

Pioneer Kabushiki Kaisha v Registrar of Trade Marks [1977] HCA 56

HIGH COURT OF AUSTRALIA

AICKIN J

AICKIN J:

This matter comes before the Court under Pt IX of the *Trade Marks Act 1955-1973 Cth* ("the Act") being an "appeal" from a refusal by the Registrar of Trade Marks to register a registered user under s. 74. Section 81 provides that "An appeal lies to the Appeal Tribunal from a decision of the Registrar under this Part" and by s. 111 the High Court is the Appeal Tribunal and is given jurisdiction to hear and determine appeals which lie to the Appeal Tribunal under the Act. Such jurisdiction is to be exercised by a single Justice. The proceedings are an "appeal" in name only. They are part of the original jurisdiction of the Court conferred upon it under s. 71 of the *Constitution*. The proceedings are a hearing de novo on material properly placed before the Court. It is however desirable to refer to and consider the reasons of the Registrar and this I do later in these reasons for judgment. From the Registrar's reasons there does not appear to be any significant difference between the material before him and that placed before the Court.

Pioneer Electronic Corporation (Pioneer Kabushiki Kaisha) ("Pioneer Japan") is the registered proprietor of trade marks A190971 and A190972 in Class 9 and has been so registered since 27th October 1964, such registrations having been renewed on 22nd July 1971. One is a device mark and the other a word mark—"Pioneer". The nature of the goods the subject of the said trade marks is as follows:

Radio and television receiving sets, amplifiers, sound recording and reproducing apparatus (including electric phonographs, record players, high-fidelity stereo sound reproducing apparatuses, magnetic tape recorders and reproducing apparatus thereof), telephone answering and message recording devices, speakers, multiple speaker systems (units), microphones, pick-ups, phonomotors, and parts and accessories for these goods,.

Pioneer Electronics Australia Pty. Ltd. ("Pioneer Australia"), a company incorporated under the *Companies Act 1961 Vict.*, is a wholly owned subsidiary of Pioneer Japan, having been incorporated on 13th September 1973.

On 4th October 1974 Pioneer Japan and Pioneer Australia applied to the Registrar of Trade Marks for the registration of Pioneer Australia as a registered user of trade marks number A190971 and A190972 for the goods in respect of which the said trade marks had been registered. The application claimed that Pioneer Australia was entitled to be so registered by virtue of an agreement dated 19th July 1974 between Pioneer Japan and Pioneer Australia by which the former appointed the latter as the exclusive licensee of the said trade marks in Australia. The agreement was expressed to continue until 18th July 1976 and thereafter from year to year unless determined in the manner provided. The agreement recited the registration of the marks in respect of the goods referred to ("the products") and further recited that Pioneer Australia desired to obtain from Pioneer Japan an exclusive right to use the trade marks in connexion with manufacture, distribution and sale of the products in Australia. The agreement contained a number of clauses which may conveniently be summarized as follows:

Clause 1 provided that Pioneer Japan appointed Pioneer Australia as "the exclusive licensee" and granted to it "the right to use" the trade marks with respect to the products and Pioneer Australia agreed that it would use the trade marks only in connexion with the business of Pioneer Australia in distributing and selling Pioneer Japan's products and in manufacturing and/or selling products which would be manufactured by Pioneer Australia.

By cl. 2 Pioneer Japan represented that the marks were valid in Australia and owned by Pioneer Japan and Pioneer Australia acknowledged that the right granted should not in any way affect the exclusive proprietorship of Pioneer Japan.

Clause 3 dealt with "affixation and quality control". It provided that all products and their packages, cartons and containers should bear such trade marks as should be requested by Pioneer Japan and that Pioneer Australia should have the right to apply and affix trade marks to all products manufactured by Pioneer Australia, the quality of which was approved by Pioneer Japan. Pioneer Australia was not to use other marks without Pioneer Japan's consent.

Clause 4 provided that products manufactured by Pioneer Australia might be inspected by Pioneer Japan in the process of manufacture or of being offered for sale with respect to workmanship, materials, finish and performance and Pioneer Australia was to make available records as necessary to determine compliance with quality control standards of Pioneer Japan.

Clause 5 prohibited sub-licensing by Pioneer Australia, save with the consent of Pioneer Japan.

Clause 6 provided that if Pioneer Australia were sued by reason of the use of any of the trade marks by Pioneer Australia it should take steps to defend the same and should promptly notify Pioneer Japan. Pioneer Australia agreed to take all necessary steps to protect the trade marks. Pioneer Australia was given the right to commence proceedings and Pioneer Japan was obliged to co-operate with and support Pioneer Australia.

The facts concerning the relationship between the two companies and their trading activities were placed before the Court in an affidavit of Mr. Fraser, the secretary of Pioneer Australia, upon which he was not cross-examined.

For many years Pioneer Japan has carried on in Japan and elsewhere a large business in the manufacture and sale of radio recording and sound equipment and in particular high-fidelity audio equipment. Pioneer Japan has made and continues to make and sell all the goods in respect of which each of the two marks are registered. Since about 1963 goods manufactured by Pioneer Japan have been imported into Australia and there sold by companies which purchased the goods from Pioneer Japan. In 1973 Pioneer Japan decided to set up Pioneer Australia as a wholly owned subsidiary to be the sole and exclusive licensee in Australia of the trade marks and the exclusive importer/distributor and wholesale marketer of goods manufactured by Pioneer Japan, and also to service such goods.

