

FEDERAL COURT OF AUSTRALIA

JACOBSON J

JACOBSON J:

Introduction and Overview

1 The parties to these proceedings have been in dispute since 2001 over the registration of the trade mark “HealthPlus”.

2 At the heart of their dispute is the question of whether the HealthPlus trade mark is deceptively similar to the trade mark INNER HEALTH PLUS that was used in Australia before the priority date for registration of the HealthPlus mark.

3 The INNER HEALTH PLUS mark is owned by Health World Limited (“Health World”) which manufactures and supplies a range of natural medicine products.

4 In 1999 Health World started to develop a probiotic capsule containing acidophilus and other ingredients which encourage the growth of healthy bacteria that are beneficial for the digestive system. Health World launched the probiotic capsule product to the Australian market in May 2000 under the name Inner Health Plus.

5 About nine years earlier, in March 1991, Health World had commenced to manufacture and supply a probiotic powder called Inner Health Powder. At about that time, Health World applied for, and subsequently obtained, registration of the trademark INNER HEALTH. It successfully marketed the Inner Health powder from 1991 but commenced to develop the Inner Health Plus capsules in 1999 when sales of Inner Health powder fell below \$1 million per annum. The development of the Inner Health Plus product and the style and emphasis of its packaging and marketing are important because Shin-Sun Australia Pty Ltd (“Shin-Sun”) contends that Inner Health Plus is a line extension of the Inner Health product.

6 Health World applied to register the INNER HEALTH PLUS trade mark on 12 September 2001. However, four months earlier, on 7 May 2001, Shin-Sun applied for registration of the HealthPlus mark.

7 The priority date for registration of the *HealthPlus* trade mark is 7 May 2001. As at that date, the provisions of the *Trade Marks Act 1995* (Cth) dealing with opposition to the registration of a mark on the ground of deceptive similarity were in different terms from those currently in force, but the provisions were amended after the date of commencement of these proceedings.

8 The relevant provision is s 60. As at 7 May 2001, s 60 contained four pre-requisites for opposition. The first of these was that the application mark must be substantially identical with or deceptively similar to a trade mark which existed before the priority date of the application mark.

9 In December 2001 Health World filed notice of opposition to the *HealthPlus* trade mark relying *inter alia* on the ground contained in s 60. The Registrar of Trade Marks dismissed the opposition but Health World appealed to the Federal Court under s 56 of the Act. The appeal was heard by Cooper J. His Honour determined the appeal adversely to Health World: see *Health World Limited v Shin-Sun Australia Pty Ltd* (2005) 64 IPR 495.

10 The present proceedings are, of course, not an appeal from Cooper J. Nor is Health World estopped from asserting that the *HealthPlus* mark was deceptively similar to the Inner Health Plus trade mark at 7 May 2001, even though Cooper J found on the balance of probabilities that the *HealthPlus* mark was not deceptively similar to the Inner Health Plus mark as at that date: see *Health World v Shin-Sun* (per Cooper J) at [6], [41]; *Health World Limited v Shin-Sun Australia Pty Ltd* [2006] FCA 647.

The proceedings

11 The proceedings before me consist of three separate applications. In the first, Health World seeks expungement of the *HealthPlus* mark under ss 88(2)(a) and (c) of the Act. This proceeding is sometimes referred to as the rectification proceeding.

12 Section 88(2)(a) provides that an application for cancellation or removal of a mark may be made on any of the grounds on which the registration of the trade mark could have been opposed under the Act. The grounds on which Health World relies in the rectification proceeding are those contained in ss 42, 59 and 60.

13 One of the issues in the rectification proceeding is whether s 60 applies in the form in
which it stood as at 7 May 2001 or whether it applies in its terms as subsequently amended.

14 The s 42 ground is that the use of the HealthPlus trade mark would have been
contrary to law at 7 May 2001 because it would have amounted, *inter alia*, to misleading or
deceptive conduct under s 52 of the *Trade Practices Act 1974* (Cth).

15 Under the s 59 ground, Health World claims that, as at 7 May 2001, Shin-Sun did not
intend to use or authorise the use of the HealthPlus trade mark in relation to the goods
specified in the trade mark application.

16 The s 59 ground is raised, *inter alia*, because of the apparent failure of Shin-Sun and
the persons who conduct the business of that company and an associated company, Nature's
Hive Pty Ltd, to distinguish between the separate identities of those corporations.

17 I will deal with this issue in some detail below. It is sufficient to say by way of
introduction that the evidence establishes that Shin-Sun's name does not appear on the
products on which the HealthPlus mark has been used. Rather, the name which appears on
them is that of Nature's Hive.

18 Section 88(2)(c) provides that rectification may be sought on the ground that, by
reason of the circumstances applying at the time of the application for rectification, the use of
the registered trade mark is likely to deceive or cause confusion.

19 Health World contends that the s 88(2)(c) ground is enlivened because at the date of
commencement of the rectification proceeding, the HealthPlus trade mark was being used to
identify the goods of Nature's Hive, not those of Shin-Sun.

20 Health World also claims in the rectification proceeding that Shin-Sun has passed off
its pharmaceutical products, under the HealthPlus label, as those of Health World. The same
conduct is relied upon by Health World as giving rise to a claim for damages for misleading
and deceptive conduct under the *Trade Practices Act*.

21 In addition, Ms Theresa Shin, the general manager of Shin-Sun, is said to have been
knowingly involved in the contraventions of the *Trade Practices Act*.

22 In the second proceeding, commenced on 25 July 2006, Health World seeks removal of the Health*Plus* trade mark from the register on the ground of non-use. Health World relies on the grounds stated in s 92(4)(a) and s 92(4)(b) of the Act. This proceeding is sometimes referred to as Health World's non-use proceeding.

23 Health World's non-use proceeding relies principally upon the failure of Shin-Sun to use the Health*Plus* trade mark in Australia during the three year period referred to in s 92(4)(b).

24 This ground arises because Shin-Sun apparently decided to interrupt its marketing of Health*Plus* products for a substantial period during which Shin-Sun was subject to legal proceedings brought against it by Health World.

25 Shin-Sun (or Nature's Hive) did not launch the Health*Plus* range of products into the Australian market until August 2004, which was after the expiration of the three year period specified in s 92(4)(b). However, Shin-Sun relies upon an export transaction that occurred in September 2001.

26 In the third proceeding, Shin-Sun brings its own non-use application against Health World relying on the grounds stated in s 92(4)(a) and s 92(4)(b). This proceeding is sometimes referred to as Shin-Sun's non-use proceeding.

27 Shin-Sun's non-use proceeding is based upon the contention that Health World has only ever used the Inner Health Plus trade mark for probiotic products in capsule form containing acidophilus and other specified ingredients.

28 Thus, Shin-Sun's non-use proceeding is for partial removal of the Inner Health Plus mark, by restricting it to probiotic capsules containing acidophilus and the specified ingredients.

Section 60 of the Act as at 7 May 2001

29 As at 7 May 2001, s 60 of the Act provided:

60 *The registration of a trade mark in respect of particular goods or*

services may be opposed on the ground that:

(a) it is substantially identical with, or deceptively similar to, a trade mark that, before the priority date for the registration of the first-mentioned trade mark in respect of those goods or services, had acquired a reputation in Australia; and

(b) because of the reputation of that other trade mark, the use of the first-mentioned trade mark would be likely to deceive or cause confusion.

The relevant provisions of the Act

30 Subject to a dispute about the terms of s 60, all parties' counsel proceeded on the basis that the Act applies as it stood at the time of the hearing. However, the general rule of the common law, and the effect of s 8 of the *Acts Interpretation Act*, is that:

when the law is altered during the pendency of an action the rights of the parties are decided according to the law as it existed when the action was begun, unless the new statute shows a clear intention to vary such rights: see Continental Liqueurs Pty Ltd v G F Heublein & Bro Inc (1960) 103 CLR 422 at 427 per Kitto J.

31 All three of the proceedings described were commenced prior to the commencement of the *Trade Marks Amendment Act 2006* (Cth) on 23 October 2006. The rectification proceeding was commenced on 13 February 2006. Health World's non-use application was commenced on 25 July 2006. Shin-Sun's non-use application was commenced on 15 September 2006. Thus in the absence of a clear legislative intention to the contrary, the provisions of the Act apply as they stood prior to the 2006 amendments. The relevant provisions are set out below, in their pre-amendment form.

