

Wingate Marketing Pty Ltd v Levi Strauss & Co [1994] FCA 163

FEDERAL COURT OF AUSTRALIA

SHEPPARD, WILCOX & GUMMOW JJ

SHEPPARD J:

This is an interlocutory appeal from a judgment (see (1993) 116 ALR 298) of a judge of this court (Lockhart J) in which his Honour granted final injunctive relief in an action brought by the respondents against the appellants. The appeal is interlocutory because the taking of the account of profits ordered by his Honour has yet to be dealt with. The appeal is by leave granted by the primary judge.

The respondents relied on four causes of action. The first two were causes of action for infringement of their trade marks, the third was a cause of action for breach of s 52 of the Trade Practices Act 1974 (Cth) and the fourth, a cause of action for passing off. His Honour found each of the causes of action established. However, notwithstanding the apparent intention of his Honour and counsel for the respondents, who made submissions to his Honour about the form of the orders to be made, it is now common ground between the parties that no injunction was granted restraining the appellants from engaging in conduct in breach of s 52 of the Trade Practices Act nor in passing off the first appellant's products as those of the respondents. This is a matter which has given rise to a point of contention which, depending on the view that is taken of the case, may be of importance. It is a point to which I shall come in due course. For the moment I propose to concentrate upon the substantive attack which was made by counsel for the appellants on his Honour's conclusions in respect of each of the causes of action upon which the respondents relied at first instance.

THE FACTS

Before coming to the submissions which were made in support of the appellants' case, it is necessary to make reference to the facts of the matter. These are not contentious. The account of them I am about to give comes, for the main part, from his Honour's judgment.

The first respondent is a United States corporation which has, by itself and through its subsidiaries and licensees, for many years carried on the business, both in the United States and in many other countries, of making and supplying jeans and other clothing. It has used in

connection with its products trade marks of which it or other related companies are the registered proprietors. Some of those trade marks are those upon which it has based its case for infringement here. The second respondent is the first respondent's exclusive licensee to manufacture and supply jeans and other apparel in Australia. The clothing it manufactures is made in accordance with the designs and specifications of the first respondent. Such clothing bears the trade marks to which I have referred. Some of the clothing is made here; some is imported. Hereafter I shall not distinguish between the two respondents and will refer to them collectively as ``Levi Strauss''.

The first appellant is a Victorian company. It imports from the United States second-hand denim garments including jeans most of which are discarded Levi Strauss jeans. They are sold second-hand in America, not by Levi Strauss, but by others. The second appellant (Mrs Woolley) is a shareholder in the first appellant (Wingate). She is its managing director and was described by his Honour as ``its driving force''.

The second-hand clothing imported by Wingate is laundered in Australia and subjected to various forms of alteration or treatment including patching, restitching and over dyeing before it is sold. It is marketed under the name of ``Revise''. ``Revise'' is not a registered mark. An application for the registration of it is pending. The application is opposed by Levi Strauss.

His Honour's judgment contains an historical account of the Levi Strauss business which commenced in 1856. It has sold jeans in Australia marked with its trade marks since the early 1960s. Levi Strauss jeans have been manufactured here since 1973.

THE LEVI STRAUSS TRADE MARKS

The traditional Levi Strauss trade mark is the drawing of two horses each being driven in the opposite direction to the other. Between them is a pair of jeans which, so the drawing would suggest, prevents the horses from moving away, thus illustrating the strength of the garment. The mark is known as ``the two horse'' mark. It is registered in Pt A of the register.

Another mark contains, only the word ``Levi's''. The word appears written horizontally. This mark is registered in Pt A of the register. There is a further mark which consists only of the

name ``Levi's''. The word this time is written vertically and the registration is in Pt B of the register.

There are two marks which may be described as Levi Strauss badges. They consist of concentric circles between which appear the name ``LEVI STRAUSS & CO'' and underneath, the words ``SF CAL''. There are two marks because one is registered in relation to garments and the other in relation to buttons. Traditionally Levi Strauss garments have buttons which bear these trade marks. Both marks are registered in Pt A of the register.

There is then a mark which is in the form of a label which bears the name, ``Levi Strauss & Co'', the words ``quality clothing'', the two horse mark and some numbers and letters. The certificate of registration states that registration of the mark gives no right to the exclusive use of the surname ``Strauss'', the expression ``quality clothing'' and the letters and numbers appearing at the bottom of the mark. The mark is registered in Pt A of the register. The mark is of substantial importance in the case because a label bearing it is stitched to the waistband of each pair of Levi Strauss jeans. The stitching is intended to be permanent so that the label remains on the jeans during use and afterwards if they are passed on to subsequent users or are discarded. There is evidence which establishes that the presence of this label on the jeans is of importance to purchasers of new and second-hand jeans and to wearers of them. I shall refer to this mark as ``the Levi Strauss label''.

A further mark consists of the figures ``501''. This is registered in Pt B of the register in respect of jeans. Levi Strauss 501 jeans are said to be of a higher quality than its standard garments.

Finally there are trade marks which show a form of stitching pattern on the back pockets of jeans. The stitching is known as arcuate (ie curved or arched) stitching. The stitching is distinctive and runs across the middle of the two back pockets of jeans. Two marks are registered in respect of this stitching, one showing one pocket (registered in Pt B of the register) and the other being a composite of the two back pockets and the Levi Strauss label. This latter mark is registered in Pt A of the register.

In the course of his judgment, the learned primary judge included reproductions of the various trade marks: see 116 ALR at 302-4. In those circumstances, I have not thought it necessary to include reproductions of them in my own reasons. I should mention, however, that all the

registrations are in respect of clothing (which is variously described) included in class 25 except for the one trade mark which is in respect of buttons included in class 26.

MARKETING OF LEVI STRAUSS JEANS

The Levi Strauss range of products is aimed predominantly at a market aged between 10 and 40. The range includes jeans, shirts and accessories. His Honour said Levi Strauss is best known for, and cultivates its connection with, the sale of jeans to young people.

As mentioned, the 501 style of jeans is at the premium end of the market. Over 10% of the units sold in 1991 were pairs of "Levi's 501" jeans.

In February 1991 Levi Strauss began to sell blue indigo Levi's 501 jeans with a second-hand look. In April black jeans with a second-hand look were introduced. These jeans are sold in Australia with a label which says that the garment has undergone a special process in order that a second-hand look may be produced. There is a warning on the label that the garment is not guaranteed to wear as long or as durably as regular Levi Strauss garments. No quality guarantee label is attached to second-hand look jeans. His Honour said that these garments gave customers what they perceived to be the advantage of being able to wear fashionable jeans which looked worn and thus did not need to be worn in.

Over 28 million units of Levi Strauss products were sold in Australia between 1981 and 1991. Each incorporates one or more of the Levi Strauss trade marks. Some 1400 retailers sell Levi Strauss products at approximately 2300 retail sales outlets. Levi Strauss garments have been extensively advertised and promoted.

His Honour described in some detail the manufacturing process and the steps taken to control the quality of the product. Jeans which do not meet the requisite standard of Levi Strauss are classified as seconds or thirds and so marked. The garments are marked to indicate that they do not meet Levi Strauss' "high standards of quality". The second quality pair of jeans (seconds) must have the Levi Strauss tab removed and the leather like patch with the Levi Strauss two horse trade mark (ie the Levi Strauss label) must be defaced with the word "Irregular" stamped on it in black ink. The word "Irregular" is also stamped inside the jeans

on the pocket lining. All other signs of Levi Strauss' trade marks are removed. The seconds garments are sold at seconds outlets at reduced prices.

Third quality jeans are not sold. They are boxed and transported to the cutting room where they are cut up and disposed of.

WINGATE'S OPERATIONS AND THE MARK REVISE

Mrs Woolley has full responsibility for the operations of Wingate. In 1990 she set up the business, which is owned by Wingate, of importing second-hand American garments. In relation to Mrs Woolley's commencement of operations, his Honour said (116 ALR at 307):

The idea of commencing the business came to her during a trip to the United States in which she realised that recycled clothing had become fashionable on both the east and west coasts. She thought that the concept of recycled clothing was excellent because of the huge volumes of clothing manufactured each year and the consumption of raw materials during the process of manufacture. At the same time she recognised there were problems of attitude in the community to be overcome if she was to be successful in marketing recycled clothes, as people attach a stigma to the wearing of second-hand clothes which in the public mind are associated with charity outlets and "Op shops". She believed that the best way to make the business successful would be to make the presentation of the clothing as attractive as possible.

She hoped to market the clothing in retail outlets and believed that the presentation of the product and appropriate labelling and ticketing were necessary. She gave evidence that she and her husband reached the conclusion that they should call the products by a name which indicates that they are recycled products; hence they chose the name "Revise".

His Honour observed that the word "Revise", although susceptible of a variety of meanings, does not normally carry the connotation of recycle or re-use. I respectfully agree with his Honour that the word is not an apt one to use in this context.

His Honour went on to discuss evidence she had given about the reason why she chose the word. He referred to her denial that the name was chosen by her because it looked like and sounded like "Levi's". His Honour said (116 ALR at 307):

I do not accept her evidence on this point. In my opinion Mrs Woolley chose the name "Revise" because it was a rather clever play on "Levi's", if pronounced "Reevise" (with the accent on the first syllable, to rhyme with "Levi's"), which the evidence demonstrates is the pronunciation adopted by a significant number of people. In my view she had in mind that consumers might associate "Revise" with "Levi's", whether pronounced "Revise" or "Reevise" (especially as the same shops would tend to sell both products), and think that "Levi's" and "Revise" had the same badge of origin notwithstanding that Revise jeans are second-hand. My view on this matter is based

also on Mrs Woolley's evidence about the choice of labels from time to time attached to Wingate's products, to which I shall return. Mr Woolley did not give evidence, though I draw no inferences from that circumstance.

Although counsel for the appellants mentioned at one stage that he proposed to challenge this finding, no real attempt to persuade us to disturb it was made. I propose to proceed upon the basis that his Honour's finding is correct.

His Honour said that Wingate imported large quantities of second-hand denim from the United States of America. There is apparently a developed network of recycling and used denim is freely available. All recycled products sold by Wingate have been marketed under the name "Revise" since about November 1990. On 11 November 1990 Wingate applied for the registration of a trade mark containing the word. This application is apparently still under consideration.

The clothing imported by Wingate is in most cases obviously worn clothing. As mentioned, this appears to add to its attractiveness in the minds of some people. Much of it is worn through, is ripped or contains holes. Sometimes this has already been patched or mended by previous owners but in many cases Wingate patches the product itself to make it attractive. Many of the patches are conspicuous. Some jeans are patched with suede patches, American flags or other colourful pieces of material. Jeans which are stained are dyed. Although it is fashionable and attractive to some for the jeans to be presented as worn and "lived in", it is the normal practice of Wingate to recondition or repair the jeans to ensure that, while preserving their unique appearance, they are saleable and durable denim products.