Pioneer Australia has carried out the function of importing goods into Australia, and advertising, promoting and offering them for sale, packaging them and distributing and selling them by wholesale to retailers and dealers. From October 1973 onwards to the date of the swearing of the affidavit Pioneer Australia has so dealt with all the goods in respect of which each of the said trade marks is registered except television equipment.

In some cases the goods have been imported fully assembled and in other cases the parts, units or components have been imported and fitted by Pioneer Australia. The goods imported have included many accessories and spare parts for servicing and repair of the goods. The goods are said to be high quality and complex electronic goods which are sold with service warranties and require expert and trained staff for servicing. Pioneer Australia has since October 1973 carried out the servicing and repair of the relevant goods in Australia with trained staff, in the

training of whom Pioneer Japan assisted. Pioneer Australia advertises and promotes the sale of and distributes and sells the goods in all States of Australia. The affidavit states that "Pioneer Australia has not, as yet, assembled or manufactured any of the goods in Australia". The difference between "assembly" in that sense and the "fitting" of parts, units or components was not explained in the affidavit, but presumably there is some difference between the two activities.

The affidavit goes on to say that from October 1973 it had been and still was the intention of both applicants that Pioneer Australia would under licence assemble and manufacture some of the goods or some of the components thereof when such manufacture became economically viable, having regard to the size of the Australian market and local economic conditions. It was said that it was not at present economically viable to do so, compared with the large scale manufacture by Pioneer Japan. Between October 1973 and early 1974 the licensing agreement between Pioneer Japan and Pioneer Australia was in substance the same as that embodied in the document of July 1974 but had not until then been reduced to a formal written document.

The affidavit further states that the written agreement correctly and accurately embodies the licence agreement and that there were no other agreements between the parties relating to the trade marks or the goods, and that it correctly shows the degree of control which Pioneer Japan exercises.

Mr. Fraser further deposed that Pioneer Australia had continually since October 1973 extensively used each of the marks on all the goods in respect of which they are registered (save television equipment) and that such use was still continuing. He gave details of the use that had been made of the marks as follows—Pioneer Australia had extensively advertised and promoted the sale of the goods under and by reference to and by the use of visual representations of both the marks and had sold the goods bearing those marks and had packaged them in packages bearing the marks and had also attached to them labels or "swing tickets" bearing the marks. Its order forms, contract notes, invoices, delivery dockets, manifests, and bills and accounts bore printed representations of both marks. All the stationery used by Pioneer Australia in carrying on its business in the promotion and sale of the goods bore printed visual representations of both trade marks. Pioneer Australia had also published and distributed substantial numbers of catalogues, price lists, sales and advertising brochures, display stands, placards, posters, advertising transfers, instruction manuals and booklets and other forms of

literature, all of which bore visual representations of both marks. In addition warranty cards, warranty instructions, service order forms, service invoices and accounts, spare parts dockets, invoices and accounts and the packaging of spare parts had all been marked with each of the marks. It was said that there were approximately 77 classes of documents and articles used by Pioneer Australia in advertising and promoting the goods and in effecting their sale, distribution and servicing and that all of those bore printed visual representations of both marks. It was said that some of this material was printed in Japan and supplied by Pioneer Japan but most of it, including all stationery and forms, sales orders, contract notes, invoices, delivery documents and accounts were caused to be printed in Australia by and for Pioneer Australia. The trade marks were affixed at various prominent places in the premises where the goods were displayed. A number of these documents, labels and publications were exhibited to the affidavit. It was also sworn that Pioneer Australia had caused substantial advertising to be made in respect of the goods by way of television, radio, newspapers, trade journals, displays, brochures and catalogues. In all of this (save radio only) printed or visual representations of both marks were used. The extent of the advertising was illustrated by a statement that in the twelve months to September 1975 \$439,000 was spent on advertising in that way and that in the following ten months to July 1976 some \$665,000 was so spent.

The letter of 4th October 1974 from the solicitors for the parties making application for registration of the permitted user contained a statement that Pioneer Australia desired to serve notice under s. 103 of the Act on the Comptroller-General of Customs objecting to the importation of goods manufactured outside Australia, such goods having a trade mark identical or substantially identical with the trade marks or either of them. On 15th October 1974 the Registrar replied to that letter drawing attention to s. 74 (2) of the Act and to reg. 26 of the Trade Marks Regulations and said:

The following endorsement on the Register is currently being required as a condition of registration in respect of all applications under s. 74 (2) of the *Trade Marks Act 1955-1973*. "It is a condition of this registered user registration that the provisions of s. 103 of the Act will not be invoked against goods properly marked by the registered proprietor, or under the authority of the registered proprietor, unless the registered proprietor or registered user makes and marks such goods in Australia and does not import goods bearing the mark into Australia".

The solicitors for the applicants replied stating that:

Pioneer Electronics Australia Pty. Ltd., is in the process of establishing a factory in Melbourne, where it is intended to assemble components into the various goods, the subject of the trade marks. Ultimately it is proposed that some of those components

will be made in Australia although at this stage (initially) those components will be imported into Australia for assembly. Of course, there will be some wholly assembled units imported at this stage as well.

