith. The issue is whether the use propounded by the respondent was use as a trade mark. The non-use application was instituted by Amended Cross-Claim dated 20 October 1989. The appellant therefore asserts a lack of trade mark user in a continuous period of not less than three years up to one month before that date. The respondent relies upon use of "CAPLETS" in relation to a Panadol Paracetamol product, the marketing of which commenced in July or August 1986. The main launching of this product was in January and February 1987 with a blister pack format in boxes of 24 and 48 tablets. The latter packages were for sale only in pharmacies. A Panadeine Paracetamol and Codeine Phosphate product was introduced to the market in January 1988 and the respondent relies also upon the use of "CAPLETS" on this packaging.

Annexed to these reasons for judgment are copies of the packages for the Panadol and Panadeine products, each containing 24 items in blister packs. The word "Panadol" appears on the front, back and side panels in red, and on the end tabs in white. The segment containing the words "24 CAPSULE-SHAPED TABLETS" is printed in white against a red background, as is the circle containing a depiction of two of those capsule-shaped tablets. The word "CAPLETS" and the words "BRAND OF PARACETAMOL" and the words "Each PANADOL TABLET contains PARACETAMOL 500 mg" are printed in black on the front panel. The margins of the packaging are in deep green and the centre panels printed against a lighter green background.

The packaging for the Panadeine product adopts a similar format, save that where the Panadol product is displayed with dark and light green segments, the Panadeine product uses a deep blue for the margins, and a buff colour for the central panels. Further, on the packaging of the Panadeine product, that word appears on the front, back and side panels in black type. On both products, the words on the front panel "FOR PAIN RELIEF" and "Winthrop" appear in white.

The blister packs prominently display the words "Panadol CAPLETS" and "Panadeine CAPLETS" with asterisks indicating that they are trade marks. The word "Winthrop" in the same device as it appears on the front also appears on the blister packs.

The central passage in his Honour's reasoning on this part of the case appears as follows (96 ALR at 304):

"The submission of the respondent that the word 'Caplets' is used 'as a descriptor' contains within it the hidden premise that a mark cannot be used as a trade mark if it is also used in a descriptive way. That premise is incorrect both as a matter of construction of the Act and as a matter of authority . . .

The word 'Caplets', like the word 'Vapo Rub' considered by the Privy Council in *De Cordova And Others v Vick Chemical Coy.* (1951) 68 RPC 103 at 107, clearly has a descriptive element. It is obviously an amalgam of two ordinary English words 'capsule' and 'tablet', and was no doubt chosen for the purpose of suggesting to the reader the characteristics of the tablets contained in the applicant's packaged products.

It is true that the word has a capacity to pass into the language as a generic word, but it has not so far done so. Indeed one might infer that both (the respondent) and (the appellant) placed drawings of a capsule-shaped tablet on their packaging so as to aid the understanding of the reader as to what was to be found in the packet. However, a person seeing (the respondent's) packet and the drawing upon it would, in my opinion, understand the word Caplets to refer to the capsule-shaped tablets in the box, that is to say the product manufactured by Winthrop Laboratories, a division of (the respondent): cf. *Westinghouse Electric Corporation v Thermopart Pty. Ltd* (1968) WAR 39 at 51.

Nor does it assist (the appellant) to refer to the word "Caplets" as indicating a particular dosage form of paracetamol. That is self evident but it does not prevent the applicant's (respondent's) use of a word being a trade mark use . . . (T)he word "Caplets" still signifies to the objective observer that there is a connection between the word "Caplets", the goods in the package and the trade origin of these goods (the respondent). It is, in my opinion, use of the word as a trade mark."

In the case of each of the respondent's products, the dosage is given in terms of "tablets" and immediately under the appearance in large print on the front of the packages of the words "Panadeine" or "Panadol" CAPLETS, the word "Tablet" is used in the description of the contents of the package. The explanation is given on the front panel that the contents are "24 CAPSULE-SHAPED TABLETS" and the depiction on the front panel of two of those tablets in a capsule shape, rather than a round shape, completes the explanation.