THE WINGATE LABELLING AND THE LEVI STRAUSS REACTION TO IT

Since November 1990, Wingate has used a variety of labels to identify its product. All have had the word "Revise" prominently printed on them. In the first version the letters "r" and "e" (where secondly appearing) were not shaded in and were to be contrasted with the remaining letters "evis". which were shaded in and thus more prominent. A good deal was made of the similarity between "Levi's" and "evis" especially since the "i" in the "evis" had a large dot above it in a position not too distant from where the apostrophe in "Levi's" appears. However the dot had another purpose. A larger representation of it appeared under the name

“Revise” beside which in smaller type was the word “Recycled”. Under this word were the words “Environmentally Friendly Clothing”.

Correspondence passing between the parties or their representatives in relation to this label needs to be referred to because it formed the basis of a significant submission made by counsel for the appellants, a submission which was not made to his Honour. On 21 December 1990, the then solicitors for Wingate, Messrs Hicks & Oakley, wrote to Mr Oaten of Baker & McKenzie, the solicitors for Levi Strauss, enclosing a copy of a letter written directly to Levi Strauss. The letter said that a letter addressed to Wingate was enclosed “as discussed”. The letter to Levi Strauss was also dated 21 December 1990. The letter was as follows:

We act for Wingate Marketing Pty Ltd and confirm that our client instructs us that the “Revise” tickets will be amended so that all letters will be shaded identically. In other aspects the ticket will remain the same.

Our client undertakes to arrange for overprinting of existing tickets, by machine or by hand. Approximately 300 tickets are to be amended, or withdrawn. In future tickets will be printed with uniform shading as agreed.

Our client agrees to this action without any admission of liability to you whatsoever and on the clear understanding that both parties agree to take no further action whatsoever against each other or any other party as a result of this matter.

Baker & McKenzie responded to this letter on 5 March 1991. Reference was made to the Hicks & Oakley letter and to the fact that the word “Revise” would be amended so that all letters would be shaded identically. The letter continued, “This was agreed with respect to future tickets as well as tickets then in the market”. Hicks & Oakley were asked to confirm that the amendment had been carried out. On 6 March 1991 Hicks & Oakley wrote saying that the amendment had been made and that the tickets had been reprinted with the agreed shading.

Counsel for the appellants submitted that these letters constituted an agreement between the parties whereby the respondents agreed that the alteration of the tickets would satisfy their complaints. In substance, the point upon which the appellants rely is that the correspondence to which I have referred thereafter prevented the respondents from relying on the use by the appellants of the word “Revise” as an infringement of their trade marks. Alternatively, counsel for the appellants seeks to use this correspondence in order to show that Levi Strauss itself did not regard the use of the word “Revise” per se as an infringement of any of its rights.

The letter from Baker & McKenzie was signed by Mr Oaten. On 23 May 1991 Baker & McKenzie wrote to Wingate. The letter was signed by Mr McLean. The terms of the letter suggest that Mr McLean wrote it without knowledge of the previous correspondence. Amongst other things the letter said that used jeans were being distributed to retail outlets with labels affixed which bore, inter alia, the word "Revise". Reference was made to a poster which featured a photograph of a man astride a motor bike wearing jeans with the "Revise" label attached and the words "Recycled American Levi's". It was claimed that the conduct amounted to the unauthorised use of the Levi Strauss trade marks on promotional and points of sale material. A demand was made that the conduct complained of cease and action was threatened.

On 27 May 1991 Hicks & Oakley referred to the previous correspondence and said that Baker & McKenzie had previously approved the Wingate ticketing. The allegations made in the Baker & McKenzie letter were denied. The letter concluded by saying that Wingate would agree to show on its ticketing the words, "Imported to Australia and distributed by Wingate Marketing Pty Limited". The correspondence continued until 2 December 1991 when the application and statement of claim in this matter were served.

In that period and thereafter further changes were made to the "Revise" label. The present form of label came into existence on 2 March 1992. It was the fifth edition of the label. It contains the word "Revise" in large black type with the dot over the "i". Under this is a statement that the garment was made in the United States. The word "Recycled" appeared beside a dot or asterisk in the same form as the dot over the "i". Below this are the words "Second Hand Environmentally Friendly Clothing". The print, although smaller than the earlier print, is quite prominent. At the bottom of the label appear the words (in quite small print), "Imported to Australia and modified by Wingate Marketing Pty Limited ...".

THE MARKETING OF WINGATE JEANS

The evidence establishes that Revise jeans are often sold in stores where Levi Strauss jeans are sold and that on occasions they are displayed close to the display of Levi Strauss jeans, particularly those which, although new, are deliberately made to appear to be second-hand. In each case the Revise labels are prominently attached to the jeans, but, of course, the Revise jeans bear some of the Levi Strauss marks. In particular they continue to have the Levi Strauss label sewn to the waistband depicting the two horse mark, the Levi Strauss buttons and the

arcuate stitching on the pockets. Sometimes they also have the vertical LEVI'S mark attached beside one of the back pockets. The presence of these various Levi Strauss marks was relied upon by Levi Strauss in a number of ways to which I shall come in due course.

There was evidence from sales staff and from members of the public about their reaction to the Revise jeans with particular reference to their views as to whether they thought that the Revise jeans were marketed directly or indirectly by Levi Strauss or a company associated with it. His Honour has summarised this evidence in his judgment and I do not refer to the entirety of it. I shall, however, take two examples.

Ms Batzogianni is a sales assistant in the Miss Shop at Myer, Chadstone, Victoria. She saw second-hand Levi's 501 blue jeans with the cardboard "Revise" label on the back pocket. This was in February 1992. She said the jeans sold quickly. She also said that experienced customers usually asked for Revise jeans or second-hand jeans or Revise Levi's. Until 1 October 1992 she thought that Revise jeans were brought out by Levi Strauss and that Levi Strauss was distributing the Revise jeans by getting second-hand jeans, washing them, labelling them and reselling them. She said that when the Miss Shop stocked Revise jeans, she put them on a rack next to the new Levi Strauss jeans on the shelves. Because the Levi Strauss label was still on the Revise jeans when they came into the shop, she assumed that they were jeans from Levi Strauss. She said that customers tended to ask for Revise jeans by pronouncing "Revise" as "Reevise" to rhyme with Levi's.

Ms M L Butcher was the customer services manager of the Miss Shop at Grace Bros in Chatswood, a Sydney suburb. She had a staff of approximately 13 sales assistants. Originally, Wingate's Revise jeans were not sold at the Chatswood shop but were sold in the Grace Bros city store. The Chatswood shop began to sell the jeans in October 1992, but these were jeans which bore a cardboard label containing the word "X-US". She said that customers had been asking for second-hand Levi's jeans since December 1991. They usually asked for "second-hand Levi's" or "recycled Levi's". She did not recall customers using the name "Revise" when inquiring after second-hand Levi's jeans.

In a conversation she had with the Levi Strauss representative at the beginning of 1992, she learnt for the first time that second-hand Levi Strauss jeans were not being sold to Grace Bros by Levi Strauss. She said that it was about that time that all Grace Bros stores were made aware

that Revise jeans were not Levi Strauss products. Instructions were given that Revise second-hand jeans were not to be displayed near Levi Strauss jeans.

His Honour referred to the evidence of these and other witnesses who gave similar evidence and said (116 ALR at 313-14):

Conclusions which I draw from their evidence may be briefly stated. Sales staff in retail stores including Myer, Grace Bros, Dotti of Centrepoint, Sportsgirl in the Pitt Street Mall, Sydney, have been and are confused as to whether Levi Strauss is in some way involved in the recycling and resale of second-hand Levi's jeans under the name "Revise". They are confused as to whether Levi Strauss is the source of Revise jeans.

Also, statements were made to customers in some of these retail stores by shop assistants that are likely to confuse customers as to the source of Revise jeans; in that customers are confused as to whether or not Levi Strauss is in some way involved in the sale of Revise jeans. I am satisfied that a substantial body of the purchasers of jeans from retail stores and a material number of sales staff employed at retail stores hold the view that Levi Strauss engages in the business of recycling and reselling its jeans as second-hand jeans.

Most of the shops which sell Revise jeans are shops which (not including the Revise products) sell new, not second-hand goods; but some of them sell new and second-hand goods (eg Dotti of Centrepoint).

The retail prices of Revise jeans are broadly similar to the prices of new Levi's, though generally Revise jeans are cheaper, but some are dearer.

THE LEVI STRAUSS CASE AND THE ORDERS OF THE PRIMARY JUDGE

As mentioned, the case was put to his Honour in three ways. First, it was said that the use by Wingate of the REVISE mark was an infringement of the two Levi Strauss marks consisting of the word "Levi's". Secondly, it was said that the use of the Levi Strauss marks, particularly the two horse mark on the Levi Strauss label on the waistband of the second-hand jeans, was an unauthorised use of the Levi Strauss and other marks. This was so whether or not the jeans had the "Revise" label placed on them. Thirdly, it was claimed that the conduct of Wingate in marketing the Revise jeans in the way that has been described constituted conduct on the part of Wingate which was contrary to the provisions of s 52 of the Trade Practices Act and also amounted to passing off. It was said that Mrs Woolley was a person knowingly concerned in the offending conduct under s 52 of the Trade Practices Act (see s 75B) and was herself liable in respect of it: see s 80.

His Honour made the following orders in relation to the first and second causes of action against Wingate.

- (1) The first respondent by itself its servants and agents be restrained from infringing the registered trade marks A251,717 and B220,174 (the applicants' Levi's trade marks) by using the mark REVISE in relation to men's, women's and children's denim jeans or shorts bearing the applicants' Levi's trade marks (Revise marked Levi's jeans) in the course of trade by supply to any person for the purpose of supply or re-supply to the public by any person from retail outlets which supply jeans or shorts.
- (2) The first respondent by itself its servants and agents be restrained from infringing the following registered trade marks (the applicants' trade marks):
 - (a) No A192,104;
 - (b) No B220,174;
 - (c) No A251,717;
 - (d) No A299,544;
 - (e) No A299,545;
 - (f) No B302,847;
 - (g) No B304,665;
 - (h) No A324,592;
 - (i) No A328,729; and
 - (j) No B442,533

by selling or offering for sale jeans which were originally made by or with the authority of the first applicant or to its designs and specifications; which have previously been sold to retail purchasers in Australia or outside Australia; and which bear one or more of the applicants' trade marks; and which have been stonewashed, patched, cut-off, colour-stripped, bleached, dyed or painted or have otherwise been substantially altered without the licence of either of the applicants (altered Levi's jeans).