32 Section 7 of the Act deals with the use of a trade mark. It provides:

7 Use of trade mark

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

(2) To avoid any doubt, it is stated that, if a trade mark consists of the following, or any combination of the following, namely, any letter, word, name or numeral, any aural representation of the trade mark is, for the purposes of this Act, a use of the trade mark.

(3) *An authorised use of a trade mark by a person (see section 8) is taken, for the purposes of this Act, to be a use of the trade mark by the owner of the trade mark.*

(4) *In this Act:*

use of a trade mark in relation to goods means *use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods)*

...

33 Section 8 contains definitions of “authorised user” and “authorised use”. It provides as follows:

(1) *A person is an **authorised user** of a trade mark if the person uses the trade mark in relation to goods or services under the control of the owner of the trade mark.*

(2) *The use of a trade mark by an authorised user of the trade mark is an **authorised user** of the trade mark to the extent only that the user uses the trade mark under the control of the owner of the trade mark.*

(3) *If the owner of a trade mark exercises quality control over goods or services:*

(a) *dealt with or provided in the course of trade by another person; and*

(b) *in relation to which the trade mark is used;*

the other person is taken, for the purposes of subsection (1), to use the trade mark in relation to the goods or services under the control of the owner.

(4) *If:*

(a) *a person deals with or provides, in the course of trade, goods or services in relation to which a trade mark is used; and*

(b) *the owner of the trade mark exercises financial control over the other person’s relevant trading activities;*
the other person is taken, for the purposes of subsection (1), to use the trade mark in relation to the goods or services under the control of the owner.

(5) *Subsections (3) and (4) do not limit the meaning of the expression **under the control of** in subsections (1) and (2).*

34 Section 9 contains definitions, for the purposes of the Act, as to when a trade mark is taken to be “applied to” goods and when a trade mark is taken to be “applied in relation to” goods.

35 Section 9(1)(c)(ii) provides that a trade mark is taken to be applied in relation to goods if it is used in an invoice or other specified commercial documents, and the goods were delivered following a request or order made by referring to the trade mark as so used.

36 Section 10 contains a definition of “deceptively similar” as follows:

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

37 Section 42 is in the following terms:

An application for the registration of a trade mark must be rejected if:

- (a) the trade mark contains or consists of scandalous matter; or*
- (b) its use would be contrary to law.*

38 Section 59 provides:

The registration of a trade mark may be opposed on the ground that the applicant does not intend:

- (a) to use, or authorise the use of, the trade mark in Australia; or*
- (b) to assign the trade mark to a body corporate for use by the body corporate in Australia;*

in relation to the goods and/or services specified in the application.

39 Section 88(1) confers power on the Court, on the application of an aggrieved person, to order that the Register be rectified by cancelling the registration of a trade mark.

40 The operation of s 88(1) is subject to s 88(2). That subsection states the grounds on which an application for rectification may be made. It provides, relevantly:

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

- (a) any of the grounds on which the registration of the trade mark could have been opposed under Division 2 of Part 5;*

...

(c) because of the circumstances applying at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion for a reason other than one for which:

- (i) the application for the registration of the trade mark could have been rejected under section 43 or 44; or*
- (ii) the registration of the trade mark could have been opposed under section 60;*

41 Section 89(1) confers a discretion on the Court not to grant rectification where the application is made on the ground that the trade mark is liable to deceive or confuse, if the owner is not at fault. It provides, relevantly:

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

- (a) under section 87; or*
- (b) on the ground that the trade mark is liable to deceive or confuse (a ground on which its registration could have been opposed, see*

*paragraph 88(2)(a)); or
(c) on the ground referred to in paragraph 88(2)(c);
if the registered owner of the trade mark satisfies the court that the ground
relied on by the applicant has not arisen through any act or fault of the
registered owner.*

42 Section 92(1) and (3) authorise an aggrieved person to apply to the Court for an order
directing the Registrar to remove a trade mark from the register.

43 The grounds on which a non-use application may be made are set out in s 92(4) which
provides as follows:

*(4) An application under subsection (1) or (3) (**non-use application**) may be
made on either or both of the following grounds, and on no other grounds:
(a) that, on the day on which the application for the registration of the
trade mark was filed, the applicant for registration had no intention in
good faith:
(i) to use the trade mark in Australia; or
(ii) to authorise the use of the trade mark in Australia; or
(iii) to assign the trade mark to a body corporate for use by
the body corporate in Australia;
in relation to the goods and/or services to which the non-use
application relates and that the registered owner;
(iv) has not used the trade mark in Australia; or
(v) has not used the trade mark in good faith in Australia;
in relation to those goods and/or services at any time before the
period of one month ending on the day on which the non-use
application is filed;
(b) that the trade mark has remained registered for a continuous
period of 3 years ending one month before the day on which the
non-use application is filed, and, at no time during that period, the
person who was then the registered owner;
(i) used the trade mark in Australia; or
(ii) used the trade mark in good faith in Australia;
in relation to the goods and/or services to which the
application relates.*

44 Section 101 confers a discretion on the Court to refuse to order removal of a trade
mark from the Register even if the grounds of an application for cancellation or removal are
made out. The relevant subsection is subsection (3) which is as follows:

*(3) If satisfied that it is reasonable to do so, the Registrar or the court may
decide that the trade mark should not be removed from the Register even if the
grounds on which the application was made have been established.*

The Inner Health range

45 Inner Health powder and Inner Health Plus capsules are both probiotic products. When Inner Health Plus capsules were introduced in May 2000, they differed from Inner Health Plus powder in the following respects.

- Inner Health was supplied in a powder in bottles.
- Inner Health powder only contained acidophilus bacteria whereas Inner Health Plus capsules also contained bifidobacterium and a complex marketed under the trade mark Probioplex.
- Inner Health Plus capsules contained significantly more bacteria than Inner Health powder. One Inner Health Plus capsule contained 10 billion acidophilus bacteria whereas the daily dose of Inner Health powder contained 2.5 billion bacteria.

46 Since 2000, Health World has continued to market and promote the Inner Health powder, although not to the same extent as Inner Health Plus capsules.

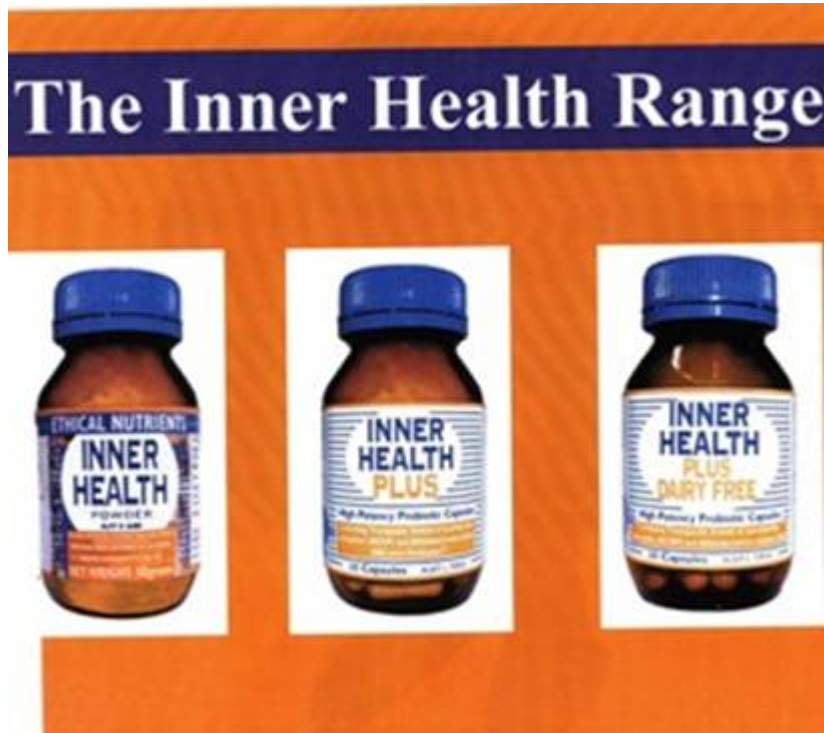
47 In 2003, Health World upgraded the formulation of Inner Health powder. From that time, the daily dose contained 7.5 billion acidophilus bacteria and 7.5 billion bifidobacterium organisms as well as Probioplex.

48 At the same time, the concentration of Inner Health Plus was also upgraded. It contained 12.5 billion acidophilus bacteria and 12.5 billion bifidobacterium organisms. It continued to contain Probioplex.