The letter asked for waiver of the indorsement sought by the Registrar.

On 4th March 1975 the Assistant Registrar replied to the letter of 18th December 1974 and said:

The Attorney will no doubt appreciate that it is not possible to fully assess the registrability of a proposed Registered User arrangement until all the facts and circumstances of the arrangement are before this Office in the form of an application for registration. The official letter of 15th October 1974 indicated the likelihood that any such application would only be registered subject to the condition set out in that letter.

However it should be understood that the endorsement referred to in the official letter of 15th October 1974 is not an absolute requirement, but is one which an Applicant may avail himself of in circumstances where a particular Registered User arrangement is open to objection on the ground that the utilisation of Section 103 in order to prevent the importation of properly marked goods by other persons would be contrary to public interest. However if the position is adequately covered by the terms of the Registered User arrangement the question of an endorsement in the terms set out in the letter of 15th October 1974 does not arise. Therefore it is suggested that the Applicant should lodge an application to register the User together with the information and other material required by s. 74 (2) of the Act in order that a proper assessment of its registrability may be made and fully reported on.

On 12th May the appropriate application form and statutory declarations were lodged. By letter dated 6th June 1975 the Assistant Registrar pointed out certain formal defects in the application and proceeded as follows:

Having regard to the material furnished, it is not clear that in all the circumstances the proposed use of the trade mark by the proposed registered user would not be contrary to the public interest especially in relation to matters arising under s. 103 of the *Trade Marks Act*. It is not sufficiently evident from the material lodged for example, that the registration could not be utilised for the purpose of preventing the importation of properly marked goods by other parties in circumstances where it would be inconsistent with the public interest to prevent their importation. Therefore, the applicant should furnish further material in accordance with the requirements of s. 74 (2) of the Act to satisfy the Registrar that the proposed use would not be contrary to public interest.

Alternatively if the applicant does not propose to lodge further material consent to an endorsement of the Register in the following terms would suffice.

There was then set out the condition quoted above.

On 25th July 1975 the solicitors for the applicants lodged corrected forms with appropriate fees and dealt with other formal requirements raised by the Assistant Registrar. They then replied to the observations concerning s. 103 as follows:

With reference to your comments regarding s. 103 and s. 74 (2), we advise as follows: The whole purpose of Pioneer Australia applying for registration as User of the abovementioned trade marks is to avoid the very circumstances arising which your clause relating to s. 103 allows. Under the circumstances that your endorsement relating to s. 103 would allow, Pioneer goods would continue to enter this country without the knowledge or consent both of Pioneer Japan and Pioneer Australia and would be retailed at outlets, which are not authorized dealers for either Pioneer Japan or Pioneer Australia.

As the class of goods which Pioneer deal in are highly sophisticated electronic devices, the whole purpose of Pioneer Australia is to provide adequate and competent after sales service as well as retail sales of their goods. Situations have now arisen where the non-authorized goods are being presented to Pioneer Australia for repair without warranty, this is so because all the sets that are entering the country through avenue other than Pioneer Australia, are sold without warranty or provision for after sale service.

Accordingly, our client considers that this is most contrary to the public interest to have unauthorized persons retailing such highly sophisticated goods without adequate provision for the general public to be in a position to obtain specialised after sales service on their units.

On 4th August 1975 the Assistant Registrar replied that consent to the proposed indorsement in relation to s. 103 was still required and said that, if the applicants were not prepared to give their consent, they should make the matter the subject of a hearing. On 22nd August 1975 the solicitors wrote stating that their clients were not prepared to consent to the indorsement and asked for a hearing under the Act. That hearing took place before the Assistant Registrar on 17th September 1975. On 24th March 1976 the Registrar gave a lengthy "interim decision". He concluded by saying that on the material before him he was not prepared to register Pioneer Australia as a registered user unless the parties agreed to the indorsement on the Register as set out above.

The applicants did not submit any further material and were not prepared to accept the required indorsement on the Register. Accordingly the Assistant Registrar issued his final decision on 8th June 1976, which had attached to it as part thereof the reasons contained in the interim decision. The final reasons may be summarized as follows:

- (1) The Assistant Registrar was not satisfied that the proposed permitted user was empowered to make or mark or cause all of the goods covered by the registered marks to be made and marked at its instance.

- (2) The Assistant Registrar said that it was clear to him that the proposed permitted user considered that it was entitled to be registered as a permitted user to enable it to invoke the provisions of s. 103 of the Act "even when the permitted user did not make and mark nor cause goods covered by the registered marks to be made and marked at its instance".
- (3) The Assistant Registrar was not satisfied that there was sufficient material before him to decide whether registration would be contrary to the public interest within the meaning of s. 74 (3) and "I am not prepared to take the responsibility of making any assumption in the parties' favour, when it seems to me that the registration of Pioneer Electronics Australia Pty. Ltd. could result in an unwarranted restraint on trade".