The marks referred to in order (2) are all the marks to which reference has earlier been made. Order 3 restrains Mrs Woolley from procuring or authorising Wingate or any other person to infringe the Levi Strauss ``Levi's'' trade marks by using the word ``Revise'' in relation to Levi Strauss jeans and order (4) restrains her from procuring or authorising Wingate or any other person to infringe the Levi Strauss trade marks by selling or offering for sale ``altered Levi's jeans''. The expression ``altered Levi's jeans'' is defined in order (2) above set out.

Each of these orders is, in my opinion, an order restraining the infringement of one or more of the the Levi Strauss marks but is not an order giving relief in respect of the causes of action based on s 52 of the Trade Practices Act and passing off. There was a good deal of discussion about this in the course of the hearing because the court raised with counsel the possibility that it might reach the conclusion that the causes of action upon which Levi Strauss was entitled to

succeed were not causes of action for infringement of trade marks but causes of action for breach of the Trade Practices Act and passing off. We were referred to the transcript of the discussion about the orders with the primary judge on 28 July 1993 in which the question of the orders to be made was considered. Both counsel and his Honour appear to have thought that orders in the form which were granted were appropriate both for infringement of trade marks and breach of the Trade Practices Act and passing off. Indeed, at one point, counsel for Levi Strauss said that the orders were both trade mark and s 52 injunctions. His Honour said that they probably were, but added that he had been looking at them as "trade mark injunctions" and was looking "for others" which were absent. The matter was left on that footing.

In the view I take of the matter, there is no order giving relief in respect of the Trade Practices Act and passing off causes of action. The orders were made at the invitation of counsel for Levi Strauss and there is now a question whether, if it is appropriate to grant relief for breaches of the Trade Practices Act and passing off (either instead of or in addition to the existing relief) that should be done over the objection of counsel for the appellants. That is a matter which requires consideration.

THE RELEVANT PROVISIONS OF THE TRADE MARKS ACT

Before coming to grips with the first question which is whether the REVISE mark infringes the relevant Levi Strauss trade marks, I propose to refer to the relevant sections of the Trade Marks Act 1955 (Cth). "Mark" is defined in s 6(1) to include a device, brand, heading, label, ticket, name, signature, word, letter or numeral, or any combination thereof. "Trade mark" means a mark used or proposed to be used in relation to goods or services for the purpose of indicating, or so as to indicate, a connection in the course of trade between the goods or services and a person who has the right to use the mark either as proprietor or registered user. The mark need not contain an indication of the identity of that person. Section 6(3) provides, that, for the purposes of the Act, a trade mark shall be deemed to be deceptively similar to another trade mark if it so nearly resembles that other trade mark as to be likely to deceive or cause confusion.

Part III of the Act provides for registration and Pt IV for registrable trade marks. Section 24, which is in Pt IV, provides that a trade mark is registrable in Pt A of the register if it contains or consists of, inter alia, the name of a person represented in a special or particular manner or

a word not having direct reference to the character or quality of the goods or services in respect of which registration is sought. Also falling within s 24 are invented words ``and, any other distinctive mark''. Section 25 provides that a trade mark is registrable in Pt B of the register if it is distinctive or is capable of becoming distinctive of goods or services in respect of which registration of the trade mark is sought and with which the applicant for registration is or may be connected in the course of trade. Section 26 makes particular provisions about distinctiveness.

Section 28 of the Act provides that a mark which is, inter alia, a mark, the use of which would be likely to deceive or cause confusion, shall not be registered as a trade mark.

Part V of the Act provides for applications for registration and Pt VI for opposition to registration.

Part VII of the Act provides for registration and the effect of registration. Section 58, which is in Pt VII, provides for the rights given by registration. The registration of a trade mark in Pt A or Pt B of the register, if valid, gives to the registered proprietor of the trade mark the right to the exclusive use of the trade mark in relation to the goods or services in respect of which the trade mark is registered and to obtain relief in respect of infringement of the trade mark in the manner provided by the Act. Section 62 is in the following terms:

- 62 (1) A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or a registered user of the trade mark using by way of permitted use, uses a mark which is substantially identical with, or deceptively similar to, the trade mark, in the course of trade, in relation to goods or services in respect of which the trade mark is registered.
- (2) In an action for infringement of a trade mark registered in Part B of the Register (not being an infringement occurring by reason of an act referred to in the next succeeding section), an injunction or other relief shall not be granted to the plaintiff if the defendant establishes to the satisfaction of the court that the use of the mark of which the plaintiff complains is not likely to deceive or cause confusion or to be taken as indicating a connexion in the course of trade between the goods or services in respect of which the trade mark is registered and a person having the right, either as registered proprietor or as registered user, to use the trade mark.

It may be observed that Wingate did not raise any defence under s 62(2) in respect of any of the Levi Strauss marks registered in Pt B of the register.

WAS THE REVISE MARK AN INFRINGEMENT OF THE LEVI'S MARKS?

His Honour concluded that Wingate's use of the mark REVISE was deceptively similar to the registered trademark LEVI'S. He was of opinion that it was a mark that was likely to deceive or cause confusion amongst the relevant class of persons.

In reaching his conclusion, his Honour took into account a number of factors. He commenced his consideration of the matter with ``an ocular examination'' of the registered marks and the Wingate labels. He said that the word ``Revise'' in the second of the labels used suggested Levi's to him when the two words were used in conjunction with each other. He thought that there was a tenuous connection between revision and recycling but he did not regard the former as a synonym for the latter. His Honour went on to consider the different wording on the successive labels that followed the second and concluded that none, including the fifth and last label, introduced any relevant change. I respectfully agree with this because the offending mark, if that is what it is, REVISE, was by far the most significant word on each of the labels. It was prominently displayed and stands out from everything else on the label. It is plainly used as a mark. Whether it itself would be a registrable mark under the Act, if it were not an infringing mark, is not a matter upon which I express any opinion.

In addition to making an ocular examination of the words in question, his Honour also considered them aurally. He said (116 ALR at 316):

I have gained assistance from the evidence in the case from consumers and people in the trade. There was evidence concerning the pronunciation of ``Revise'' whether as ``Revise'' or ``Reevise''. Many people in fact pronounce Wingate's mark to rhyme with ``Levi's'', which I must say at first surprised me because it is certainly not my understanding of the customary pronunciation of the word in this country. But in the context of the relevant trade with which this case is concerned it is not surprising that there is a substantial number of people who do pronounce ``Revise'' as ``Reevise'', to rhyme with ``Levi's''.

In my opinion, no error is disclosed in what his Honour has said in relation to his ocular and aural examination of the two marks. But counsel for Wingate submitted strongly that his Honour had misdirected himself in other passages of his judgment. Before I refer directly to them, I need to quote further paragraphs to show how his Honour led into the matter which is complained of. His Honour said (116 ALR at 315-16):

The manner of sale of the jeans is important. Revise jeans are sold alongside and amongst new Levi's jeans. The prices between [sic] the two jeans are roughly comparable. The nature of the goods is important because in recent years a large segment of the market for Levi's jeans consists of people who like the look of second-

hand jeans, but want them to be new. Elaborate and careful measures are adopted by Levi Strauss to ensure that certain of their jeans have the second-hand look, albeit they are in fact new jeans. The Revise jeans being second-hand certainly have the second-hand look. It is an unusual circumstance and one that is of importance.

Another important factor is that Revise labels are placed upon Levi's jeans which themselves bear the Levi Strauss trade marks so that consumers see the Revise label alongside the Levi Strauss marks. It is fundamental to the marketing policy of Wingate that the consumers buy Levi's jeans which originate from Levi Strauss bearing its trade marks.

It is true that Wingate does not control the marketing methods of retailers, who in fact place the new and second-hand jeans in close proximity. But by pursuing the marketing strategies which it does, Wingate has placed in the hands of retailers a product which is very easily confused with new Levi's jeans.

There then appears the paragraph earlier quoted concerning the way in which some customers pronounce ``Revise''. Then comes the critical statement. His Honour concluded this part of his judgment by saying (116 ALR at 316):

In all the circumstances in my opinion Wingate's use of the mark REVISE is deceptively similar to the registered trade mark LEVI'S.

Counsel submitted that his Honour's statement in this sentence that Wingate's use of the mark REVISE was deceptively similar to the registered trade mark LEVI'S was not a relevant finding. He contended that the correct question which his Honour should have asked himself was whether Wingate was using a mark which was deceptively similar to the Levi Strauss marks. That, so counsel said, was what s 62(1) required. Accordingly, his Honour's judgment revealed error because he had not compared Wingate's mark with the Levi Strauss marks. Instead, he had compared Wingate's *use* of the mark with those marks.

The distinction is a fine one, but I think that the point has substance. It may be that the way his Honour has put the matter is no more than an oversight or a slip of the pen. But the problem about taking that approach is that earlier in his judgment, his Honour said (116 ALR at 314):

The question is whether *the use by Wingate* of the mark REVISE so closely or clearly resembles LEVI'S as to be likely to deceive or cause confusion. [Emphasis added.]

And a little later (at 315):

The test is to compare the registered trade mark of Levi Strauss and the actual use by Wingate of its mark REVISE in the course of its business: ...

So the apparent error appears three times.

In support of the way he put the matter, his Honour made reference to some authorities including *Australian Woollen Mills Ltd v FS Walton & Co Ltd* (1937) 58 CLR 641 where Dixon and McTiernan JJ said (at 658-9):

In deciding this question [whether the mark in question infringed the plaintiff's mark], the marks ought not, of course, to be compared side by side. An attempt should be made to estimate the effect or impression produced on the mind of potential customers by the mark or device for which the protection of an injunction is sought. The impression or recollection which is carried away and retained is necessarily the basis of any mistaken belief that the challenged mark or device is the same. The effect of spoken description must be considered. If a mark is in fact or from its nature likely to be the source of some name or verbal description by which buyers will express their desire to have the goods, then similarities both of sound and of meaning may play an important part. The usual manner in which ordinary people behave must be the test of what confusion or deception may be expected. Potential buyers of goods are not to be credited with any high perception or habitual caution. On the other hand, exceptional carelessness or stupidity may be disregarded. The course of business and the way in which the particular class of goods are sold gives, it may be said, the setting, and the habits and observation of men considered in the mass affords the standard. Evidence of actual cases of deception, if forthcoming, is of great weight.

...

The main issue in the present case is a question 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.