I agree with the learned primary Judge that on the packaging of these products "CAPLETS" is used to indicate a trade origin of the goods in question, namely the particular form or method of dosage in which Winthrop puts out the Panadeine or Panadol product. I agree with the observations of Hill J. in the passages I have earlier set out, and particularly with his Honour's conclusion that the use of "CAPLETS" as indicative of a particular form or method of dosage is not inconsistent with a primary function of a trade mark user in the sense necessary for s. 23. I do not repeat what is said earlier in these reasons as to the secondary functions which may be

served by trade mark user. It follows, in my opinion, that the appeal upon the issue of non-use fails.

DESCRIPTIVE USE IN GOOD FAITH

On the issue of whether the use by the respondent of "CAPLETS" was a use in good faith of a description of the character or quality of its goods, his Honour referred to various authorities, including the decision at first instance in the Barrier Cream Case supra at 543-544, in which McTiernan J. held that, on the facts, para. 64 (1) (b) of the Act had no application because as it appeared on the defendant's package the word Barrier was not used "purely for the purpose of description." (emphasis supplied). Hill J. also referred to (at 310) the discussion in *Angove's Pty Ltd v Johnson* (1982) 66 FLR 216 at 248 to the effect that use will be relevantly bona fide if ". . . made honestly and with no ulterior motive", whether there is an ulterior motive being something to be decided by the subject matter in any given context.

Paragraph 64 (1) (a) is concerned with use in good faith of the name of a person or the name of his place of business, or the name of any of his predecessors in business or the name of their places of business. Paragraph 64 (1) (b) is, as has been indicated, concerned with use of any bona fide description of the character or quality of the goods or services. With some verbal differences, in particular the use of "bona fide" rather than "in good faith", these provisions have their British counterpart in paras. (a) and (b) of s. 8 of the 1938 statute.

(The Federal Trademark Act of 1946 (The Lanham Act) provides (sec. 33 (b)) for a defence to infringement where the allegedly infringing use is a use ". . . of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of (the alleged infringer)". The authorities construing that provision do not appear to throw a great deal of light upon the issue that arises in the present case; see McCarthy, "Trademarks and Unfair Competition", 2nd Ed., 11.17, Fletcher and Kera, "The Forty-Third Year of the Administration of the Lanham Trademark Act of 1946" (1990) 80 Trademark Reporter 591 at 731-732.)

Paragraph 23 (1) (b) of the Act also uses the expression "use in good faith" as a criterion for expungement for non-use. There is, in relation to the comparable provisions in the British Act of 1938, authority to the effect that in order to qualify as such use there must be a real or

genuine use in a commercial sense, rather than colourable activity and "token" use designed to lead trade rivals to think that the registered proprietor was using its mark in a way which gave it the protection of the legislation: *Imperial Group Ltd v Philip Morris and Co. Ltd* (1982) FSR 72; *KODIAK Trade Mark* (1990) FSR 49; Shanahan, "Australian Law of Trade Marks and Passing Off", 2nd ed., pp 272-274.

It was submitted for the appellant that the concept of use in good faith in sub-s. 64 (1) had a meaning which did not differ from that given it in s. 23. However, whilst s. 23 is concerned with the question of whether what has been done suffices to keep alive the registration, sub-s. 64 (1) postulates an immediate conflict between the registered proprietor and an infringer, the question being whether what otherwise would be an infringement is to be excused by reason of circumstances requiring the existence of good faith on the part of the infringer. Further, there are authorities (to some of which I shall come) which hold that what undoubtedly is a genuine and substantial commercial use may nevertheless fail to qualify as a use in good faith. Hence, Mr Shanahan's comment, *supra* at 347:

"Whereas under s. 64 the essential concern is that the use be honest, the words 'in good faith' have a different meaning in s. 23 of the Act, where they require that the use be for a genuine commercial purpose."