49 Health World also manufactures and supplies a dairy free version of Inner Health powder and Inner Health capsules. Those products do not contain Probioplex.

50 A presentation document used by Health World until about 2003 contains a photograph of the bottles in which Inner Health Powder, Inner Health Plus capsules and Inner Health Plus Dairy Free are supplied. The photos in the document depict each of the products substantially in the form in which they have been supplied at all times relevant to the

disposition of these proceedings. I will therefore reproduce the photograph, which was part of Exhibit B, below:



51 The colours and wording on the bottles are of some importance. I will refer to them and set out words which may be difficult to read in the reproduction of the exhibit.

52 Each of the bottles has a blue cap and is of similar size and appearance. The words “Ethical Nutrients” on the Inner Health powder is in white letters on a blue background. Ethical Nutrients is another brand used by Health World for its natural medicine products.

53 The words Inner Health Powder are in blue on a white background. Underneath them, on an orange background are the following words:

TO HELP FRIENDLY BACTERIA WHICH MAY HAVE BEEN DISTURBED BY ANTIBIOTIC AND OR CONTRACEPTIVE PILL USE.

54 The words Inner Health on the Inner Health Plus bottle also appear in blue. The shade of blue is almost identical to the shade of blue on the Inner Health powder. However, the word “Plus” appears in orange.

55 The words “High Potency Probiotic capsules” are in a similar shade of blue. The
words underneath are in white on an orange background. They are:

*“Containing Therapeutic Strains of Lactobacillus acidophilus (NCFM) and
Bifidobacterium Lactis (BBI) with Probioplex™.”*

56 The number “Aust L73953” was the listing number for the goods under s 26 of the
Therapeutic Goods Act 1989 (Cth).

57 The form on the bottle in which the Inner Health Plus capsules were supplied as at 7
May 2001 was in evidence. It was Exhibit A. It contains no material differences from the
form of the bottle depicted in Exhibit B and reproduced above, or from the currently
marketed version, as comprised in Exhibit GRJ21.

58 The words “Inner Health” on the Inner Health Plus Dairy Free are in the same shade
of blue as the non-dairy free bottle. The words “Plus” and “Dairy Free” are in the same
shade of orange as the word “Plus” on the non-dairy free bottle.

59 The balance of the Inner Health Plus Dairy Free label is in similar style and colour to
the non-dairy free bottle. The differences reflect the absence of Probioplex and the separate
TGA listing number for the dairy free version.

Shin-Sun and Nature’s Hive

60 Shin-Sun was incorporated in 1993. The directors of the company are Mr James Shin
and his wife, Mrs Anna Shin. Mr and Mrs Shin are the sole shareholders of the company.

61 Ms Theresa Shin is the general manager of Shin-Sun. She is the daughter of Mr
James Shin and Mrs Anna Shin. She has held this position since 2000.

62 Shin-Sun’s principal place of business is at 226 Burwood Road, Burwood, which is a
retail outlet. It is also the principal place of business of Nature’s Hive. The retail outlet is
known as Shin-Sun Natural Health Products.

63 Ms Shin describes the companies Shin-Sun and Nature’s Hive as family businesses,
managed principally by her and her parents. She is the General Manager of both companies

but they have different shareholders.

64 Nature's Hive was incorporated in 1995. Mr and Mrs Shin are directors but they were appointed only as at May 2006 and July 2006 respectively. Ms Theresa Shin owns twenty of the twenty-one issued shares. Her uncle owns the remaining share.

65 Nature's Hive operated a store in Chatswood from 1996 to 1999. Ms Shin's evidence is that Nature's Hive ceased to trade in May 1999, except for its role as sponsor of listings for HealthPlus products under the *Therapeutic Goods Act 1989* (Cth).

66 Nature's Hive did not have a bank account from May 1999 to December 2006. In December 2006 it commenced to operate a retail outlet in Pitt Street, Sydney under the name HealthPlus.

The HealthPlus range

67 The HealthPlus range consists of natural health supplements derived from Squalene and shark cartilage as well as products derived from bees or beeswax.

68 The range includes the following:

HealthPlus Propolis capsules

HealthPlus Squalene capsules

HealthPlus Royal Jelly capsules

HealthPlus Evening Primrose Oil

HealthPlus Green Lipped Mussel capsules

HealthPlus Organic Raw Honey

HealthPlus Osteosamine capsules

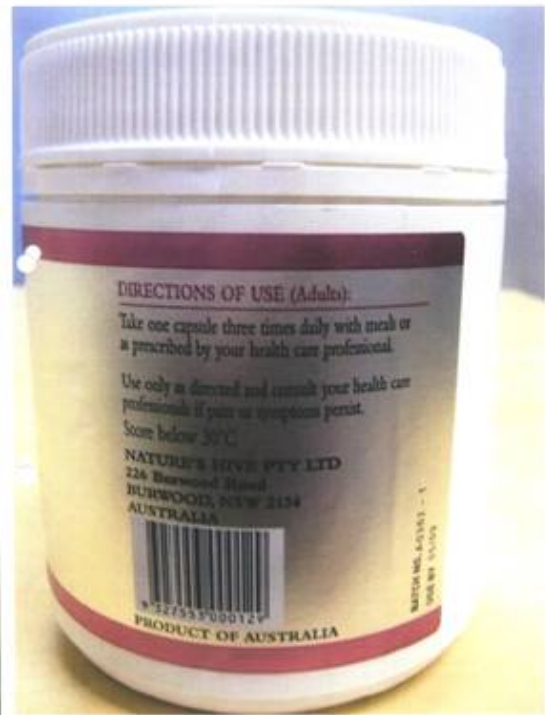
69 In early 2001, when the HealthPlus range was developed, a company known as Colouright was engaged to prepare the graphic design for a lotus flower logo. The stylised lotus flower or fleur-de-lis appears on all of the HealthPlus labels.

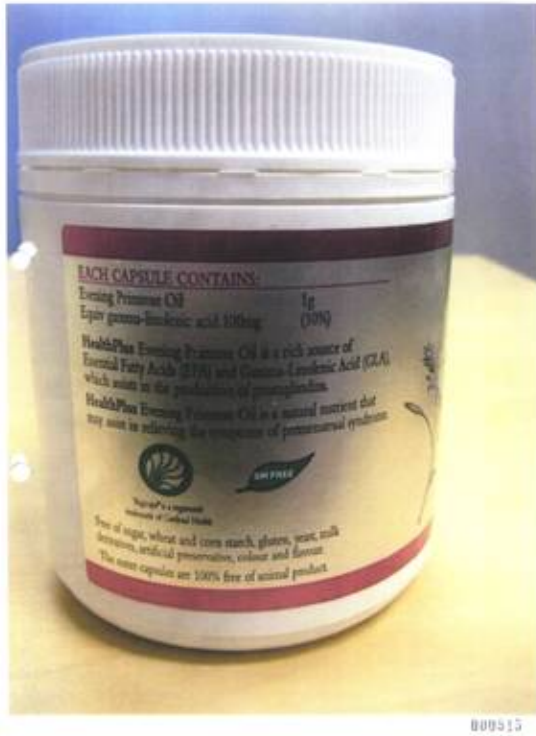
70 Significantly, Shin-Sun's name does not appear, and has not ever appeared on the packaging or livery of HealthPlus products. Instead, most of the products show the name of

Nature's Hive.

71 In some cases the name of MediPlus Australia appears on the packaging. This is a business name owned by Shin-Sun, but Ms Shin acknowledged that this was a reference to Nature's Hive, not to Shin-Sun.

72 An example of the packaging in which the HealthPlus product, Evening Primrose Oil is supplied was Exhibit TSS5 to Ms Shin's affidavit. A copy showing the front and back of the product is reproduced below.





Reputation of the Inner Health Plus mark: the date for assessment

73 The question of the Inner Health Plus trade mark’s reputation is relevant to the determination of a number of issues in the rectification proceeding. They are the grounds raised by ss 42 and 60 of the Act and the claims under the *Trade Practices Act* and for passing off.

74 As the pre-amendment form of s 60 applies there is a threshold question of whether the HealthPlus mark is deceptively similar to the Inner Health Plus mark. Section 60(a) as it stood at 7 May 2001 called for that question to be determined by a comparison of the impugned mark with the existing mark that “had acquired a reputation in Australia.”

75 The relevant date at which the reputation of Inner Health Plus is to be determined for the ss 42 and 60 grounds is 7 May 2001: see s 72(1) of the Act and definition of “filing date” in s 6.