Another of the authorities referred to by his Honour was *Cooper Engineering Co Pty Ltd v Sigmund Pumps Ltd* (1952) 86 CLR 536. There Dixon, Williams and Kitto JJ said (at 538) that the proper approach to the question whether the word "Rainmaster" so resembled the word "Rain King" as to be likely to deceive or confuse was that propounded by Lord Parker (then Parker J) in *Re Pianotist Co Ltd's Application* (1906) 23 RPC 774. Both the *Pianotist Co* case and the *Cooper Engineering* case were cases in which an application for registration of the allegedly offending mark was opposed. The proceedings were not infringement proceedings. In the passage approved by the judges of the High Court in the *Cooper* case, Parker J said (at 777):

You must take the two words. You must judge of them, both by their look and by their sound. You must consider the goods to which they are to be applied. You must consider the nature and kind of customer who would be likely to buy those goods. In fact, you must consider all the surrounding circumstances; and you must further consider what is likely to happen if each of those trade marks is used in a normal way as a trade mark for the goods of the respective owners of the marks. If, considering all those circumstances, you come to the conclusion that there will be a confusion — that is to say, not necessarily that one man will be injured and the other will gain illicit benefit, but that there will be a confusion in the mind of the public which will lead to confusion in the goods — then you may refuse the registration, or rather you must refuse the registration in that case.

I do not find in the authorities cited by his Honour, particularly *Australian Woollen Mills*, *Cooper Engineering* and the *Pianotist* case, support for the proposition that it is the nature of the use by Wingate of its mark in the course of its business which will provide the key to the question whether or not the mark is an infringing one. The question which s 62(1) of the Act raises for consideration is whether Wingate is using a mark which is deceptively similar to the two relevant Levi Strauss marks. But whilst it is unquestionably relevant to know precisely how the alleged infringer is using his mark, the problem in the present case is that the use of the mark is but one of a number of factors the accumulation of which constitutes Wingate's marketing strategy and practices. The conduct of Wingate may be unlawful, but the unlawfulness may not be because of the use of the mark per se; it may be that it arises because of the use of the mark in particular circumstances which are intended by Wingate to achieve a situation in which the customer will think that the Revised jeans are being marketed by or on behalf of Levi Strauss.

This case is unlike most other cases. In more usual types of cases, there are two distinct products each bearing a mark. One of the marks is being applied or is intended to be applied to a product which will compete with the product marked with the trade mark which is already registered. Here, the Wingate product is not essentially a product manufactured by it; it is a product which consists of second-hand clothing, usually jeans, which were undoubtedly originally manufactured and sold by or on behalf of Levi Strauss and eventually discarded by wearers. Wingate, by recycling them, has put them back into the course or flow of trade. In doing so, it has, as it intended to have, the benefit of the Levi Strauss name. That name carries with it the reputation and goodwill which Levi Strauss products enjoy. It is an essential feature of Wingate's marketing activities that it is marketing Levi Strauss jeans. If the product was not a Levi Strauss product, it is unlikely that it would command the market which it has enjoyed for the last two years or so which has resulted in the sale of approximately 80,000 pairs of Levi Strauss jeans. Furthermore, it would be unlikely that such a product would be marketed in stores which usually stock only new goods. The fact that stores are prepared to stock the product is due in large measure, not only to the Levi Strauss name being on the jeans, but also to the marketing by Levi Strauss of jeans which have a second-hand appearance. Thus Wingate is able to find a niche in the market because it markets Levi Strauss jeans which are actually second-hand jeans and which bear the Levi Strauss trade marks. Most importantly they bear the Levi Strauss label stitched to the waistband of the jeans as well as the buttons and the

arcuate stitching marks on the back pockets. All these things are essential for a successful marketing of the Wingate product.

What is not essential to this exercise is its own label which contains the word "Revise". As the witnesses from Myer and Grace Bros stressed, the customers were not always interested in Revise jeans; they wanted second-hand or recycled Levi's jeans. Moreover, the Revise label is cardboard. As soon as a purchaser takes his or her purchase away, the label will be discarded and the jeans will be Levi Strauss jeans in every sense except in those cases where the restoration process has involved substantial patching or additions to the garment. This is relevant to the second cause of action for infringement of trade mark and the appeal against the second of the orders made by his Honour. It is not relevant to the first cause of action and the first order which concern the use of the word "Revise" alone.

Factually there can be no question but that what his Honour has said in the passage from his judgment earlier quoted, and which counsel for Wingate challenges, is correct. The question is whether what his Honour has said is relevant to a cause of action for passing off rather than the cause of action for infringement of trade mark by the use of the word "Revise".

When considering the question at issue it is important to bear in mind that the statute does not refer to the use of a mark in particular circumstances so as to give rise to a cause of action where the use of the mark, when one takes the entirety of the circumstances together, plays a part in the deceptive conduct which is involved. The section says, "uses a mark which is substantially identical with, or deceptively similar to" the trade mark; it does not say "uses a mark which is, in the circumstances in which it is used, looked at as a whole, substantially identical with ...".

The treatment by the learned primary judge of the first cause of action does depend upon the mark REVISE being used in relation to jeans or shorts bearing the Levi Strauss trade marks. That view is reflected in order (1) made by his Honour. I am not prepared to say that it was irrelevant for his Honour to take the fact that both the Wingate and Levi Strauss marks would appear on the garment into account but my difficulty is to know to what extent the customers were misled or confused by the use of the mark REVISE as distinct from the fact that the goods were second-hand jeans upon which appeared the Levi Strauss label and other marks. This is not a matter upon which we have the benefit of a finding and we must consider it for ourselves.

Both visually and aurally the mark REVISE, as his Honour found, closely resembles LEVI'S. Particularly is this the case when "Revise" is pronounced "Reevise" as the evidence establishes it often is. Usually, if not invariably, the mark appears on garments which are plainly Levi Strauss garments. Many of these would not bear either of the LEVI'S marks, although it is probable that many did have permanently stitched to them the vertical LEVI'S mark which is registered in Pt B of the register. Those which did not bear this mark would bear the Levi Strauss label. In all these cases customers or potential customers would see the two marks ie one or more of the Levi Strauss marks and the REVISE mark on the garment. In cases where there were no Levi Strauss marks on the Wingate jeans — there is no evidence that there were any — there would arise for Wingate the problem that, in the words of the High Court in *Australian Woollen Mills* earlier quoted, the marks ought not be compared side by side and that the impression or recollection carried away and retained by customers or potential customers is necessarily the basis of any mistaken belief that the challenged mark is deceptively similar to the mark of the applicant for relief.

These matters are, in my opinion, themselves sufficient to warrant the conclusion that the REVISE mark is deceptively similar to the relevant Levi Strauss marks. There is an additional consideration. It is that Mrs Woolley intended the mark REVISE to raise in some people's minds a belief that her product was in some way connected with Levi Strauss. Upon his Honour's findings, which, as mentioned, were not challenged, she intended the word "Revise" to suggest Levi's. It is true that this was in the context of the whole exercise including the matters already taken into account, namely, the presence of the Levi Strauss labels on the garments and the sale of them in shops usually selling new, as distinct from second-hand goods. But the mark REVISE was an essential part of the totality of the Wingate marketing operation.

The case is one, therefore, where the alleged infringer intended that the mark REVISE itself would lead numbers of people to think that Wingate jeans were being marketed by or on behalf of Levi Strauss. In accordance with well known principle, why should that not give rise to the drawing of an inference that she had indeed succeeded in her object? The Wingate garments have enjoyed substantial sales. So the whole enterprise has succeeded in just the way Mrs Woolley foresaw that it might.

In all these circumstances, I have reached the conclusion that Wingate is using a mark which is deceptively similar to the relevant Levi Strauss marks.

It follows, in my opinion, that his Honour was correct in reaching the conclusion he did. The appeal in relation to the first cause of action for trade mark infringement should be dismissed.

THE SECOND CAUSE OF ACTION FOR INFRINGEMENT OF TRADE MARK — SALE OF SECOND-HAND GOODS

I go to the second cause of action, also for infringement of trade mark. This cause of action does not depend upon the REVISE mark. It depends upon there being on the garments marketed by Wingate the Levi Strauss marks and labels thus, so it is said, giving the impression that the goods were being marketed directly or indirectly by Levi Strauss.

In dealing with this aspect of the case, his Honour referred to the fact that a trade mark is a badge of origin not of control. He referred to a number of authorities including the judgment of Burchett J in *Fender Australia Pty Ltd v Bevk* (1989) 25 FCR 161; 89 ALR 89 . Eventually he said (116 ALR at 320):

The fact that second-hand goods, whether reconditioned or not, are sold by someone other than the registered proprietor of the trade mark, but still bearing the mark, does not render its sale an infringement of the trade mark provided the manufacturer is not identified with any inferior qualities of the product which result from the wear and tear or the reconditioning. All the person is doing is telling the truth, namely, that the use of the mark is simply to indicate that the goods are connected with the proprietor albeit that they are second-hand goods. The second-hand dealer doubtless gets some advantage from the use of the mark, especially if it is a well known mark; but so long as the registered owner of the mark is not identified with any inferior qualities of the goods which result from reconditioning, repair or wear and tear, the registered proprietor cannot rely upon his registration to restrain the dealer from selling goods under the original trade mark. There has been no intrusion into the protection which the Act gives the registered proprietor with respect to his mark. See *Kerly* [*Kerly's Law of Trade Marks and Trade Names*], 12th ed, para 14-31.

It is a question of fact whether a repaired or reconditioned article sold by someone other than the registered proprietor of the trade mark, but sold under the trade mark, links the second-hand goods to the proprietor of the mark so as to identify the proprietor with the goods' inferior qualities or wear and tear.

His Honour formulated some principles which are the foundation for his decision on the question. He said (116 ALR at 322):

In the case of the sale of most second-hand goods the public would assume, it seems to me, that they are likely to be worn and to have been subjected to some process of

repair, including stitching or cutting, and generally they would be cheaper. Although the goods, assuming they bear the registered trade mark of the original owner, would no doubt be bought at least partially because of the reputation associated with that owner through the trade mark, the buyer would not assume that the second-hand seller is, or is connected with, the original owner of the goods. The exception to this is, I think, the principle which is recognised in the overseas cases to which I have referred, namely, that it does derogate from the rights attaching to a trade mark if repair or reconditioning is so extensive or fundamental that it is a misnomer to call the article by its original name and so as to result in the marketing of a different product. In such a case the manufacturer is entitled to protection of its mark as the producer and marketer of the original product: see *Kerly*, 12th ed, para 14-31.

He also said (at 322):

Once goods manufactured by the registered proprietor of a trade mark which is affixed to the goods pass beyond retail sale, they have for most purposes ceased to be in the course of trade, having been bought for consumption. Speaking generally, the rights conferred by registration upon the owner of the mark will not extend beyond the point of retail sale and consumption or use by the consumer. I do not accept, however, that the rights of the registered proprietor of the mark are extinguished after they have been bought for consumption. They may be dormant, and generally will not awaken, because retail sale and subsequent use of the goods in most cases breaks the connection between the goods and the trade mark owner. But in some circumstances goods may re-enter the market as second-hand goods, which may create a new connection in the course of trade. It does not follow that the old connection has been destroyed. The proprietor of a registered trade mark has the exclusive right to distinguish his goods from those of other traders. These rights remain notwithstanding that the goods which bear the mark have for most practical purposes ceased to be in the course of trade.