In *Baume and Coy., Ltd. v Moore (A.H.) Ltd.* (1958) RPC 226 at 235, Romer L.J. approved what had been said at first instance by Danckwerts J. to the effect that what was referred to in para. 8 (a) of the 1938 Act was "the honest use by the person of his own name without any intention to deceive anybody and without any intention to make use of the goodwill which has been acquired by another trader". Romer L.J. went on to say, in a passage extracted in Kerly's "The Law of Trade Marks and Trade Names", 12th ed., para. 15-33:

"The mere fact in itself that a trader is using his own name which too closely resembles a registered trade name of which he is aware does not prevent the use being 'bona fide', provided that the trader honestly thought no confusion would arise and if he had no intention of wrongfully diverting business to himself by using that name. The truth is that a man is either honest or dishonest in his motives; there is no such thing, so far as we are aware, as constructive dishonesty."

After citing this passage, Danckwerts J. said that it appeared from it that something less than fraudulent intention will suffice to prevent an infringing user being bona fide: *Adrema Ltd. v Adrema-Werke GmbH., and Ors* (1958) RPC 323 at 334.

This reasoning is reflected in the application of para. 64 (1) (b) of the Australian Act by Hope J. in *James Watt Constructions Pty Ltd v Circle-E Pty Ltd* (1970) 3 NSW 481 at 493. The question was whether the defendant had used the Part B mark "Barrier Beam" in good faith as a description of the character or quality of its electronic machine guards. His Honour said (at 493):

"In addition, I am not satisfied that the defendant used the words in good faith. It may well be that the defendant believed that it was entitled to use the words as a trade name or mark, but I have little doubt that the occasion for this use was only the prior use of it by the plaintiff and its parent company and that the defendant was well aware that the words had come to have a secondary signification as denoting the plaintiff's goods."

Consistently with this approach, the respondent submitted that a use by an infringer so as to impair the reputation which the registered proprietor was seeking to obtain under its registered mark, by rendering generic the word comprised in the mark, would not be use in good faith; cf. *James Minifie and Company v Edwin Davey and Sons* (1933) 49 CLR 349 at 361. If such a use were to be protected under para. 64 (1) (b), then despite the efforts of the registered proprietor to protect the mark, the substance of the registration would be undermined by what Windeyer J. described as "the assiduous efforts of an infringer"; *Re Bali Brassiere Co. Inc.'s Registered Trade Mark and Berlei Ltd's Application* (1968) 118 CLR 128 at 133. It was submitted, and I accept, that the Court should be slow to put upon para. 64 (1) (b) an interpretation which could put a premium upon such conduct; cf. *Riv-Oland Marble Co. (Vic.) Pty Ltd v Settef Sp A* (1988) 19 FCR 569 at 573, per Bowen C.J.

In his cross-examination, Mr McNair agreed that the advice he had been receiving in Australia was that "CAPLETS" was not generic, and that if his company went ahead with its proposed use of "CAPLETS", it would infringe. However, he also agreed that he decided to follow the policy of the Johnson and Johnson Group world wide, and to ignore any differences in local conditions that there might be in Australia. The result was that the packaging designed for the proposed new product which had used the words "Capsule-Shaped Tablets" was amended, so that the word "CAPLETS" was used instead.

Mr McNair agreed that his intention was to go ahead and take whatever consequences might arise, and that in so doing one thing he hoped that might be achieved was that even if "CAPLETS" was not at that stage generic in Australia, it would become so if used by Johnson and Johnson generically. He said that "on balance" he accepted that the view coming from the

United States parent company should prevail, and the initiative would be left to Sterling to challenge Johnson and Johnson's position.

Mr McNair also agreed that whilst he thought that the course proposed in Australia would involve infringement, he thought that in any subsequent dispute it would be possible for the United States parent companies to reach a commercial settlement.