76 The relevant date for determining the reputation of the Inner Health Plus mark in the claims under ss 52 and 53 of the *Trade Practices Act*, and for passing off, is the date on which Shin-Sun (or Nature’s Hive) commenced the use of the HealthPlus mark: see *Thai*

World Imports v Shuey Sing (1989) 17 IPR 289 at 302.

77 Shin-Sun contends that the relevant date for the purpose is September 2001 when it claims to have sold goods under the HealthPlus mark in an export transaction to Taiwan.

78 Health World contends that the relevant date for the purposes of the claims under the *Trade Practices Act* and for passing-off is August 2004 when the HealthPlus range was launched in the Australian market.

79 In my view Health World's submission is correct, but I do not consider that anything turns on the difference between the two dates.

Assessment of reputation of Inner Health Plus

80 At the heart of the dispute between the parties is the question of whether the reputation of the Inner Health Plus capsules is, and was at the relevant date, separate and distinct from the reputation of the Inner Health Powder.

81 Health World relies upon the evidence of its sales, promotion and marketing of Inner Health Plus capsules to make good the proposition that its reputation in the capsules is, and was, separate and distinct from the reputation of Inner Health Powder.

82 This evidence was given for the most part by Mr Graeme Joiner, Health World's Director of Sales and Marketing. Mr Joiner's evidence was supplemented by that of Ms Erika Mikl, Health World's National Education Manager and by a variety of other evidence including that of pharmacists and other retailers of natural medicines. Evidence was also given by Health World's advertising agent.

83 Health World's evidence establishes that it commenced marketing and taking orders for Inner Health Plus capsules in March 2000. It commenced supplying the capsules in May 2000 when listing was obtained under the *Therapeutic Goods Act*.

84 The Inner Health Plus capsules rapidly obtained a measure of success in the marketplace. Sales of more than \$172,000 were achieved in the financial year ending 30

June 2000 and sales for the year ending 30 June 2001 were \$464,000. Sales increased rapidly in the period from 2002 to 2004, rising to nearly \$6 million for the financial year ending 30 June 2004.

85 Commencing in March 2000, Health World embarked upon a promotional campaign directed at retail pharmacies and health food stores throughout Australia. The campaign consisted of brochures and point of sale material. These materials were delivered to pharmacies and health food stores which are the major outlets for the sale of Inner Health Plus capsules.

86 It is important to note that from the outset of the campaign in March 2000, the brochures sought to build upon the existing reputation of Inner Health powder. The brochure which was Exhibit GRJ1 to Mr Joiner's affidavit included the following words on the front page:

The LEADING ACIDOPHILUS on the market IS NOW a whole LOT STRONGER and MORE CONVENIENT.

87 The emphasis on the front page of the brochure is upon the increased strength and convenience of the Inner Health Plus capsules.

88 The emphasis upon the reputation of the existing product, ie. Inner Health powder, is reinforced on the second page of the brochure. It states, under the slogan "The First and Still the Best!":

10 years ago Health World Limited introduced Inner Health, the first and strongest therapeutic strength acidophilus product of its kind in Australia.

89 The brochure continued by stating in bold font:

Now there's Inner Health Plus and Inner Health Plus Dairy Free.

90 There appears opposite the words in the brochure that I have set out in the two preceding paragraphs, a photo of the Inner Health Plus and Inner Health Plus Dairy Free bottles. The bottles represented are substantially the same as those depicted in the "Inner Health range" reproduced at [50] above, except that it does not include a bottle of the Inner Health powder.

91 Marketing and promotion of the Inner Health Plus capsules has continued in much the same form since 2000, though the promotional material is regularly updated. The point of sale material includes a plush soft toy in the form of a blue bug. The toy is known as “the blue bug”.

92 The blue bug is a prominent feature of the promotional material for Inner Health Plus which emphasises the beneficial qualities for intestinal health of good bacteria contained in the product. It appears on the cover of the brochure GRJ1 referred to above and in other material including television advertisements.

93 It should be noted that the very same blue bug appeared in promotional and advertising material for Inner Health powder displayed in the marketplace before the launch of Inner Health Plus.

94 In my view, the evidence to which I have referred above makes it plain that, as at 7 May 2001, the reputation of Inner Health Plus was that of a probiotic product in a stronger and more convenient form than that of Inner Health Powder.

95 Accordingly, I reject Health World’s submission that its reputation in the Inner Health Plus capsules is, and was as at 7 May 2001, separate and distinct from its reputation in the Inner Health Powder.

96 Indeed, the entire thrust of Health World’s launch of the Inner Health Plus capsules was to take advantage of the reputation of the Inner Health Powder and the goodwill attaching to it. This is graphically revealed in Mr Joiner’s evidence in the proceedings before Cooper J, as put to Mr Joiner by counsel for Shin Sun in cross-examination in the present proceedings. The relevant passage is as follows:

I did not want to discontinue the Inner Health line as it had been and was still a successful product. I believed that the fact that Inner Health was an established product in its field gave Health World an excellent opportunity to introduce a new type of probiotic product similar to the existing Inner Health product but in an improved version which could be launched onto the market. My plan was to take advantage of the goodwill which had already been built up in the Inner Health brand.

97 I understood Mr Joiner to accept the accuracy of this evidence when it was put to him

in cross-examination before me. In any event, its accuracy is fully supported by the promotional and advertising material referred to above.

98 It is true that when Inner Health Plus capsules were introduced they contained bifidobacteria which were not an ingredient of Inner Health powder at that time. But that does not distinguish the reputation of Inner Health Plus from its predecessor.

99 All of the significant differences between Inner Health Plus and Inner Health to which Mr Joiner and Ms Mikl referred merely serve to emphasise the connection between the reputation of the products. Both emphasise the benefits for intestinal well-being of acidophilus and other healthy bacteria.

100 The get-up of the bottles, similarly coloured and labelled, but with the word "Plus" in orange on the Inner Health Plus bottle also emphasises the connection between the products. It conveys the fundamental message that Mr Joiner sought to achieve, namely the added strength and convenience of Inner Health Plus capsules.

101 I accept that consumers of Inner Health Plus capsules ask for the product by name and that most have not previously taken Inner Health powder. But I do not accept that this distinguishes the reputation of Inner Health Plus capsules from Inner Health powder or the essential message of internal well-being that underlies the trade marks and the get-up of the goods.

102 The position is the same regardless of whether the question of reputation is considered as at 7 May 2001 or August 2004. Sales of Inner Health Plus had increased dramatically by 2004 and continued to increase thereafter. There were some changes in the formulation of the product and some minor alterations to the labelling. However, the essential message and reputation of Inner Health Plus remained constant; it was part of the Inner Health range and offered greater strength and convenience for beneficial intestinal well-being.

Whether s 60 applied in its pre-amended form

103 There was a dispute between the parties as to whether s 60 applies in the form in which it stood at 7 May 2001 (being the time at which the application for registration could

have been opposed), or in the form in which it stands at present (that is, after the entry into force of the *Amendment Act* 2006 on 23 October 2006). For the reasons I set out above at [30]-[31], none of the 2006 amendments apply to these proceedings because all three actions were commenced prior to 23 October 2006. Nonetheless, I will set out the submissions of the parties.

104 Counsel for Shin-Sun, Ms Shin and Nature's Hive submitted that, as a matter of construction of s 88(2)(a), s 60 applies in its pre-amendment form. Counsel pointed out that s 88(2)(a) in its current form enlivens the power to order rectification of the register on "any of the grounds on which registration of the trade mark *could have been opposed* under this Act." (Emphasis added). One of the grounds on which the registration of *HealthPlus* could have been, and was, opposed was s 60. The amendments were not in force when the *HealthPlus* trade mark application was filed on 7 May 2001. Accordingly, counsel for Shin-Sun argued that s 60 must apply in the form in which it stood in May 2001 because that was the ground on which the registration of the trade mark could have been opposed.

105 However, Health World draws attention to the fact that the *Amendment Act* contains no transitional provision for the application of the amendment made to s 60 by Item 31. This is to be contrasted with other provisions such as Item 26 and Item 30.

106 Health World also draws attention to the words "under this Act" in s 88(2)(a). Health World submits that these words have the effect of engaging the operation of the amended form of s 60 to the present application.