Later his Honour said that the jeans sold by Wingate fell into one or more of a number of classifications. These were:

- (a) Perfect
- (b) Worn or damaged
- (c) Very worn or damaged
- (d) Worn or damaged with repairs such as darning
- (e) Stonewashed
- (f) Patched — with flags, cartoons, suede or other forms of patching
- (g) Cut-off so as to be converted into shorts
- (h) Colour stripped or bleached
- (i) Dyed
- (j) Painted.

His Honour's conclusion (at 324) was that Levi Strauss had failed to establish that the second-hand jeans marketed by Wingate in categories (a) to (d) had so fundamentally changed the character of the Levi Strauss product as to be a different product. He thought, however, that the character of the jeans falling within the classifications (e) to (j) had fundamentally changed. He said that the work embodied in these classifications was of a substantial nature with the consequence that injunctions should be granted against Wingate and Mrs Woolley to restrain them from infringing the trade mark rights of Levi Strauss with respect to the altered goods.

The order which his Honour made (order (2)) reflects his decision in this regard.

Counsel for the appellants said that the correct basis for the conclusion that the sale of second-hand goods bearing the registered trade mark did not infringe that mark was not that no deception was involved in the resale (although that might follow from the true basis for that conclusion) but that retention of the registered mark did not involve a relevant use of it as a trade mark. It did not indicate a connection in the course of trade (being a second-hand trade) between the goods and the owner of the mark. Thus it did not involve a use of which the registered proprietor could complain because his rights had been exhausted. A number of authorities were cited in support of this proposition. These included *Fender* and *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 at 422–4.

It is necessary to consider these authorities in a little detail. In *Fender* the applicant for relief was the exclusive distributor of Fender guitars in Australia and the registered proprietor of a number of trade marks (including FENDER). It had developed an Australian goodwill associated with the marks. The respondents offered their products bearing the trade marks for sale in Australia. Some of these were new and some were used. The guitars had been purchased in the United States, where they were manufactured, and were then imported into Australia. The applicant succeeded in its claim for infringement in relation to the importation and sale of new guitars but failed in relation to the second-hand guitars. It failed because Burchett J considered that the sale of imported second-hand guitars bearing the trade marks did not constitute use of the trade marks in the relevant sense. He thought that a person who sold used goods did not by doing so represent that there was any connection in trade between him and the manufacturer or original distributor of the goods nor that any goods so marketed were wearing his badge.

Burchett J referred to *Aristoc Ltd v Rysta Ltd* [1945] AC 68 where Lord Macmillan said (at 97):

A trade mark must still be registered in respect of goods, it must be used in relation to goods, it must indicate a connection in the course of trade between goods and the user of the trade mark. A trade mark must thus be used in trade. "Trade" is no doubt a wide word but its meaning must vary with and be controlled by its context. A connection with goods in the course of trade in my opinion means, in the definition section, an association with the goods in the course of their production and preparation for the market. After goods have reached the consumer they are no longer in the course of trade. The trading in them has reached its objective and its conclusion in their acquisition by the consumer.

This passage was referred to by the High Court in *WD & HO Wills (Aust) Ltd v Rothmans Ltd* (1956) 94 CLR 182 (see at 191). The reference to "the course of trade" comes, of course, from the English counterpart of the provisions of s 62(1) of the Act to which reference has earlier been made.

In *Fender*, Burchett J, after referring to further authorities, said (at FCR 168; ALR 96):

To read the statute's control as stopping at the shore where goods are launched from commerce into use would be in accord with the principles which predate legislative intervention in the area of trade marks. This is not just because when goods are bought for consumption they cease to be in the course of trade. It is also because of the fundamental nature of a trade mark, demonstrated by the history of its development in the law, as an aspect of the goodwill of a particular business. The goodwill of a business producing or marketing goods is connected with the sale of the goods it supplies, not with a market in what those goods will become after they have been used for some time. The goodwill with which the mark of Holden cars is connected is that of a business manufacturing and selling new cars. A business selling used cars may also have a goodwill, and a mark associated with it, but that goodwill is not to be confused with the goodwill of General Motors, however much the reputation of Holden cars may assist a particular sale. Generally, a second-hand business will deal in a number of different makes of goods, as indeed is the case here, where the evidence shows that Mr Bevk deals in a range of second-hand guitars bearing various marks.

The same point may be approached from a different angle. The connection in the course of trade which it is the essential function of a trade mark to denote (see the comments of Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 683; 17 ALR 43) is a connection which is broken by the retail sale of the goods and their use. When they re-enter the market as second-hand goods, although their source in the sense of the ultimate origin remains the same, a new origin has been interposed, and the goods have entered upon a new commercial existence. This is so whether the first sale was local or overseas. There has been created a new connection in the course of trade, which is now the relevant one.

In the *Shell Co* case (the *Oil Drop* case) the plaintiff was the proprietor of trade marks for a caricature of a man having a large head resembling a drop of fluid, large hands and a

comparatively small body, in respect of products for lubricating, heating and illuminating and power-generating purposes. The marks were alleged to have been infringed by advertising films exhibited during television programs in which appeared an animated "oil drop" cartoon character advertising a brand of petrol sold by the defendant. It was held that, to infringe a registered trade mark, a mark must be used as a trade mark, possessing the character of a device or brand used in relation to goods for the purpose of indicating or so as to indicate, a connection in the course of trade between the goods and the user. It was decided that there was no infringement of the plaintiff's trade marks.

In the course of his judgment, Kitto J said (at 423-4):

In particular, s 58(1) [of the Trade Marks Act 1938 (UK)], defining the right conferred by registration as being the right to the exclusive use of the mark, adds never a word to displace the settled interpretation of the expression "use of the mark" in this kind of provision. This is the more significant because the Trade Marks Act 1938 (UK) had made a provision which, in consequence of a marked difference of judicial opinion as to its meaning, had drawn attention pointedly to the very topic some 17 years before. That Act had made in s 4(1) provisions which may be described with sufficient accuracy for present purposes, as combining what is found in ss 58(1) and 62(1) of the present Australian Act, but with an important addition to the description of the use which should constitute infringement, namely that it should be use in such a manner as to render the use of the mark likely to be taken either (a) as being use as a trade mark or (b) in certain cases as importing a reference to some person having the right either as proprietor or as registered user to use the trade mark or to goods with which such a person should be connected in the course of trade. These added words gave a clear foothold for a contention that the use referred to in the definition of the exclusive right was no longer limited to use as a trade mark. But even so, some eminent judges considered that the cases under the older legislation still applied, being unable to persuade themselves that so unsatisfactorily drafted a piece of legislation really meant to make the fundamental change which would be involved in converting the right formerly protected by trade mark law into what Simonds J described as "something akin to a limited form of copyright": *Bismag Ltd v Amblins (Chemists) Ltd* [1940] Ch 225 at 230. A majority of the Court of Appeal thought the intention to make the change sufficiently evinced: [1940] Ch 667. We have not here to choose between the opposing views. What is important is to notice that the draftsman of the Australian Act of 1955 not only refrained from adopting the particular provisions which in England had been held to enable a use otherwise than as a trade mark to be an infringement but, using words to which the earlier English cases had for so long assigned a meaning, abstained from all direct attempt to modify or exclude that meaning. He did introduce into s 62(1) the expression "in the course of trade", following in this respect s 4(1) of the 1938 Act of the United Kingdom; but presumably the purpose was to ensure that (to take an example) anyone who put petrol not being "Shell" petrol into a can marked "Shell", but without any intention of supplying it to anyone else, should not be held to infringe the trade mark SHELL.

I return to the submissions of counsel for the appellants. He said that the badge of origin test adopted by the primary judge used notions which might be appropriate to questions of passing

off or conduct proscribed by s 52 of the Trade Practices Act, but were inappropriate for trade mark infringement. In substance he submitted that the correct rationale was that it should make no difference to trade mark infringement whether or not the goods had been significantly altered.

The complaints which Levi Strauss has about the conduct engaged in by Wingate are two. These are:

- (a) the creation of an impression that Wingate jeans are being marketed by or on behalf of Levi Strauss; and
- (b) the creation of an impression that substantially altered second-hand jeans marketed by or on behalf of Wingate were originally Levi Strauss garments.

These impressions are said to arise because of an accumulation of matters. I have earlier referred to these when dealing with the first cause of action. In summary they consist of the use of the mark REVISE, affixed as it is to jeans bearing one or more of the Levi Strauss marks, particularly the Levi Strauss label. Additionally the jeans, particularly when they are sold in shops selling new clothing, are likely to be confused with Levi Strauss second-hand look jeans bearing as they do the marks to which I have referred.

However relevant these matters may be to the causes of action for breach of s 52 of the Trade Practices Act (ie misrepresentation) and for passing off, it is not appropriate to approach the question of infringement of trade mark now under consideration in this way. I agree with counsel for the appellants that the question to be decided is whether Wingate is using the Levi Strauss marks as trade marks when it markets its product. In this context, the case is not one which involves the use of a competing mark said to be an infringement of one or more of the Levi Strauss marks. That was the first cause of action based as it was on the use of the REVISE mark. Here there is no competing mark. Rather, the claim is that the Levi Strauss marks are being used without Levi Strauss' authority. Again one feels drawn into the area of passing off principally because members of the public may be led to think that substantially altered jeans bearing the Levi Strauss label were originally Levi Strauss garments in the sense that they were, although second-hand and thus worn, unaltered Levi Strauss jeans. Nevertheless, counsel for Levi Strauss insisted that there was an infringement of trade mark because of the unauthorised use of Levi Strauss marks, particularly its label; see s 58 of the Act

which gives to the registered proprietor of a trade mark the right to the exclusive use of it in relation to the goods or services in respect of which it is registered. The answer to the question which that proposition raises for decision will be determined in the way contended for by counsel for the appellants. In the circumstances of the case, is Wingate using any of the Levi Strauss marks as a trade mark?