It is necessary to note the reasons appearing in the interim decision which are incorporated in the final reasons. They may be summarized as follows:

- (1) The Assistant Registrar said that after the registered user provisions were enacted in 1948, it "became evident that requests to register permitted user arrangements were not always for the purpose of ensuring that a registered trade mark would not become invalid through use by a person or concern other than the registered proprietor. In some instances it was apparent that the provisions relating to registered permitted user, were invoked to gain fiscal advantages in respect of taxation, customs duty, price maintenance, or even for the purposes of international currency exchange exploitation, which otherwise might not have been available when the goods were marked by the registered proprietor, when in fact the arrangements could not be regarded as permitted user arrangements at all".
- (2) He said that "s. 103 of the Act could be interpreted in such a way that the proprietor of a registered trade mark could prevent goods which he had marked, or which had been marked under his auspices, from crossing the Customs threshold, unless those goods came into Australia in circumstances acceptable to the registered proprietor of the mark in Australia". On that basis, however, he would not concede that the registered proprietor could act in that manner unless he did so in circumstances acceptable to the Registrar of Trade Marks.
- (3) An applicant must disclose to the Registrar all relevant details of "their so-called licensing arrangements" so that the Registrar could properly consider whether the mark

was to be used so as to facilitate trafficking in the mark or in a manner contrary to the public interest.

- (4) It would be difficult to ascertain whether the arrangement involved registered permitted use at all, or was merely one devised to allow anyone who had contrived to be registered as a permitted user to invoke the provisions of s. 103 of the Act.
- (5) "The Trade Marks Office is not informed whether in fact the proposed registered permitted user actually makes or marks the goods subjected to his s. 103 notice, but merely desires to restrain the handling of the goods upon which he has not himself marked, in a manner which might give him an exclusive franchise and exclusively to control the manner in which the goods are handled in Australia, to ensure that goods so restrictively controlled will be sold only at a maintained price, because no other traders could get similar goods at a cheaper price across the customs threshold, without the sanction of the registered permitted user or the registered proprietor."

In the course of argument counsel for the Registrar conceded (in my opinion rightly) that there was nothing in the Act which authorized the Registrar to insist upon acceptance of an indorsement on the register to the effect set out above. This makes it unnecessary to give further consideration to refusal to consent to such an indorsement as a basis for refusing registration or to the effect (if any) of such an indorsement if placed upon the register.

It was argued for Pioneer Japan and Pioneer Australia that the Registrar's decisions, both interim and final, involved a number of fundamental misconceptions and that this had led him into error in his ultimate decision. The first of these points was that the Registrar was wrong in supposing that, until the introduction of the registered user provisions in 1948, the licensing of some other person to use a trade mark was fatal to its validity and that the purpose of the registered user provisions was to authorize such licensing without jeopardizing the mark. This argument thus criticizes the underlying conception involved in the first reason forming part of the interim reasons and in my opinion this criticism is well founded. It is no doubt true that at one time, and in particular after the decision of the House of Lords in *Bowden Wire Ltd. v.*

Bowden Brake Co. Ltd.,¹ it was thought that any licensing of a mark placed its validity in jeopardy or indeed automatically made it incapable of remaining validly on the register. Subsequent cases however have demonstrated that all that that case decided was that if a registered trade mark is licensed it may become invalid if it ceases to show a connexion in the course of trade with the registered proprietor or otherwise becomes deceptive. In the United Kingdom the *Trade Marks Act, 1938* introduced for the first time provisions enabling the assignment of trade marks without the goodwill of the business with which the mark was associated, and provisions for registered user agreements. These provisions did not change the law with respect to licensing in so far as it affected the validity of registration of the mark. It is not necessary for present purposes to trace the series of cases which have in substance shown that the decision in the Bowden Wire Case was based upon the fact that the marks had ceased to have any connexion in the course of trade with the registered proprietor and had become deceptive. The present position was stated in "Bostitch" Trade Mark,² a decision of Lloyd-Jacob J. In that case the registered proprietor of the mark was a United States company which during and after the war had allowed its British distributor to manufacture to its designs and to apply its registered mark "Bostitch" to the British made goods. There had been no registration of the British company as a registered user under the Act. On an application by the British company to have the mark expunged from the register, it was held that the reputation in the mark had remained with the United States company and that there was, by reason of the use of the registered proprietor's designs and know-how, a sufficient connexion in the course of trade between the British company's goods and the proprietor of the mark, so that the use was not deceptive. Lloyd-Jacob J., speaking of the registered user section in the *Trade Marks Act, 1938* said:³ "There is nothing anywhere in this section to justify the view that an arrangement between a registered proprietor of a trade mark and a party concerned to use such mark requires to be registered, still less that in the absence of registration, its effect upon the validity of the mark, if called in question, will be in any way different." He further pointed out that the existence of a registered user agreement would not nullify whatever effect actual user by a licensee would have had if the validity of the mark were challenged. The question would always be whether a connexion in the course of trade with the registered proprietor had been

¹ (1914) 31 R.P.C. 385.

² [1963] R.P.C. 183.