107 I reject Health World's submission for the three reasons set out below.

108 First, it is contrary to established authority on the construction and operation of s 88(2)(a). In *Unilever Australia Limited v Karounos* (2001) 52 IPR 361 at [13], Hill J said that under this sub-section:

The court is required to consider the question as at the time of registration and determine whether as at that time it was proper for the registrar to admit the mark to the register. Facts subsequent to the date of registration will be irrelevant.

109 Other authorities to the same effect are referred to in Davison M, Johnston K,

Kennedy P, *Shanahan's Australian Law of Trade Marks and Passing Off*, (3rd ed , Thomson Lawbook Co, 2003) at [14.175] n 127.

110 Second, this approach to construction is consistent with the scheme of the Act as discussed by a Full Court in *Lomas v Winton Shire Council* [2003] AIPC 91-839 at [18]. The Full Court there observed that opposition proceedings are quasi-summary and an unsuccessful opponent will have the opportunity to bring an expungement application if the opposition proceeding fails: see also the authorities to which I referred in *Health World Limited v Shin-Sun Australia Pty Limited* [2006] FCA 647 at [27], [36], [40], and [41].

111 In light of these authorities, it would seem to me to be wrong to suggest that the Act contemplates that an expungement application may be brought upon the basis of a ground of opposition expressed in different terms from those that were applicable when the opposition was, or could have been, brought.

112 Third, the approach suggested by Health World is contrary to established principles of construction of statutes. In particular, express words or necessary implication are required to take away rights, privileges, obligations or liabilities acquired or incurred under a repealed Act: s 8 of the *Acts Interpretation Act 1901* (Cth).

113 Moreover, the general rule of the common law is that, subject to any contrary intention appearing with reasonable certainty, a statute changing the law is not to be understood as applying to facts that have already occurred so as to confer or otherwise affect rights or liabilities which the law has defined by reference to past events: *Maxwell v Murphy* (1957) 96 CLR 261 at 267 per Dixon CJ.

114 As Fullagar J stated in *Fisher v Hebburn Limited* (1960) 105 CLR 188 at 194, a statute is, *prima facie*, to be construed as not attaching new legal consequences to facts or events which occurred before the commencement of the statute.

115 In my view, Shin-Sun's approach to statutory construction is correct, although more accurately it ought to be based on s 88(2)(a) as it stood when the rectification proceeding was commenced on 13 February 2006. On that date, s 88(2)(a) enlivened the power to order rectification of the register on "any of the grounds on which registration of the trade mark

could have been opposed under Division 2 of Part 5". The pre-amendment form of s 88(2)(a) still requires s 60 to be applied as it stood when the trade mark was filed on 7 May 2001. The significance of applying the pre-amendment form rather than current form of s 88(2)(a) is that Health World is precluded from relying on the 'contrary to law' ground under s 42 (that provision not being found in Division 2 of Part 5).

116 For all these reasons, it follows, in my opinion, that the ground of opposition based upon deceptive similarity is to be determined under s 60 in its pre-amended form.

Aggrieved person

117 In order for s 88(1) to be enlivened, so as to enable Health World to invoke the grounds of opposition under ss 42, 59 and 60, Health World must be an aggrieved person.

118 The expression "an aggrieved person" is to be given a wide interpretation: see *In the Matter of Powell's Trade Mark* (1893) 10 RPC 195 at 201 (C.A. UK); (1894) 11 RPC 4 at 7-8 (HL); see also *Continental Liqueurs* at 427.

119 An aggrieved person is one who has a real interest in having a trade mark removed from the Register, or one who would be appreciably disadvantaged in a legal or practical sense if the trade mark remained on the Register: *Continental Liqueurs* at 427; *Ritz Hotel Ltd v Charles of the Ritz Ltd* (1988) 15 NSWLR 158 at 193-194; *Kraft Foods Inc v Gaines Pet Foods Corporation* (1996) 65 FCR 104 at 112-113.

120 It is not sufficient that an applicant for rectification of the Register is in the same trade as the registered owner of the mark; what is required is that the applicant have a desire to use the mark, or be likely to be hampered in some other way by the registration of the mark that the applicant seeks to have expunged: *Shanahan* at [14.90].

121 I do not consider that Health World has any genuine desire to use the HEALTH PLUS mark. It is true that Health World has filed an application No 1121282 for the series trade mark "HEALTH PLUS" including a number of variations. That application was filed on 28 June 2006, approximately six months after Health World commenced the rectification proceeding, and three days after it commenced the Health World non-use proceeding.

122 However, Health World did not give evidence of any intention to use the HEALTH PLUS trade mark. Mr Joiner’s evidence did not rise above a general assertion that he had occasionally discussed with Health World’s Managing Director, Mr Gee, proposals to develop and release “new products” using the Inner Health Plus brand.

123 Mr Gee’s evidence was to the same effect, although he also asserted a belief that Health World will use the INNER HEALTH PLUS trade mark for new natural medicine products when a new product is developed.

124 The whole tenor of this evidence is therefore inconsistent with any intention of Health World to use the HEALTH PLUS trade mark, other than as part of its existing INNER HEALTH PLUS mark.

125 If I were of the view that the Health*Plus* trade mark was deceptively similar to the Inner Health Plus trade mark, I would be satisfied that Health World is an aggrieved person: *Campomar Sociedad, Limitada v Nike International Limited* (1998) 85 FCR 331 at 364; reversed by the High Court but not on the “aggrieved person” issue in (2000) 202 CLR 45.

126 However, for reasons set out below, in my opinion, Health*Plus* is not deceptively similar to INNER HEALTH PLUS.

127 Accordingly, subject to what I say below about the s 59 ground (which Health World relies upon under s 88(2)(a)) and the s 88(2)(c) ground, I do not consider that Health World is an aggrieved person.

Deceptive similarity: legal principles

128 The first pre-requisite for the ground of opposition stated in s 60 in its pre-amended form is that the opposed mark must be substantially identical with or deceptively similar to the existing mark.

129 Section 10 of the Act defines the expression “deceptively similar”. The opposed mark must so nearly resemble the other mark that it is likely to deceive or cause confusion. The authorities dealing with the question of whether one trade mark is deceptively similar to

another were reviewed by a Full Court of this Court in *Crazy Ron's Communications Pty Limited v Mobileworld Communications Pty Limited* (2004) 61 IPR 212 at [72]ff.

130 The Full Court in *Crazy Ron's* distilled five legal principles from the many authorities which have dealt with this subject. Their Honours were dealing with the question of deceptive similarity in the context of trade mark infringement but the same principles apply to the test of deceptive similarity in s 60 as it stood in May 2001.

131 It is unnecessary to set out the five principles stated in *Crazy Ron's*. It is sufficient to say that the marks are not to be judged by a side by side comparison; they are to be considered by their look and sound, with due allowance for imperfect recollection. The goods to which the marks are to be applied must be considered together with all the surrounding circumstances.

132 These principles are well established. They were stated by Dixon and McTiernan JJ more than 50 years ago in *Australian Woollen Mills Limited v FS Walton & Co Limited* (1937) 58 CLR 641 at 658 and reiterated by the High Court in other authorities.

133 Perhaps the most succinct statement of the principles is to be found in the observation of Dixon and McTiernan JJ in *Australian Woollen Mills* at 659 that the question is:

... never susceptible of much discussion. It depends on a combination of visual impression and judicial estimation of the effect likely to be produced in the course of the ordinary conduct of affairs.

Whether the HealthPlus mark was deceptively similar to Inner Health Plus trade mark

134 The HealthPlus mark was not being used as at 7 May 2001. Thus, the comparison which is to be made for the purposes of s 60 is between the unregistered mark Inner Health Plus and the HealthPlus registered trade mark.

135 In my opinion the HealthPlus trade mark was not deceptively similar to the Inner Health Plus mark for the reasons set out below.

136 The two marks convey different ideas and concepts. HealthPlus conveys, to the ordinary person, an impression of enhanced health and well-being. It is directed at the idea of

overall or general health. It is not concerned with specific aspects of bodily health such as internal health.

137 By contrast, the Inner Health Plus trade mark conveys the impression that it is
concerned with a specific aspect of bodily health, namely internal health.

138 Visually, the marks are very different. The impression that the person of ordinary
intelligence and memory would have of the Inner Health Plus mark is that of the dominant
name and phrase, Inner Health. This appears on the bottle in the same shade of blue as the
cap and in a similar shade of blue to the words, “High Potency Probiotic Capsules”.

139 The word “Plus” on the bottle, in bold orange colour, emphasises the enhancement
that the product brings to the internal health of the consumer.