His Honour held that, while Mr McNair believed or certainly hoped that a commercial settlement would follow the use of the mark by the appellant, that belief or hope was not, of itself, evidence in support of the allegation of bad faith. However, his Honour also found (96 ALR at 311):

"In the present case the decision by the (the appellant) to use the word 'Caplets' in connection with its paracetamol product was made not only with full knowledge of (the respondent's) registration of the mark but also with advice from reputable patent attorneys in Australia that to use the mark as intended would be an infringement of (the respondent's) mark. I accept, however, that there was room for another view (that held in the United States) that (the appellant's) use would not be an infringing use. Mere use of a mark as a 'descriptor' would not be a use in bad faith if all that was shown was that there was doubt about whether such use would be an infringing use. However, it seems to me that the present case goes beyond that.

The evidence establishes, in my opinion, that Mr McNair's decision to use the word 'Caplets' on the Tylenol product was prompted by an international strategy to make the word into a generic word to the detriment of the applicant (respondent), if it turned out to be the case that otherwise there would be an infringing use. In my opinion, that is a use of the mark for an ulterior purpose, that is to say a purpose beyond the mere use of the word as describing the character or quality of the goods. Such a use is not a purely descriptive use, to paraphrase McTiernan J. in the 'Barrier Cream' case or to put it another way, is not a use in good faith."

The reference in this passage to the phrase "an ulterior purpose" is to be understood in the light of the preceding reference by his Honour to the phrase "honestly and with no ulterior motive" in *Angove's Pty Ltd v Johnson* (supra).

Upon the appeal, counsel for the appellant criticised the first sentence in the second paragraph of the passage I have set out above, inter alia, on the ground of lack of clarity of meaning. However, what is there said is clear enough in meaning when read with the evidence of Mr McNair and, in my view, his Honour's conclusion is supported by the evidence. Further, in the light of the authorities I have mentioned, the finding of ulterior motive was sufficient to support a finding of absence of good faith. As is pointed out in *Kerly* (supra para. 15-33), with reference to *Adrema Ld. v Adrema-Werke GmbH.*, supra, something less than fraudulent intention in the

common law sense will suffice to prevent a use being in good faith for a provision such as para. 64 (1) (b).

There remains but one further point. Somewhat by way of an addendum to his conclusions as to absence of good faith, Hill J. dealt (96 ALR at 311) with a submission that Mr McNair had always understood that the term "CAPLETS" was descriptive, and by inference that he did not believe that the use by his company of the word would involve infringement. His Honour referred to the evidence, some of which I have detailed earlier in these reasons. In particular, the following passage occurs in Mr McNair's cross-examination:

"DR EMMERSON: You understand now I am going to put to you a series of questions but give you a chance to answer the component parts. Was it then your position that you thought that the course proposed would involve infringement? I pause there and let you answer that part of the question? - Yes.

DR EMMERSON: Continuing - but that you thought that in (a) subsequent dispute it would be possible to reach a commercial settlement with Sterling as distinct from the present dispute in which we find ourselves engaged? - Yes."

Earlier in his evidence, Mr McNair had said that he had not necessarily come to any conclusion as to whether the Australian advice his company had received was "totally right or totally wrong".

His Honour accepted that the word "infringement" may ultimately be a legal term not used with precision by a lay witness. However, he continued:

"I am of the view, having observed Mr McNair in the witness box, that he was perfectly aware that the word 'Caplets' was not used descriptively in Australia with the consequence that there was a very real probability that the use of the word would infringe the applicant's registered trade mark."

In my view, that was a conclusion which on the evidence was plainly open to his Honour, and certainly not one that should be disturbed on appeal.

It follows that had it been necessary to do so, that is, had the finding of infringement been upheld on the appeal, I would not have disturbed his Honour's conclusion that the defence under para. 64 (1) (b) of the Act was not made out.

CONCLUSION

The appeal succeeds, but only insofar as concerns the finding of infringement and the consequential orders for injunctive relief and nominal damages of \$100. The cross-claim attacking validity of the Trade Mark was correctly dismissed. The appellant should have one half of its costs below and of the appeal.