³ [1963] R.P.C., at p. 195.

maintained and whether the mark had become deceptive. This view was followed by Cross J. in *British Petroleum Co. Ltd. v. European Petroleum Distributors Ltd.*⁴

In *G. E. Trade Mark*⁵ Graham J. reviewed the authorities from the *Bowden Wire Case*⁶ to the *Bostitch Case*⁷ and regarded the latter decision as establishing "that the registered user provisions are permissive only and not a compulsory prerequisite for retention of validity of the mark and that, provided the conditions of control are adequate, there is no reason for holding that by using the mark without a registered user the parties have destroyed the mark". That decision was upheld in the Court of Appeal⁸ and the *Bostitch Case* expressly approved—see per Salmon L.J.⁹ and per Cross L.J.¹⁰ Cross L.J., after examining the cases concluded that the authority given by the United States parent company in respect of the G.E. trade mark to its United Kingdom subsidiary to use the registered mark was open to no objection because the use by the subsidiary might fairly be considered as user by the parent itself and because the licensing of the mark, whether registered or not, did not deprive it of the character of a trade mark provided that the owner of the mark retained a sufficient connexion in the course of trade with the mark and the goods bearing it.

The decision of the Court of Appeal was reversed by the House of Lords¹¹ but not on the licensing point. Their Lordships referred to the decision of the Court of Appeal and Graham J. on this point but without adding additional reasons and without express reference to the *Bostitch Case*—see per Lord Diplock.¹²

There has been no occasion until the present case for this Court to consider the *Bostitch Case*¹³ and the cases which subsequently followed and approved it. The present case does not depend directly upon the application of those cases, but the views there expressed as to the nature and

⁴ [1968] R.P.C. 54, at p. 62.

⁵ [1969] R.P.C. 418, at pp. 455-459.

⁶ (1914) 31 R.P.C. 385.

⁷ [1963] R.P.C. 183.

⁸ [1970] R.P.C. 339.

⁹ [1970] R.P.C., at p. 372.

¹⁰ [1970] R.P.C., at pp. 391-396.

¹¹ [1973] R.P.C. 297.

¹² [1973] R.P.C., at p. 335.

¹³ [1963] R.P.C. 183.

effect of licensing the use of trade marks are fundamental in determining the proper approach to the questions here raised. The history and development of trade mark legislation in Australia has in most respects followed that in the United Kingdom and cases decided on the *English Act* have been widely used and treated as authority where there is no material difference in the provisions. There appears to me to be every reason to accept the *Bostitch* line of cases as equally applicable in Australia. I respectfully agree with the reasoning in those cases and will proceed on that basis. These cases were relied on by counsel for the appellant and counsel for the Registrar did not contend that the *Bostitch* Case was wrong or should not be followed.

*Heublein Inc. v. Continental Liqueurs Pty. Ltd.*¹⁴ is the only case in which this Court has dealt with registered user agreements. There the application to register the agreement failed. It was held by Kitto J. that the application could only be granted in respect of a trade mark as registered and that the mark in question was incapable of being used by anyone other than the registered proprietor without the likelihood of deception because it incorporated in the mark the words "Prepared and bottled by Ste. Pierre Smirnoff Fls. Inc. Hartford. Conn. U.S.A.". He said:¹⁵ "That being so, to authorize the "permitted use" which is applied for would necessarily be to authorize Gilbeys Ltd. to use the mark on their vodka and by so doing to make it an instrument of deception of the public, whether that be the intention or not." That decision was upheld in the Full Court¹⁶ on the ground that the proposed use would involve a material deception as to the real connexion between the proposed registered user and the registered proprietor of the mark—see per Fullagar and Taylor JJ.¹⁷

These cases demonstrate that the essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connexion in the course of trade with the registered proprietor, even though the connexion may be slight, such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary. Use by either the registered proprietor or a licensee (whether registered or otherwise) will protect the mark from attack on the ground of non-user, but it is essential both that the user maintains the

¹⁴ (1960) 103 C.L.R. 435.

¹⁵ (1960) 103 C.L.R., at p. 441.

¹⁶ (1960) 103 C.L.R. 447.

¹⁷ (1960) 103 C.L.R., at pp. 450-451.

connexion of the registered proprietor with the goods and that the use of the mark does not become otherwise deceptive. Conversely registration of a registered user will not save the mark if there ceases to be the relevant connexion in the course of trade with the proprietor or the mark otherwise becomes deceptive.

Registration of a user under s. 74 of the Act does however confer certain advantages on both the registered proprietor and the registered user. These include the benefit of s. 77 in respect of removal from the register because of non-user, and the benefit of s. 78 which enables the registered user to sue for infringement. In addition it gives the benefit of s. 103 to a registered user as well as the registered proprietor.

The Act itself provides for these advantages and there can be no subversion of the purposes of the Act by reason only that registered proprietors and registered users wish to register agreements in order to obtain those advantages and to make use of all or some of them.