140 No such impression is created by the look or appearance of the trade mark
HealthPlus. As I have said, it is concerned with general health and well-being.

141 The same differences are created by an aural comparison. Here, stress and
pronunciation would usually given to the first syllable of the word or mark: see for example
Aldi Stores Limited Partnership v Frito-Lay Trading GmbH (2001) 54 IPR 344 at [32], [157]
– [164].

142 Thus, an aural comparison of the marks by the person of ordinary intelligence and
memory would bear out the impression that *HealthPlus* is concerned with enhanced general
health whereas Inner Health Plus invokes improved internal health.

143 I reject Health World’s submission that the *HealthPlus* mark should be characterised
as two words, at least in a visual sense. Although the word “*Plus*” is italicised, the usual
impression is plainly of one word.

144 It is possible that the word “HealthPlus” would be heard and remembered as one word. But I do not consider that anything turns on this because in an aural comparison, the over-riding consideration is the absence of the word “Inner” from the word or words “HealthPlus”.

145 I do not consider that the HealthPlus mark captures one of the essential features of the Inner Health Plus mark: c.f. *Saville Perfumery Limited v June Perfect Limited* (1941) 58 RPC 147; *de Cordova v Vick Chemical Co* (1951) 68 RPC 103 at 105-106.

146 Those authorities, as well as authorities of Full Courts in *CA Henschke & Co v Rosemount Estates Pty Limited* (2000) 52 IPR 42 and *Registrar of Trade Marks v Woolworths Limited* (1999) 93 FCR 365, were discussed by the Full Court in *Crazy Ron’s* at [80] – [90].

147 The effect of those authorities is that the enquiry is not as wide as would be undertaken in a passing off action or in a proceeding under s 52 of the *Trade Practices Act*. Rather, the search is to be concentrated on ascertaining the essential element of the mark and the impression taken away by one who looks at it and how it sounds when pronounced: *Crazy Ron’s* at [86], [88].

148 The essential element of the Inner Health Plus mark is not found in the words “Health Plus”. Rather, as I have already said, the idea or essential feature of Inner Health Plus is that it is concerned with internal health. HealthPlus embraces a different concept.

149 To the extent that any notoriety of Inner Health Plus is to be taken into account, consumers must be taken to be familiar with it as an improved and more convenient version of Inner Health powder: *Crazy Ron’s* at [90].

150 Nor do I accept that the letter of 4 April 2007 from Shin-Sun’s solicitors constitutes an admission that the marks are deceptively similar. It is well settled that the issue of deceptive similarity is for the Court itself to decide: *Rhone-Poulenc Agrochimie SA v UIM Chemical Services Pty Limited* (1986) 12 FCR 477 at 487-488, referred to by Cooper J in *Health World v Shin-Sun* (2005) at [33].

151 Furthermore, there is no tangible danger of deception or confusion: *Crazy Ron's* at [76]. The Inner Health Plus product and the goods encompassed by the *HealthPlus* trade mark have their own separate attributes. They may be recommended by health professionals. Their purchase is likely to be a considered decision after close appraisal and consideration. Health professionals are usually careful to listen and ensure that their customers select the correct product.

Same result under amended form of s 60

152 Under s 60 in its pre-amended form, a finding of deceptive similarity was a pre-condition for the Court to go on to consider the test set out in s 60(b): *Registrar of Trade Marks v Woolworths* at [82]. It is therefore unnecessary for me to consider that test.

153 Under the amended form of the section it would be necessary to consider that question because a finding of deceptive similarity is no longer a pre-requisite. However, even if the amended form of the section applies, Health World would not succeed in its application for rectification on this ground.

154 Section 60(a) as amended would be enlivened because Inner Health Plus had acquired the necessary reputation. But the causal link required under s 60(b) would not be made out. This is because the reputation of Inner Health Plus was that of a more potent and convenient form of Inner Health powder.

The s 42(b) ground

155 As I have already said, I do not consider that Health World is entitled to invoke the s 42 ground, but even if it were so entitled, in my view that ground would not be made out. Health World's case under s 42(b) is that the use of the *HealthPlus* trade mark in trade or commerce, as at 7 May 2001, would have amounted to a contravention of ss 52, 53(a), (c) and (d) of the *Trade Practices Act*. Health World contends that these contraventions would have come about by reason of its reputation in the then unregistered mark, Inner Health Plus.

156 As Cooper J said in *Health World v Shin Sun* (2005) at [44], a contravention of the *Trade Practices Act* would be sufficient to constitute a contravention of law so as to enliven

the operation of s 42(b) of the Act; the question is whether the use would be contrary to law.

157 For the reasons set out above, having regard in particular to the specific reputation of Inner Health Plus, I am satisfied that there would be no contravention of the applicable provisions of the *Trade Practices Act*.

The s 59 ground

158 In order to make good the s 59 ground in its application for rectification under s 88(2)(a), Health World must establish that, as at 7 May 2001, Shin-Sun did not intend to use or authorise the use of the Health*Plus* trade mark in Australia: see s 59(a).

159 Shin-Sun admits that it did not intend to assign the trade mark to a body corporate for use by the body corporate in Australia: s 59(b).

160 In my view, the intention, or lack thereof, to which s 59 is directed, is a “real and definite intention” of the applicant for registration, to use the mark publicly as a trade mark, although it is not necessary that the intention be immediate or within a limited time: *Ritz Hotel* at 202-203.

161 The subjective nature of the intention, the presumption of intention flowing from the application for registration and the onus on an opponent usually make it difficult for an opposition, or an application for rectification, to succeed on this ground: see *Shanahan* at [2.120], [11.110]; Dufty A & Lahore J, *Lahore, Patents Trade Marks & Related Rights* (LexisNexis Butterworths, 2006) at [55,580].

162 However, there is authority for the proposition that where an applicant for registration has been put on notice that its intention to use the mark was in issue, and has not responded to the opponent’s evidence, a finding of lack of intention may be made: *Philip Morris Products SA v Sean Ngu* [2002] ATMO 96; *Tommy Hilfiger Licensing Inc v Tan* (2002) 60 IPR 137; *Shanahan* at [11.110].

163 The principle which underlies these authorities seems to me to be that the evidentiary onus shifts to the applicant for registration where an opponent makes a *prima facie* case of

lack of intention to use the mark.

164 Shin-Sun was on notice that its intention to use the mark was in issue from 21 July
2006 when the Statement of Claim in the rectification proceeding was amended. This was
pleaded in [20] of the Amended Statement of Claim, and was particularised in the Second
Further Amended Statement of Claim on 21 August 2007 upon the basis that the *HealthPlus*
mark was not used until a date well after 7 May 2001.

165 Shin-Sun's defence to the s 59 ground asserted a positive intention to use the
HealthPlus mark and to authorise others to use the mark.

166 In her affidavit sworn 20 December 2006, Ms Shin sought to address the case of
absence of intention. She met the claim made in Health World's pleading by stating that
Shin-Sun delayed the launch of the *HealthPlus* range because of the litigation between the
parties. She was not cross-examined on this.

167 Nevertheless, other matters were put to her in cross-examination in an attempt to
make good Health World's claim of absence of intention. In particular, it was put to Ms
Shin, and she accepted, that her father makes the final decisions on behalf of Shin-Sun on all
relevant matters.

168 It is plain that Mr Shin is, and was, the controlling mind of Shin-Sun and that he was
the proper person to give evidence of the company's intention. Nevertheless, he was not
called until the last minute, only after I gave leave to reopen. Even then, his evidence was
quite limited and did not disclose a positive intention on the part of Shin-Sun to use the
HealthPlus trade mark on goods in class 5.

169 Indeed, the effect of Mr Shin's evidence was that "we wanted to widen our business"
to use the mark on any products which Shin-Sun might make. This does not satisfy the test
stated in the authorities to which McLelland J referred in the *Ritz Hotel* case at 202-203.

170 Ms Shin, in her affidavit of 20 December 2006, stated that Shin-Sun conceived the
HealthPlus mark and that she had taken certain steps on behalf of that company which were
consistent with an intention, as at 7 May 2001, for Shin-Sun to use the mark.

171 However, the overall effect of her evidence was that she failed to distinguish between
the two separate corporate entities, Shin-Sun and Nature’s Hive. I cannot be satisfied, and I
find that she did not pay attention to which corporation she was representing when she took
the steps that she relies upon to support the assertion that Shin-Sun intended to use the mark.