His Honour's finding of infringement was limited to cases in which the second-hand jeans marketed by Wingate had undergone substantial alteration. His Honour did not find infringement in cases where the jeans were merely repaired by mending and such like. But, if Wingate is in truth using the Levi Strauss marks as trade marks, that distinction is not warranted. If there is a use of the mark as a trade mark, there will be such a use whether or not the jeans are largely as they originally were or have undergone substantial alteration or addition. That very circumstance suggests that the use here is not a trade mark use. A second-hand shop or a charity shop selling second-hand clothing which included worn or used Levi Strauss jeans would not without more infringe any of the Levi Strauss marks by selling the second-hand garments although they might bear one or more of those marks. Members of the public acting reasonably are not misled or confused by the fact that in countless cases second-hand products have attached to them original labels, many of which will consist of or contain the trade marks of a variety of manufacturers and distributors. Certainly they will not think that the second-hand shop with which they deal is an offshoot of, or has some connection with, the original supplier of the product when new. They may think that a substantially altered garment bearing a trade mark is a second-hand garment manufactured or distributed by the company whose name appears on the label affixed to the goods, but if that be so, it will not be because the mark is being used as a trade mark, but because of other factors, which taken together, may well warrant the conclusion that the person marketing the goods is passing them off as having been originally made or produced in the form in which they then are. That really is the essence of the Levi Strauss complaint in relation to this aspect of the case. But, in my opinion, it is properly dealt with in the context of misrepresentation and passing off and not in the context of infringement of trade mark.

In the result I would allow the appeal against order (2) made by his Honour. In my opinion, it should be set aside. Order (4), which restrains Mrs Woolley from engaging in conduct proscribed by order (2) should also be set aside.

My conclusion in this regard makes it unnecessary to consider submissions which were based on s 63 of the Act. Nor have I considered an alternative argument which is based upon the presence of the REVISE mark and the fact that it, so it was submitted, indicated a different origin in the second-hand market. I have earlier concluded that the REVISE mark infringes some of the Levi Strauss marks so that it cannot lawfully be used. It would be possible to suppose the use of a mark other than the REVISE mark, for example, X-US, but there seems little point in engaging in the hypothetical exercise which would be involved in a case where I have concluded that the appellants' submission should in any event succeed.

SECTION 52 OF THE TRADE PRACTICES ACT AND PASSING OFF

That leaves breach of s 52 of the Trade Practices Act and passing off. These may be considered together because the considerations arising in each are, in the circumstances of this case, the same. In my opinion the primary judge was correct in concluding that the appellants were representing their goods as emanating from Levi Strauss and, in relation to substantially altered jeans, in representing that such jeans were originally Levi Strauss garments, albeit that they were plainly second-hand garments. Similar conclusions are warranted in relation to passing off.

My reasons for this conclusion are essentially those earlier foreshadowed when dealing with the first and second causes of action for infringement of trade mark. In short they are based upon the accumulation of factors making up Wingate's marketing strategy. There is first the use of the mark REVISE; then there is the affixing of it to second-hand jeans bearing Levi Strauss trade marks, particularly the Levi Strauss label, coupled with the sale of the garments in shops selling Levi Strauss products particularly Levi Strauss second-hand look jeans. And there is finally the fact that the successful outcome for Wingate of all this was precisely the one intended by Mrs Woolley.

It is true, of course, that she had no control over the place in a particular shop in which her product would be displayed. But her marketing was such that, so far as the evidence shows, Wingate jeans were sold, for the most part, in shops selling new Levi Strauss products including new second-hand look jeans. Members of the public are misled or likely to be misled in two ways. In all cases they, or many of them, will be likely to think that the Wingate jeans are being marketed or distributed by or on behalf of Levi Strauss. In some cases they will be likely to

think as well that second-hand products which they are purchasing, although they have undergone substantial alteration, were originally Levi Strauss products. That belief is likely to be held by some even in cases where the Revise label is not attached to the jeans.

There was some suggestion during the argument, as there often is in these cases, that members of the public thinking along these lines did so because they had misled themselves and were not misled by any conduct engaged in by Wingate. There was also a submission that, at the most, Wingate's conduct led to confusion and not deception. I would reject these submissions as being without substance.

The respondents are, as his Honour found, accordingly entitled to succeed in their actions for breach of s 52 of the Trade Practices Act and passing off. But there is a further question.

At the moment there is no order which gives effect to his Honour's finding on these causes of action. Counsel for the appellants submitted that we should not now make such an order. He contended that the parties were heard on the question of the form of the orders to be made and that counsel for the respondents had led his Honour to believe that the orders he was making (orders (1) and (2)) operated to restrain misrepresentation and passing off as well as the infringement of trade marks.

There is force in this submission. If I had not taken the view I have about the second cause of action for infringement of trade mark, I may well have been inclined to uphold counsel's submission. That would have been upon the basis that his Honour gave Levi Strauss the orders which its counsel sought. But the setting aside of orders (2) and (4) changes the situation because a substantial part of the relief obtained by the respondents has been taken away from them. That has occurred in circumstances in which they made out a case for such relief at the trial, not because of an infringement of their trade marks, but because of his Honour's conclusions in relation to misrepresentation and passing off with which I agree. In those circumstances, I consider it right to give relief in respect of the two causes of action now being dealt with.

A further matter that has to be taken into account in relation to relief is the proffering by counsel for the appellants of a permanent and unconditional undertaking to the court the effect of which was that the appellants and each of them would undertake to the court to ensure that each pair

of Revise jeans would have attached to it a prominently printed notice which said, ``Revise has no connection with Levi's'', and further, that, in relation to jeans which had undergone substantial alteration, a notice to the effect that the jeans had been altered without Levi Strauss' consent and then indicating, by ticking an appropriate box, the nature of the alteration. A copy of this last mentioned notice is annexed to these reasons.

There is no purpose in considering the first of these notices because it proceeds upon the assumption that Wingate may continue to use the REVISE mark. My conclusion in relation to the first cause of action is that the use of the REVISE mark infringes the two relevant Levi Strauss marks. It is thus impermissible for the mark REVISE to be used at all.

The second notice proceeds on the footing that either REVISE is not used or, if it is used, its use is irrelevant. The context in which it needs to be considered is that the REVISE mark will not be used, but that Wingate will continue to market second-hand Levi Strauss jeans some of which will have undergone substantial alteration.

The alternative to the acceptance of the proffered undertaking is for the court to formulate an appropriate order to give effect to its conclusions on misrepresentation and passing off. To this end, counsel for the respondents provided us with a number of forms of order. It was left to the court to determine which was the appropriate order to select, but the respondents' order of preference was indicated.

Having reflected on the matter, I have reached the conclusion that the Wingate undertaking should not be accepted. In reaching that conclusion, I have taken into account a number of matters. The most important of these is the difficulty the court would be likely to have in enforcing the undertaking. The Wingate product is sold in substantial quantities and from many retail stores. It would be a breach of the undertaking if the notice became detached from the jeans or if it did not accurately specify the nature of an alteration. Any mistake in filling in the boxes on the label would be prima facie evidence of a breach of the undertaking. I think that in those circumstances there is a real difficulty about the court's ability to supervise the enforcement of the undertaking. That is enough to make it an inappropriate one to accept. Other problems concern the likelihood or not of customers, or potential customers, reading the notice and understanding its purport. The range of persons involved is substantial. Tens of thousands of people, perhaps more, need to be considered. These will certainly range in age from 10 to

40 years, those being the ages primarily targeted by Levi Strauss. But it may be expected that persons older than 40 will be potential purchasers. Furthermore, the group will be likely to be a cross-section of the community. There will be substantial disparities in income levels, levels of intelligence and levels of education.

In all these circumstances, I think the better course is to make an order in comparatively general terms leaving it to Wingate to devise a method of complying with it. I appreciate that it is desirable, if it is possible to do so, to be specific about the ambit of the restraint which an order such as this imposes. But I do not think that this case lends itself to specificity. There are too many variables and too many possibilities. The order which I would propose is that Wingate, by itself, its servants and agents, be restrained from selling, advertising for sale, promoting, distributing or otherwise engaging in the marketing of second-hand jeans bearing any of the Levi Strauss trade marks without sufficiently distinguishing them from jeans sold, advertised for sale, promoted or distributed by the respondents or either of them. I would also make an order restraining Mrs Woolley from engaging in similar conduct. Plainly she is a person involved in the breach of s 52 of the Trade Practices Act committed by Wingate.

THE CORRESPONDENCE POINT — DID LEVI STRAUSS AGREE TO WINGATE'S USE OF REVISE?

It is next necessary to deal with the new point relied upon by counsel for the appellants based on correspondence passing between the parties or their solicitors soon after the REVISE mark came to the attention of Levi Strauss; see at 197-8, *supra*. In opposing the application made by counsel for the appellants for leave to rely on the point, counsel for Levi Strauss said that, had the point been relied upon at the trial, an affidavit sworn by Mr Oaten, which was not read at the trial, would have been read. A copy of the affidavit was made available for our inspection.

It is always difficult for counsel, and almost impossible for judges, to say with any certainty how a case would have been conducted if a point not relied on below had been taken at the original hearing. The court must pay great attention to what counsel say about the matter. In the present case counsel for the respondents has stated that he would have led further evidence. There is nothing apparently unreasonable or improbable about that being the course that would have been taken. In the circumstances, I do not consider that the point is one which should now be permitted to be relied upon.

ORDERS

Levi Strauss cross-appealed in relation to the form of the orders made by his Honour. In relation to order (1), counsel for Levi Strauss submitted that the injunction should not be limited to garments which carried the two LEVI'S trade marks. He also submitted that it was not appropriate to limit the injunction to cases where supply of the garments was to persons for the purpose of supply or re-supply to the public from retail outlets. It was submitted that the order which should have been made was one which would restrain Wingate from infringing the two marks in question by using the mark REVISE in the course of trade in relation to the specified types of clothing.

I am in agreement with what counsel has said, but I have wondered very seriously whether the submission should be acceded to. It seems to me that the order which his Honour made was made at the invitation of counsel for Levi Strauss. In those circumstances, there is much to be said for the view that the order should be left as it is. On reflection, however, I have decided that the submission should be accepted and that there should be substituted for order (1) an order along the lines of that contended for by counsel for Levi Strauss. Order (3), which affects Mrs Woolley, should be similarly varied.

I have already indicated my view that order (2), and consequently order (4) of the orders made by his Honour, should be set aside and also the form of the orders that I think should be made in respect of the causes of action for breach of s 52 of the Trade Practices Act and passing off.

That leaves order (5) which deals with the taking of an account of profits. This will require variation because of my conclusions in relation to order (1) and the setting aside of order (2). There also needs to be taken into account the relief granted for the breaches of s 52 of the Trade Practices Act which have occurred and passing off. There is a question whether a party who succeeds in an action under the Trade Practices Act may obtain an account of profits as distinct from damages; it seems unlikely that such an account is an available remedy. However, an account of profits is clearly an appropriate remedy for passing off. Order (5) should therefore be varied to provide for the taking of an account of profits in respect of the passing off which has occurred.