The next point for consideration is the view expressed by the Registrar and argued by his counsel that a permitted user under the Act can exist only when the "licensee of the trade mark" applies the mark to his own goods, not being the goods of the registered proprietor of the mark to which it has already applied the mark. That submission involved two associated propositions, first that to be entitled to registration the user must use or intend to use the mark as his own trade mark, and second that use of the mark requires the physical marking of the goods, and indeed it was further said by the Registrar that it required manufacture of the goods in Australia. For example, it was said in relation to the radio equipment involved in this case that the mark would have to be placed on some essential part of the goods, e.g. to the circuitry, apparently as distinguished from the case or outer covering. There is in my opinion no authority for such a view and indeed it is contrary to the Act. A mark may be used in relation to goods where there is simply a label tied on to them or attached to the outside of the goods. Indeed to place a word or device mark on some small part of an elaborate piece of equipment where it would not be seen in the course of ordinary use may well not amount to a use of the mark at all, as in the case of a mark too small to be seen. This argument overlooks the provision of s. 6 (2) (b) of the Act which provides that "references to the use of a mark in relation to goods shall be construed as references to the use of the mark upon, or in physical or other relation to, goods". Common sense alone would require the same conclusion for there are many types of goods which cannot be physically marked.

There is no foundation for the proposition that a registered user must manufacture the goods, any more than there is in the case of a registered proprietor, and it is plainly contrary to the authorities dealing with the nature of the required connexion in the course of trade. In the end counsel for the Registrar conceded that there were modes of using a mark other than physically marking the goods themselves, and kinds of connexions with the goods other than manufacture, a concession very properly made.

Counsel for the Registrar submitted that a permitted user under the Act could exist only when the "licensee" applies the mark "to its own goods, not being goods of the registered proprietor to which it has already applied the mark", but that it did not matter whether the licensee manufactured, selected or marketed the goods. Counsel in argument distinguished between what he called a "genuine (or true) trade mark licence" and an "exclusive distributorship", but without clearly defining these terms, beyond saying that a "true trade mark licence" meant a grant of the right to use the mark on the licensee's goods as his own mark. This argument appears to require that the use of the mark by the licensee must be confined to his own goods and used as if it were his own mark, i.e. to suggest only a connexion with him. There is however a substantial and important difference between the right to use the mark upon the licensee's own goods on the one hand, and the requirement that his use must be confined to that area only. It was also contended that an exclusive licence, if it did not exclude the licensor, did not fall within the section and could be registered.

An argument was advanced that it did not appear whether the goods were imported from Japan with the marks already affixed to them and did not show whether Pioneer Australia affixed the trade mark to the goods or indeed whether there were any such goods. It seems to me that this argument cannot be sustained in the face of the evidence, which plainly shows substantial importation of goods and shows also the use of the mark in respect of those goods by Pioneer Australia in the affixing or attaching of labels to the goods and the packing of them in a manner which displayed the mark on the packaging materials. The evidence appears to me to show that completed equipment manufactured in Japan had already had the marks applied to the outer casing of the equipment, but it does not appear what the position was in the case of components and spare parts. It was said also that the intention of Pioneer Australia to use the marks was "indefinite". If by this it is meant only that the manufacture of finished products or components in Australia will not be undertaken until it became an economically viable operation, then there would be no reason to quarrel with it. On the other hand the evidence does show that prior to

the application Pioneer Australia was in fact using the marks and had a definite intention to continue to do so. These two arguments are in truth no more than further application of the misconceptions as to what amounts to "use the mark", to which I have referred above.

Indeed counsel for the Registrar acknowledged that the key question was the meaning of "use of a trade mark". It was contended that the use by the registered user must be such as to indicate a connexion with him to the exclusion of the registered proprietor. The definition of trade mark indicates that it is a mark used so as to "indicate a connexion in the course of trade between the goods and a person who has the right, either as proprietor or as registered user, to use the mark, whether with or without an indication of the identity of that person". The references to the registered proprietor or the registered user are not mutually exclusive alternatives. The use by a registered user may properly indicate a connexion both with the registered user and the registered proprietor, including a connexion which does not distinguish between them. This must follow from the fact that the use need not indicate the identity of either the registered proprietor or the registered user. If the mark is used merely to indicate a connexion with some unidentified person who has the right to use the mark it must indicate a connexion with both the proprietor and the user, as it would if it indicated the identity of both by the use of, e.g., a label displaying the mark and stating "Manufactured by A. Ltd. under licence from B. Ltd." or "Processed by ABC (Aust.) Pty. Ltd. under licence from ABC Ltd."

The same proposition was expressed in a slightly different way by saying that the Registrar must be satisfied that the contemplated operation will not be simply a use of the registered proprietor's mark. No authority for this proposition was referred to and indeed it seems to me to be fundamentally in conflict with the Act. What Pt IX is concerned with is precisely that, namely the use by another person of the registered proprietor's mark. The very name itself demonstrates this and the sections make it abundantly clear. It is not merely because the Act deems the use by the registered user of the registered proprietor's mark to be a use by the registered proprietor but the whole object of the legislation is that the registered user is entitled to use the registered proprietor's mark. It does not appear to me to make any difference whether he uses it on goods manufactured overseas by the registered proprietor by affixing labels, advertising and the like or by selecting those goods and selling them with the marks on them in Australia, as well as by advertising them, displaying them with the marks either originally placed on them or those placed on or attached to the goods or the advertising material by the licensee.

If the requirement is that the registered user can only obtain registration if he intends to use and does use the registered proprietor's mark on his own goods so as to demonstrate a connexion between those goods and himself alone, then, the provisions will produce the very kind of confusion which was sought to be avoided. It is essential to the preservation of the validity of the mark and its registration that there must be a connexion with the registered proprietor. To say that the user must deny that connexion and conduct his business in a manner so as to deny or conceal that connexion is contrary to the whole purpose of the legislation. That proposition suggests that only deceptive use is to be permitted, a proposition which needs only to be stated to demonstrate that it cannot be supported.