172 In my opinion, Shin-Sun has failed to discharge the evidentiary onus of satisfying the
Court that it had a sufficiently clear and definite intention that Shin-Sun proposed to use the
mark on goods within class 5 so as to establish a connection in the course of trade between
Shin-Sun and the goods.

173 Indeed, as Ms Shin acknowledged, “we just wanted a Western name” on the
packaging. The packaging was to be connected with Nature’s Hive. Insofar as any intention
is disclosed, it was an intention that there be a connection in the course of trade between
Nature’s Hive and the goods, rather than a connection with Shin-Sun.

174 It follows that if Health World has standing under s 88(1), as a person aggrieved, the
s 59 ground is made out. However, I have a discretion under the Act to decide that the
HealthPlus trade mark should not be removed from the Register. I will return to the question
of whether registration of the HealthPlus mark should be expunged on the s 88(2)(a) and s 59
ground when I deal with the question of discretion under ss 88 and 89.

The s 88(2)(c) ground

175 Section 88(2)(c) focuses upon the circumstances applying at the time when the
application for rectification is made. It provides a ground for expungement of a mark if, in
the circumstances which prevail at the time of the application for rectification, the use of the
mark is likely to deceive or cause confusion.

176 Section 88(2)(c) is therefore concerned with reasons which were not available as a
ground for rejection or opposition; it deals with circumstances that arose after registration:
Shanahan at [14.250].

177 In *Australian Co-operative Foods v Norco Co-operative* (1999) 46 NSWLR 267 at
[84] – [86], Bryson J took a wide view of the operation of s 88(2)(c). His Honour proceeded

on the basis that the ground is available if the use of the mark is likely to deceive or cause confusion for any reason.

178 In *Norco*, Bryson J was of the view that there was no likelihood of deception because the packaging of the goods accurately identified the source of the goods and the registered owner of the trade mark: *Norco* at [84].

179 In the present case, Health World points to the evidence which discloses that at the date of the commencement of the rectification proceedings, the *HealthPlus* trade mark was used to identify the goods as those of Nature's Hive, and not those of Shin-Sun. I will deal with this below.

180 This would give rise to the likelihood of deception or cause confusion because of the failure to identify the registered owner as the source of the goods.

181 It is possible that the observations of the High Court in *Nike* at [61], suggest a more restrictive approach to the construction of s 88(2)(c). In *Nike* (2000), their Honours were concerned with the provisions of s 28 of the *Trade Marks Act 1955* (Cth), which was in different terms but it is part of the legislative history of s 88(2)(c) which is discussed in Shanahan at [14.230]ff.

182 Pending consideration of s 88(2)(c) by a Full Court, or by the High Court, it seems to me that I should follow the approach adopted by Bryson J in *Norco*. On that basis the s 88(2)(c) ground is enlivened by the failure to distinguish the *HealthPlus* products as goods of Shin-Sun.

Nature's Hive's use of the *HealthPlus* trade mark

183 In dealing, later in my judgment, with Health World's non-use application, I give six reasons why the *HealthPlus* trade mark is used to identify the goods as those of Nature's Hive.

184 In summary, the effect of the evidence was that Shin-Sun's name has never appeared on the packaging and Nature's Hive procured the manufacture of the products.

185 The function of a trade mark is to give an indication to a purchaser as to the manufacture or quality of the goods and an indication of the trade source from which the goods come or through which they pass on their way to market: *Aristoc Limited v Rysta Limited* (1944) 62 RPC 65 at 74, 79.

186 Here, whatever the subjective intentions of the Shin family may have been, the public face of the *HealthPlus* trade mark was that of Nature's Hive. It was the only name that appeared publicly as part of the "badge of origin" of the product.

187 In *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 686, Aickin J recognised that a mark may be used to indicate a connection with an unidentified person. His Honour said that in those circumstances it must indicate a connection with both the proprietor and the user.

188 In my opinion, that requirement is not satisfied as a matter of fact because the evidence does not demonstrate any connection between the actual use of the mark and the registered proprietor, Shin-Sun.

189 Nevertheless, Shin-Sun contends that s 88(2)(c) is not enlivened because Nature's Hive's use of the mark was under the control of Shin-Sun so that Nature's Hive was an "authorised user" within the meaning of s 8(1) of the Act.

Whether Shin-Sun controlled Nature's Hive's use of the mark

190 Section 8(3) refers to the exercise by the owner of quality control over the goods dealt with in the course of trade by another. Section 8(4) refers to the exercise by the owner of financial control over the other person's trading activities.

191 However, s 8(3) and s 8(4) do not limit the meaning of the expression "under the control of" the owner of the trade mark in s 8(1): see s 8(5). It is therefore necessary to deal with the question of whether Shin-Sun exercised quality or financial control over Nature's Hive's use of the mark, or whether it controlled the use in the broad sense referred to by Aickin J in *Pioneer* at 683.

192 There is no evidence before me that Shin-Sun has exercised quality control over the
HealthPlus products manufactured for Nature's Hive and supplied under Nature's Hive's
packaging.

193 Indeed, in my view, the evidence establishes that Nature's Hive has the relevant
obligations of quality control under the *Therapeutic Goods Act*. Nature's Hive is the sponsor
and the certificate of listing for the goods imposes the obligation of quality control on
Nature's Hive.

194 Ms Shin accepted in cross-examination that the conditions on the certificate of listing
were binding on Nature's Hive. I reject Ms Shin's evidence that the conditions were also
binding on Shin-Sun. There was no evidence to support such a finding.

195 The only written agreements dealing with the manufacture of the goods were the
Good Manufacturing Practice Agreements which are entered into by Nature's Hive. There
are no written agreements between Nature's Hive and Shin-Sun relating to the manufacture
of the goods or covering any other topic.

196 There was nothing to suggest that Shin-Sun exercised quality control in the way in
which the executors of the estate of Cyril Henschke exercised control over the Henschke
partnership: *Henschke* at [67].

197 Nor did Shin-Sun exercise "financial control" over Nature's Hive's trading activities
within the meaning of s 8(4). This is because, in my view, the financial control to which the
subsection is directed is a legally enforceable power of control which did not exist between
Shin-Sun and Nature's Hive.

198 Ms Shin's evidence was that Nature's Hive did not have a bank account. I accept this
evidence but it does not follow that Shin-Sun exercised financial control within the meaning
of s 8(4). What that subsection requires is evidence of the exercise of financial control over
trading activities, perhaps in the way in which a parent company may exercise control over a
wholly owned subsidiary. Here, there was no such relationship and any control by Shin-Sun
was revocable: *Henschke* at [69].

199 Nature's Hive and Shin-Sun have different shareholders. They have common directors but that has only been the position since July 2006. Of course, in a practical sense, it may be unlikely that Ms Shin would remove her parents as directors of Nature's Hive. But that is not an answer to the separate corporate identity of Shin-Sun and the power of Ms Shin as the majority shareholder to revoke any exercise of control flowing from common directorships.

200 The "control" which is contemplated by s 8(5) would seem to be as wide as the "connection in the course of trade" to which Aickin J referred in *Pioneer* at 683. His Honour said that the connection 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: see also *Henschke* at [70].

201 However, Aickin J observed in *Pioneer* at 683 that it is essential that the user maintains the connection of the registered proprietor with the goods. That connection is not established on the facts of the present case.

202 It follows in my view that Nature's Hive was not an authorised user of the mark. It also follows that the use of the *HealthPlus* trade mark was likely to deceive or cause confusion within the meaning of s 88(2)(c) of the Act.

Discretion under s 88 and s 89 not to order expungement

203 The power to order rectification under s 88 is expressed in discretionary terms. However, in *EOS Australia Pty Ltd v Expo Tomei Pty Ltd* (1998) 42 IPR 277 at 287, Branson J expressed the view that the terms of s 89 suggest that s 88(1) does not vest a true discretion in the Court.

204 In my opinion, there is force in Branson J's view because s 88(1) is subject to s 89, and s 89 confers a discretion, to be exercised in limited circumstances, not to grant an application for rectification. Nevertheless, this approach has not been taken in other courts: see eg. *Toddler Kindy Gymparoo Pty Ltd v Gymparee Pty Ltd* (2000) 100 FCR 166 at [97]; *Mayne Industries Pty Limited v Advanced Engineering Group Pty Limited* [2008] FCA 27 at [75].