CONCLUSION

In the result I would vary the orders made by the primary judge by omitting therefrom Orders (2) and (4) and by varying others of the orders in the manner earlier indicated. The appeal should otherwise be dismissed. I have thought it unnecessary to disturb his Honour's order as to costs; it is unlikely that the hearing was in any way lengthened because of the way his Honour approached the matter, particularly in relation to the second cause of action for infringement of trade mark. Precisely the same matters as were relied upon to support the second cause of action were relied upon in support of the misrepresentation and passing off causes of action upon which the respondents have succeeded both at the trial and on appeal.

So far as the appeal is concerned, I think the appropriate order is that the appellants pay two-thirds of the respondents' costs of the appeal.

ANNEXURE

○

IMPORTANT NOTICE

**THESE JEANS HAVE
BEEN ALTERED WITHOUT
LEVI'S CONSENT.**

They have been:

Cut-off into shorts

Dyed (Colour Change)

Stone Washed

Patched

Other

Wingate Marketing Pty. Ltd.
ACN 006 814 384

Dimensions: 80 mm x 110 mm
Stock: 260 gsm cardboard
Attachment: 100 mm loop of poly polyester twine,
hanging from rear belt loop.

WILCOX J:

I have read the reasons for judgment of Sheppard J in draft form. I agree with everything his Honour has written and with the orders he proposes.

GUMMOW J:

This is an interlocutory appeal, brought by leave of the primary judge (Lockhart J). The reason why the appeal is interlocutory in character is explained by Sheppard J in his reasons for judgment; see also the comments by the Full Court in *Landsal Pty Ltd (in liq) v REI Building Society* (1993) 41 FCR 421 at 431; 113 ALR 643.

The decision of the primary judge is reported (1993) 116 ALR 298. The relevant facts found by the primary judge, so far as material for this appeal, are set out in the judgment of Sheppard J and I do not add to what his Honour has said.

At the trial, reliance was placed upon four causes of action, two in trade mark infringement and the others in passing off and contravention of s 52 of the Trade Practices Act 1974 (Cth) (the TP Act). In these reasons I will deal primarily with the trade mark infringement issues.

INFRINGEMENT ISSUES

This appeal involves two aspects of the law of trade mark infringement. The first concerns the use by the first appellant (Wingate) of its REVISE mark and the question whether that mark is deceptively similar to two of the registrations of the respondents (Levi Strauss) which comprise or include the word ``Levi's''.

The second is whether the sale of garments bearing these and other registered marks of the respondents involves infringement by Wingate of those registered marks in circumstances where the goods are ``second-hand'', bear the REVISE trade mark, and have been cleaned and mended or renovated and otherwise altered by Wingate in a more substantial fashion. In their original condition the goods reached the market bearing the Levi's trade marks; the question here is whether, in the events that since have happened, there is an infringement of those marks, not by the use of REVISE but by reason of the continuing presence of the marks upon the goods as now marketed by Wingate.

The primary judge granted relief upon each of the actions for trade mark infringement. This relief included an order restraining use of the mark REVISE (order (1)) and an order restraining infringement of Levi Strauss registrations by the selling or offering for sale by Wingate of jeans originally made by or with the authority of Levi Strauss or to its designs and specifications, which bear one or more of the Levi Strauss trade marks, were previously sold to retail purchasers and have been stonewashed, patched, cut off, colour stripped, bleached, dyed or painted or otherwise substantially altered without the licence of Levi Strauss: order (2).

By its cross-appeal, Levi Strauss contends that certain of the orders made by the primary judge are too narrow and it seeks the removal of certain limitations from those orders. For its part, Wingate seeks to have the orders set aside.

As the submissions on these two aspects of the case were developed on the appeal, it became apparent that they proceeded upon particular views as to the relationship between the law as to passing off and the system of registration established by the modern trade marks legislation.

It is generally accepted that the tort of passing off is concerned with the protection of the business goodwill of the plaintiff against damage by the misrepresentations made by the defendant. Neither protection of goodwill nor deceptive conduct are the primary concern of the action for trade mark infringement under the present legislation. However, arguments were propounded before us which assumed that the contrary was the case.

We were referred, for example, to the remark of Clauson J in *Champagne Heidsieck et Cie Monopole Société Anonyme v Buxton* (1929) 47 RPC 28 at 36, that deception is the test of infringement. We were also referred to the discussion in *Fender Australia Pty Ltd v Bevk* (1989) 25 FCR 161 at 168; 89 ALR 89, of the applicable principles where the alleged infringement involves the retention on second-hand goods of a trade mark affixed by the manufacturer. Burchett J there referred to "the fundamental nature of a trade mark ... as an aspect of the goodwill of a particular business".

However, for myself, I accept the comment by Mr M J Davison in his article "Parallel Importing: Unlawful Use of Trade Marks" (1990) 19 *FL Rev* 420 at 422:

Even at the time of the *Champagne* decision, trade mark legislation had eliminated the need for trade mark owners to establish that goodwill attached to their trade mark before succeeding in infringement actions. Traders were permitted to become owners by registration of trade marks, even before using them and to launch their marked products with confidence that any goodwill subsequently generated would not be appropriated by another. In at least this one important respect the new trade mark legislation was more than a statutory recognition of existing common law or equitable principles and the implication in the judgment of Clauson J that that was its sole objective is incorrect.

(See also *New South Wales Dairy Corp v Murray Goulburn Co-operative Co Ltd* (1989) 86 ALR 549 at 582–4).

Further, in Mr W A Rothnie's article ``Gray Privateers Sink into Black Market: Parallel Imports and Trade Marks'' (1990) 1 *IPJ* 72 at 88-9, the learned author, in discussing *Fender*, says:

... Burchett J introduces considerations of passing off where they were not previously appropriate. In passing off, questions of goodwill are the very foundation of the action. What the goodwill actually represents to the relevant public is crucial because it is on that representation that the question of deception turns. However, the issue under the Trade Marks Act is whether the defendant is using the registered trade mark without permission as a trade mark. This is a different test, not dependent on questions of goodwill.

Accordingly, in my respectful submission, the question of the respective business goodwills involved is irrelevant in an infringement action. The real issue is whether the defendant is using the registered trade mark as a trade mark inconsistently with the registered proprietor's exclusive rights.

The relationship between the law as to passing off and the system of registration established by the modern trade marks legislation is a complex one.

In the present case, there are passages in the judgment of the primary judge (116 ALR 298 at 317, 323) which may suggest that (a) questions which arise on infringement are not answered by reference to notions of goodwill, unlike passing off actions where they are fundamental, (b) deception is the essential test of infringement and (c) if the mark is used by the defendant in such a way that it does not deceive the public it cannot be restrained if it is simply telling the truth.

As I have already indicated, in my view proposition (a) is undoubtedly correct. However, I consider the other propositions to be too widely expressed and insufficiently to reflect the character of modern trade marks legislation as providing for the creation of a distinct species of proprietary right.

The modern British legislation is generally considered to commence with the Trade Marks Registration Acts 1875-77 (UK). There was some uncertainty before it was established by judicial decision that this legislation permitted registration of marks which had not previously become distinctive by use and that, in other words, a registered proprietor who could not maintain a passing off action, because of a lack of necessary reputation nevertheless could, on registration, sue for infringement. Thus, from the outset, the legislative scheme differed in a fundamental respect from the common law; see the discussion of the authorities by Dixon J in *Shell Co of Australia Ltd v Rohm and Haas Co* (1949) 78 CLR 601 at 625-8 .

As the legislation has developed, it cannot be said, as a general proposition, that the law of registered trade marks is concerned with the prevention of injury to goodwill or the avoidance of misrepresentation, deception or confusion. Thus, in the case of honest concurrent use or other special circumstances, the registrar may permit the registration of trade marks which are substantially identical or deceptively similar: s 34 of the Trade Marks Act 1955 (Cth) (the Act). If two or more persons are proprietors of trade marks which are substantially identical or deceptively similar then, whilst rights of exclusive use are not acquired by either against the other, each of them has the same rights against third persons that he would have if there were one registration: s 58(3). Subject to certain qualifications, a registered trade mark now may be assigned and transmitted without the goodwill of the business concerned in the goods or services in respect of which it is registered: s 82. The law as to common law trade marks has been to the opposite effect; see the discussion by Kitto J in *Heublein Inc v Continental Liqueurs Pty Ltd* (1960) 103 CLR 435 at 442–3. The whole system of registered users in Pt IX of the Act involves, to a degree, a legislative condonation of misleading conduct: *Heublein Inc*, supra at 451, *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670; 17 ALR 43.

And, it may be observed, was not the effect of the judgments of the Full Court of this court and of the majority of the High Court in *New South Wales Dairy Corp v Murray Goulburn Co-operative Co Ltd* (1990) 171 CLR 363; 97 ALR 73; (1990) 24 FCR 370; 92 ALR 239, to permit to remain on the register two marks, MOO and MOOVE, which it was accepted were deceptively similar? The effect of this litigation is analysed by Professor Pendleton, "Excising Consumer Protection — The Key to Reforming Trade Mark Law" (1992) 3 *AIPJ* 110 at 119-21.

The learned author also (at 111) makes the further point:

Opponents to registration of a trade mark and wronged (at least in their own eyes) competitors of trade mark proprietors are comfortable with the epithet, "a trade mark is a badge of origin". Trade mark proprietors, on the other hand, are in general happier with the formulation, "trade marks are property". This alternative characterisation of the role of trade marks probably lies at the core of many split decisions of appeal courts in various jurisdictions.

Property is, of course, a conclusionary term which might imply rhetorically that legal rights exist in trade marks and, by virtue of their existence ought to continue to exist without reprobation. The term "badges of origin", in the present context, highlights one function of trade marks and implicitly imports notions of the interests of consumers and of competitors of the proprietor in ensuring the trade mark properly carries out the

function of a badge of origin — principally that the badge of origin should be accurate as to origin and involve no misrepresentation. The tension between describing trade marks as property *or* badges of recognition lies in the emphasis implicit in the former on the paramount interests of the registered proprietor while the latter raises the ascendancy of functional qualifications to the proprietor's rights. This tension is evident in trade mark systems throughout the world which are modelled on the British trade mark system. It is a tension requiring perennial balancing and re-balancing and which the legal ordering device of property, with its primary function of excluding others, is ill equipped to perform.

INFRINGEMENT, DECEPTION AND PASSING OFF

Section 3 of the Acts of 1875-77 and s 76 of the Patents, Designs and Trade Marks Act 1883 (UK) conferred upon the registered proprietor a ``right to the exclusive use of the trade mark''.

Section 39 of the Trade Marks Act 1905 (the 1905 UK Act) conferred:

39. ... the exclusive right to the use of such trade mark upon or in connection with the goods in respect of which it is registered ...