It was contended that *Heublein Inc. v. Continental Liqueurs Pty. Ltd.*¹⁸ established that it was not permissible for the registered user to represent to the public that the registered proprietor was the originator of the goods. It is clear that it did not decide any such proposition. What it decided was that it was not permissible for the registered user to do so when in fact the registered proprietor was not the originator. It was that proposal which was intrinsically likely to produce deception and for that reason registration was refused.

It was also said that local manufacture might never take place or might not take place until the plans were of a more immediate nature. That no doubt is accurate but to insist on manufacture or an intention to manufacture involves the same misconception. It was also argued that a definite intention can only be formulated by reference to individually specified goods and not by reference to the categories of goods which are specified in the registration of the mark itself. There is no foundation for this proposition. The scheme of the Act is to register marks in respect of classes or categories of goods, though no doubt the Registrar would accept an application otherwise in order to register a single item, though even so apparently simple a description as e.g. "pencils" would cover a wider area.

If however a mark may properly be registered in respect of a class of goods, whether widely or narrowly defined, there is no reason in principle, and no authority to show, why a registered

¹⁸ (1960) 103 C.L.R. 435.

user agreement otherwise in order should be refused registration because it authorizes the use of the mark in relation to all goods within the class or classes. There is no basis for requiring that each item within a class must be separately specified in the registration or the registered user agreement. Failure to use the mark in respect of some goods within the terms of the registration may expose the registered proprietor to the risk of proceedings to restrict the ambit of the registration on the basis of non-user, as *In re A. & A. Crompton & Co.'s Trade Mark*¹⁹ and *In re Hart's Trade Mark*.²⁰

It was argued that *Estex Clothing Manufacturers Pty. Ltd. v. Ellis and Goldstein Ltd.*²¹ decided that a retailer who sold imported goods bearing an Australian registered trade mark did not use the mark, and that therefore a "distributor" did not use a mark which was already on the goods. In my opinion the *Estex Case* is not authority for that proposition. It is authority for the proposition that the foreign owner of an Australian mark uses it in Australia when he sells goods for delivery abroad to Australian retailers and those retailers import them into Australia for sale and there sell them. It demonstrates that such a situation does not differ from that where he sells the goods for delivery in Australia to the retailer or where he advertises the goods in Australia. It was not necessary in that case to consider whether the retailer also used the mark because the only relevant question was whether the registered proprietor himself had used the mark in Australia. There is no doubt that if the retailer had on the same basis imported goods other than those of the registered proprietor but bearing its mark, he would have used the mark by infringing it. This is established by *W.D. & H.O. Wills (Australia) Ltd. v. Rothmans Ltd.* (Fullagar J.²²); (Full Court²³), where it was held that the only trade in the goods took place in the United States of America, because the importer was a consumer, not a trader. However in its joint judgment the Court observed:²⁴ "If a purchaser instead of smoking the cigarettes had attempted to resell the packets he would of course have used the trade mark and would have been liable to be sued for infringement under s. 53 of the *Trade Marks Act*." Thus if Pioneer Australia had done no more than import the goods and sell them by retail it would have used

¹⁹ [1902] 1 Ch. 758.

²⁰ [1902] 2 Ch. 621.

²¹ (1967) 116 C.L.R. 254.

²² (1955) 92 C.L.R. 131.

²³ (1956) 94 C.L.R. 182.

²⁴ (1956) 94 C.L.R., at p. 188.

the mark, but in fact it did much more as the evidence referred to above demonstrates. This argument reflects the same misconception as to what constitutes use of a mark as underlies many of the submissions.

It was argued on behalf of the Registrar that the registration of Pioneer Australia as a registered user of the trade marks would be contrary to s. 74 (4) because "the registration would tend to facilitate trafficking in the trade mark". This expression has not been the subject of any judicial consideration. It was introduced as part of the registered user provisions in 1948 and was copied without alteration from s. 28 (6) of the *Trade Marks Act 1938 U.K.*. However it was inserted into an Act which gave it a markedly different context from the *United Kingdom Act*. The latter Act was the origin of the conception of registered users and was the first Act to contain a provision permitting the assignment of trade marks without the goodwill of the business with which they are associated. Under that Act stringent restrictions were imposed upon the right to assign as will be seen from an examination of s. 22. The committee appointed in 1938 to consider what alterations were desirable in the legislation with respect to trade marks, and presided over by Sir George Knowles, regarded the United Kingdom provisions dealing with assignments as "somewhat obscure and difficult to apply". Those provisions contained elaborate procedural safeguards against abuse of the newly conferred right to assign which involved at least significant delay, and the committee recommended against the adoption of the whole of the provisions in Australia. They recommended the provisions which now comprise s. 82 of the Act which provides for certain specific grounds of invalidity for such assignments and limits attacks on assignments to a period of three years after registration. It is easy enough on examining the elaborate provisions of the *United Kingdom Act* to visualize circumstances in which application to register a person as registered user could be used as a device to avoid the strict requirements with respect to assignment and yet achieve the same practical result. It appears to me that the principal objective of the prohibition on "trafficking" was to prevent the registered user provisions from being misused so as to avoid or evade the requirements with respect to assignment. The idea which is conveyed by the word "trafficking" is probably best stated in what Earl Loreburn said in the *Bowden Wire Case*,²⁵ viz.:

The Appellants have misconceived, or at all events misused, the protection which the

²⁵ (1914) 31 R.P.C., at p. 392.

law gives to a Trade Mark. The object of the law is to preserve for a trader the reputation he has made for himself, not to help him in disposing of that reputation as of itself a marketable commodity, independent of his goodwill, to some other trader. If that were allowed, the public would be misled, because they might buy something in the belief that it was the make of a man whose reputation they knew, whereas it was the make of someone else.

It may be that there is some scope for the operation of the prohibition of trafficking in s. 74 (4) notwithstanding the differences between the Australian and the United Kingdom Acts, but it is, I think, clear that the scope for its operation is much smaller under the *Australian Act*. No reason was given in argument for the proposition that the registration of Pioneer Australia would tend to facilitate trafficking in the trade mark other than the submission that there would be no user of the mark by Pioneer Australia. In my opinion there is no substance in this contention. There is nothing which could mislead the public and equally nothing to show that this is the equivalent of some impermissible assignment of the mark.

Reliance was also placed on s. 74 (3) for the contention that registration would be contrary to the public interest. This provision was copied from the United Kingdom *Trade Marks Act 1938* but it has not been the subject of much authority in the United Kingdom or in Australia. It was discussed in *Heublein Inc. v. Continental Liqueurs Pty. Ltd.*²⁶ where the issue was whether registration was likely to deceive the public. I respectfully agree that that is the function of this provision but I am of opinion that no risk of deception of the public can arise in the present case. I do not consider that the fears entertained by the Registrar that the registered user's trade in goods bearing the mark might involve breaches of laws with respect to prices, taxation, exchange control and the like relate to matters of "public interest" for purposes of this Act which is concerned with the use of the mark. In the end the argument that it was contrary to the public interest to register Pioneer Australia came down to the proposition that what it was doing and proposing to do did not constitute "use of the trade mark", a proposition which I have already rejected.

For the reasons which I have set out I am of opinion that the agreement between Pioneer Japan and Pioneer Australia meets the requirements of s. 74 (2) and that Pioneer Australia should be registered as a registered user of each of the marks for the goods in respect of which the trade

²⁶ (1960) 103 C.L.R. 435.

marks are registered. There would seem to be no reason why the registration should not be for the duration of the period specified in the agreement and equally no reason why the period of registration should not commence on the date on which the application for registration was made to the Registrar. It would seem therefore that the proper order should be to direct that the Registrar should register Pioneer Australia under s. 74 on that basis.

There remains the question of costs, which was argued on behalf of the appellants at the conclusion of the hearing and was the subject of a subsequent memorandum by counsel for the Registrar.

It is common ground that costs are in the discretion of the Court; indeed both s. 114 (f) of the Act and O. 71, r. 1 expressly so provide. It is also true that there is no reported case in which the Registrar has been ordered to pay costs when the Court has decided against his submission. It has been the practice for costs to be awarded in his favour when he has been successful and when he appeared in proceedings pursuant to O. 66B, r. 9.

In the case of the Commissioner of Patents it was established at an early stage that he was not entitled to his costs in any event and that they were in the discretion of the Court—see *McDonald v. Commissioner of Patents*.²⁷ That unsuccessful claim was renewed in *Société des Usines Chimiques Rhône-Poulenc v. Commissioner of Patents* where Fullagar J. said:²⁸

"counsel for the commissioner submitted that the costs of the commissioner should be paid by the applicant in any event. I think that the costs are entirely in my discretion under s. 149 (g)" [of the *Patents Act 1952-1955*] "and I think, that the Commissioner of Patents, on such an appeal as this, is in the same position as the Commissioner of Taxation on an appeal to this Court against an assessment of income tax or estate duty. The appellant having succeeded, should have an order for costs."

The position of the Registrar of Trade Marks in the administration of the Act does not significantly differ from that of the Commissioner of Patents under the *Patents Act*. Their respective positions in litigation appear to me not to differ, but are not in all respects the same as that of a private litigant.

²⁷ (1913) 15 C.L.R. 713, at p. 720.

²⁸ (1958) 100 C.L.R. 5, at pp. 30-31.

A significant matter affecting the exercise of the discretion in this case is that the Registrar indicated to Pioneer Japan and Pioneer Australia that it was his practice in all cases to require the indorsement referred to above and that he expressed willingness to register Pioneer Australia as a registered user if consent was given to that indorsement. Some reasons were given for insisting on that indorsement which were however not material to use of the mark as such. In this Court it was conceded by his counsel that there was no basis upon which he could require such an indorsement and the arguments advanced in support of his refusal to register were in the main outside the ambit of his reasons.

These are I think special circumstances which take this case out of the usual run of trade mark cases. They are such as to lead me to the opinion that it is proper that the Registrar should pay the costs of the appellants, even though it may be that this is the first occasion on which such an order has been made.