205 Lahore observes at [57,155] that s 89 may be seen as codifying the case law on
blameworthy conduct; accordingly, it deals with the circumstances in which a particular
discretion may be exercised without detracting from the general discretion found in s 88(1). I
propose to proceed on that basis.

206 Dealing first with s 89, I do not consider that Shin-Sun has made out a case for the
exercise of the discretion conferred by that section. This is because s 89 would only be
enlivened in the present case if I were satisfied that the ground of rectification under
s 88(2)(c) has arisen without any act or fault of Shin-Sun. I am not satisfied of this because
the likelihood of deception has come about as a consequence of Shin-Sun's registration as
proprietor of the mark and Shin-Sun's apparent consent to the use of the mark by Nature's
Hive in the manner described above.

207 As to the exercise of discretion under s 88(1), the guiding principles would seem to be
those that were referred to in the authorities under the 1955 Act. The principal factors would
therefore seem to be the public interest and the respective contributions made by the parties
to the proceedings in creating the likelihood that the use of the registered mark would deceive
or cause confusion: *New South Wales Dairy Corporation v Murray Goulburn Co-operative
Limited* (1990) 171 CLR 363 at 391 per Brennan J.

208 In my view, these factors point against the exercise of the discretion so that even if I
may withhold relief under s 88(1), I would not exercise my discretion to do so. In short, it
seems to me that the public interest is better served by expunging a mark that has become
deceptive in the circumstances of this case.

Health World's standing for the purposes of s 88(2)(a) (the s 59 ground) and s 88(2)(c)

209 Even though I am satisfied that Health World has made out the grounds for
rectification under s 88(2)(a) (the s 59 ground) and s 88(2)(c), in my view it does not have
standing to seek the relief because it is not an aggrieved person.

210 As I said above, I do not consider that Health World has any genuine desire to use the
HealthPlus mark. Accordingly, I am not satisfied that it has a real interest in having the

HealthPlus mark removed. Nor would it be appreciably disadvantaged in a legal or practical sense if the mark remains on the register.

The Trade Practices Act and passing off

211 By reason of my findings on the questions of the reputation of Inner Health Plus and deceptive similarity, I reject the claims of contravention of the *Trade Practices Act* and passing off against both Shin-Sun and Nature's Hive.

212 No question arises of the knowing involvement of Ms Shin in any contravention.

Health World's non-use application

213 For reasons referred to above, it is my opinion that Shin-Sun has not used the HealthPlus mark for the three year period referred to in s 92(4)(b). Rather it was Nature's Hive that used the mark during the period and at all other times.

214 The reasons for this may be summarised as follows.

215 First, it is Nature's Hive, not Shin-Sun, whose name is referred to on the packaging of the HealthPlus products.

216 Second, Nature's Hive is the sponsor of the HealthPlus products under the *Therapeutic Goods Act*.

217 Third, Nature's Hive procured the manufacture of all HealthPlus products by entering into the Good Manufacturing Practice Agreements with the manufacturers.

218 Fourth, Nature's Hive is referred to in the advertising and promotion of the HealthPlus products.

219 Fifth, the evidence does not show any connection between the HealthPlus goods and Shin-Sun. I make this finding notwithstanding Ms Shin's assertions, because, as set out above, I do not consider that she distinguished between the activities of Shin-Sun and Nature's Hive.

220 Sixth, as I have already said, Shin-Sun does not exercise control over Nature's Hive in the sense referred to in the relevant authorities.

221 I reject Shin-Sun's submission that the export transaction to Taiwan in September 2001 constituted a use of the mark within the three year period. This is because the invoice referred to "MediPlus Australia – Nature's Hive Pty Limited" and Ms Shin conceded that the invoice indicated that MediPlus Australia was a business that was being carried on by Nature's Hive.

222 I do not accept that the other invoices that were referred to by Shin-Sun may be taken to constitute a trade mark that is "applied in relation to" goods in accordance with s 9(1)(c)(ii). This is because it was not established that goods were delivered following a request or order made by a person referring to Shin-Sun's trade mark as provided in that subsection.

Discretion under s 101(3)

223 Section 101(3) confers a broad discretion on the Court: *Henschke* at [72]. The discretion is conferred so as to give the Court a sufficient degree of flexibility to give effect to public interest considerations: *Ritz Hotel* at 221-225.

224 In *Henschke*, the Full Court declined to interfere with the primary judge's exercise of discretion in a manner favourable to the registered proprietor under s 101(3). However, I do not consider that the approach taken in that case assists Shin-Sun because the primary judge found that there was no public interest adversely affected by the use of the mark: see at [72].

225 In my view, *Henschke* was concerned with a very distinctive family business where the members of the family who were using the mark were the persons who gave the mark its value. That was why the primary judge could see no useful purpose to be served by removing the mark so as to compel a fresh application to be made by the "Henschke interests."

226 Accordingly, I would not exercise my discretion in favour of Shin-Sun in the present proceedings.

Whether Health World has standing under s 92

227 Section 92 in the form in which it stood when Health World filed its non-use
application provided that a person aggrieved had standing to bring an application.

228 For reasons set out above, I do not consider that Health World is a person aggrieved.

229 The amendment to s 92 which came into effect on 23 October 2006 gives standing to
“a person” but there is nothing in the amendment to suggest that it applies retrospectively.

230 It follows that Health World’s non-use application fails on the ground that Health
World does not have standing to bring the application.

Shin-Sun’s non-use application

231 Shin-Sun seeks partial removal of the INNER HEALTH PLUS trade mark under s
92(4)(a) and s 92(4)(b) of the Act.

232 In order to succeed under s 92(4)(a), Shin-Sun must establish that on the day on which
the application for the INNER HEALTH PLUS trade mark was filed for registration, Health
World did not intend in good faith to use the mark in Australia in relation to the goods for
which the application was made.

233 In the present proceedings I have sworn evidence from Mr Gee and Mr Joiner that at
the relevant date, Health World did intend to use the INNER HEALTH PLUS trade mark in
relation to all of the goods for which it was registered.

234 It is true that their evidence sworn in these proceedings disclosed no present intention
to use the Inner Health Plus trade mark for any other products outside the narrow range of the
probiotic product sold under the Inner Health Plus and Inner Health Plus Dairy Free labels.
Moreover, their evidence as to future intention did not extend beyond a vague generalisation
as to the possibility of use on an unspecified type of product.

235 However, the s 92(4)(a) ground looks at the question of intention at the time of the application for registration. As I have said previously, it is difficult to make out this ground.

236 In my view, there is no reason why I should refuse to accept the sworn evidence of Mr Gee and Mr Joiner as to Health World's intentions at the time of the application. Shin-Sun has not discharged its onus of proving otherwise.

237 The s 92(4)(b) ground is made out because Health World accepts that during the three year period, and indeed to the date of the hearing, Health World had used the INNER HEALTH PLUS mark only on the probiotic products which were in evidence in these proceedings.

238 I do not consider that I should exercise my discretion to decline to make an order because the public interest does not favour the continuation of a statutory monopoly on the evidence before me. Health World has not used the mark in relation to other goods for the "non-use" period and the evidence of Mr Joiner and Mr Gee consisted of generalised assertions and beliefs as to proposals to release new, but unidentified products under the Inner health Plus brand.

239 However, in order for Shin-Sun to have standing, s 92(1) in the form in which it stood on the date of filing of Shin-Sun's non-use application required that Shin-Sun be a person aggrieved.

240 In my opinion Shin-Sun does not satisfy the test stated within the authorities referred to above. Shin-Sun does not suggest that it intends to use the INNER HEALTH PLUS mark to identify any of its goods. Nor has Shin-Sun established that if Health World were to use the Inner Health Plus mark to identify goods in class 5, other than probiotic products, the mark would be deceptively similar to the Health*Plus* mark.

241 It follows in my view that Shin-Sun does not have a real interest in partial removal of the Inner Health Plus mark and it is not appreciably disadvantaged in a legal or practical sense if the mark remains on the register in its present terms.

Conclusion and Orders

242 The effect of my reasons is that each of the three proceedings should be dismissed. I propose to make orders in those terms but if the parties consider that more extensive orders should be made to reflect my reasons, they should bring in short minutes of order.

243 I will therefore stand the proceedings over to a date to be fixed for the making of final orders. I will also hear short argument on that date on the question of costs. There is no reason why costs should not follow the event. However, more draconian costs orders may be required in the rectification proceeding bearing in mind that Health World failed on the same matters on which it was unsuccessful before Cooper J.