In *Bale and Church Ltd v Sutton Parsons & Sutton and Astrah Products* (1934) 51 RPC 129 at 143, Maugham LJ said of this provision:

Do the words indicate that the right in question is limited to the identical mark, or does the right enable the owner to restrain the use of marks colourably resembling the registered trade mark so as to be calculated to deceive ordinary purchasers of similar goods?

His Lordship went on to say that at one stage he thought this was an arguable point, but regarded the matter as now settled in favour of the wider proposition.

In Australia, this conclusion had been put in statutory form in s 53 of the Trade Marks Act 1905 (the 1905 Act). Section 50 of that statute followed the terms of s 39 of the 1905 UK Act and described the monopoly as the right to ``the exclusive use of the trade mark upon the goods in respect to which it is registered''. However, s 53 added:

53. The rights acquired by registration of a trade mark shall be deemed to be infringed by the use, in respect of the goods in respect of which it is registered, of a mark substantially identical with the trade mark or so nearly resembling it as to be likely to deceive.

It also was established in Australia and then in the United Kingdom, that use by a defendant not of the trade mark but only of a deceptively similar mark did not have the consequence that an action for infringement would fail if the acts complained of did not amount to passing off by the defendant. In *James Minifie & Co v Edwin Davey and Sons* (1933) 49 CLR 349, the

defendant was using a mark which, it was conceded, so closely resembled the plaintiff's registered as to be likely to deceive. However, the activities of the defendant did not amount to a passing off: see 49 CLR at 357, 361, 362. Nevertheless, the High Court affirmed the decision of Cussen ACJ that there was infringement.

Although the point is not brought out in the judgments, in taking that view of the structure of the legislation, the High Court was somewhat at odds with what had earlier been decided in *Schweppes Ltd v E Rowlands Pty Ltd* (1910) 11 CLR 347. In that case the High Court appears to have proceeded on the footing that, under the 1905 Act, where reliance was placed upon deceptive similarity of the marks the infringement action was to be treated as a passing off suit. In particular, Griffith CJ (at 353) said:

If, for instance, the mark or representation on the defendants' goods, which if it stood alone might be likely to deceive the unwary purchaser, were accompanied by a plain statement practically incorporated with it showing that the goods are the defendants' goods and not the plaintiffs', I think that the mark used by the defendants, not being substantially identical, could not be said so nearly to resemble the plaintiffs' registered trade mark as to be likely to deceive.

In *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641, the High Court was dealing with an action for infringement of a trade mark registered under the Trade Marks Act 1865 (NSW). This did not make any provision to the effect of s 53 of the 1905 Act, but it was said by Isaacs J (at 650) that the result was the same in any event. The defendant had used a mark which was a colourable imitation of the registered mark of the plaintiffs and which was likely to be mistaken for it. However, the goods of the plaintiffs were known in the market by the name of the plaintiffs, irrespective of their registered mark. It was held that the claim for infringement failed because the probability of deception had not been established.

(That would presently be the situation in the United States under s 32(1) of the Lanham Act; this requires, for infringement, a use which is likely to cause confusion, or mistake, or to deceive: *McCarthy Trademarks and Unfair Competition*, 2nd ed, 1984, §23:1. Further, it recently has been said that whilst the Courts of Appeals for the various Circuits are unanimous that "the critical issue in determining infringement", likelihood of confusion, is decided by weighing a list of factors, they are "anything but unanimous on the contents of that list": "Annual Review" (1993) 83 *Trade Mark Reporter* 904 at 1071. Accordingly, caution is required in consideration of the United States cases. We were referred to a number of them,

but whilst of interest in the study of comparative law they provide no direct assistance in resolving the issues on this appeal.)

The position in Australia under the 1905 Act, as manifested by *Minifie*, was supported by the construction placed by the House of Lords upon the description of the monopoly given in s 4(1) of the Trade Marks Act 1938 (UK) (the 1938 Act). This introduced a provision similar to that achieved in Australia by s 53 of the 1905 Act. The monopoly in the United Kingdom was now described as:

... the exclusive right to the use of the trade mark in relation to those goods and, without prejudice to the generality of the foregoing words, that right shall be deemed to be infringed by any person who, ... uses a mark identical with it or so nearly resembling it as to be likely to deceive or cause confusion, in the course of trade, in relation to any goods in respect of which it is registered ...

(There is no reference to 'substantial identity', a point noted by Windeyer J in *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 at 414 (the *Shell* case), when dealing with s 62 of the present Australian Act.)

In *Saville Perfumery Ltd v June Perfect Ltd* (1941) 58 RPC 147, the plaintiff had a registration under the 1938 Act for the word 'June' written in characters of a special form across a bar with a garland of flowers depending from that bar; there was a disclaimer of the exclusive right to the floral device. The defendants sold their products under labels bearing the word 'June' without the balance of the plaintiff's mark, but with additional words. It was held by the House of Lords, affirming the Court of Appeal, that (i) in the mark used by the defendants, the word 'June' so nearly resembled that of the registered proprietor as to be likely to deceive, within the meaning of s 4(1) of the 1938 Act, and (ii) the defendants did not escape infringement by relying upon the additional matter which accompanied their use of 'June'. In the latter regard, Sir Wilfrid Greene MR (at 160-1) had said:

It is true that on a careful reading of the printed matter used in connection with the three articles it appears that the origin of the goods to indicate which the word 'June' is used, is either the June Hair Curler Co or June Perfect Ltd. But this circumstance, relevant though it may be upon the question of passing off, is immaterial upon the question of infringement. In an infringement action, once it is found that the defendant's mark is used as a trade mark, the fact that he makes it clear that the commercial origin of the goods indicated by the trade mark is some business other than that of the plaintiff avails him nothing, since infringement consists in using the mark as a trade mark, that is, as indicating origin.

That passage was expressly approved by Viscount Maugham on appeal in this case (at 174) and later in *Aristoc Ltd v Rysta Ltd* (1945) 62 RPC 65 at 77. It was also expressly adopted by

the High Court in *Mark Foy's Ltd v Davies Coop and Co Ltd* (1956) 95 CLR 190 at 205 . That was a decision upon the 1905 Act, but the same construction has been placed upon the present statute: *Caterpillar Loader Hire (Holdings) Pty Ltd v Caterpillar Tractor Co* (1983) 48 ALR 511; 77 FLR 139 at 141–2 *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 349; 101 ALR 700 . Thus, it is too wide a proposition that a use of a trade mark which simply tells the truth cannot be restrained or that a user will only be restrained if it does not tell the truth.

In *Kerly's Law of Trade Marks and Trade Names*, 12th ed, 1986, para 14-16, the learned editors, after noting that under the 1938 statute the right of the registered proprietor extended to prevent use of a mark so nearly resembling the registered mark as to be likely to deceive or cause confusion, continued (omitting citations):

In actions for infringement the comparison is to be made between the mark as registered, taking into account any disclaimer, and the defendant's mark as it appears in actual use. Considerations which may arise in consequence of the particular way in which the plaintiff's mark may have been used, eg additions or variations, though relevant in a claim for passing off, will not generally be relevant when the only question is infringement: it is the marks themselves that must be compared. If the registered mark is inherently likely to lead the public to rely on a particular feature or to ask for the goods by using the name of some device, that is a circumstance to be considered; but where any such practice of the public may have resulted from something other than the use of the registered mark itself, the plaintiff should base his claim on passing off. The "imperfect recollection" of the "ordinary customer" must be borne in mind.

Similarly, additions by the defendant, though they might serve to prevent actual deception, will not save the defendant if the registered mark or a mark too nearly resembling it is used.

The learned editors go on to state, with reference to the last proposition, that other considerations may apply where the mark is registered in Pt B. It will be necessary to refer further to the significance of the insertion in the legislation of provisions dealing with Pt B of the register.

To the same effect as the above passage in *Kerly* is §89 in the section "Trade Marks, Trade Names and Designs" in Vol 48 of *Halsbury's Laws of England*, 4th ed. Omitting citations, it is there said:

As the registration of a trade mark gives an exclusive right to its use, it is no defence for a defendant who has used the registered mark or its essential features to claim to have added additional words or matter in order to negative confusion. Moreover, the precise manner in which, and the type of goods comprised within the registration for which, the plaintiff uses his registered mark are irrelevant. The comparison is between what the defendant actually does (ignoring matter added to the mark used by him) and any normal use of the plaintiff's mark comprised within the registration. Thus, in these

respects, infringement rights are wider than rights in connection with passing off, where the comparison is between what the defendant does as a whole and what the plaintiff has done as a whole.

I do not see anything inconsistent with the above formulation of principle in the judgment of Dixon and McTiernan JJ in *Australian Woollen Mills Ltd v FS Walton & Co Ltd* (1937) 58 CLR 641 at 658, in a passage much relied upon before us by counsel for Levi Strauss. This was a case arising under the 1905 Act. One issue was whether by reason of the similarity between the marks there was such a reasonable probability of deception or confusion that the use of the defendant's mark should be restrained. Dixon and McTiernan JJ said:

In deciding this question, the marks ought not, of course, to be compared side by side. An attempt should be made to estimate the effect or impression produced on the mind of potential customers by the mark or device for which the protection of an injunction is sought. The impression or recollection which is carried away and retained is necessarily the basis of any mistaken belief that the challenged mark or device is the same. The effect of spoken description must be considered. If a mark is in fact or from its nature likely to be the source of some name or verbal description by which buyers will express their desire to have the goods, then similarities both of sound and of meaning may play an important part. The usual manner in which ordinary people behave must be the test of what confusion or deception may be expected. Potential buyers of goods are not to be credited with any high perception or habitual caution. On the other hand, exceptional carelessness or stupidity may be disregarded. The course of business and the way in which the particular class of goods are sold gives, it may be said, the setting, and the habits and observation of men considered in the mass affords the standard. Evidence of actual cases of deception, if forthcoming, is of great weight.

It should also be noted that subsequent English decisions have expanded the meaning to be given to s 11 of the 1938 Act. This provides that it is not lawful to register a mark the use of which would be disentitled to protection in a court of justice "by reason of its being likely to deceive or cause confusion or otherwise". In Australia, s 114 of the 1905 Act used the shorter expression "by reason of its being likely to deceive". However, in *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 594, Kitto J said that the addition to s 11 of the phrase "or cause confusion" added nothing to the effect of the section. In that case the High Court also decided that s 114 applied to forbid registration even if there was no actual probability of deception leading to passing off. The assumption in that proposition is that mere confusion is not enough to constitute a passing off; see the authorities collected in *Telmak Teleproducts (Australia) Pty Ltd v Coles Myer Ltd* (1988) 84 ALR 437 at 447–8. The application of that reasoning to the interpretation of the phrase in s 53 of the 1905 Act "so nearly resembling it as to be likely to deceive" served further to distinguish the effect of the provisions as to infringement from the action for passing off.

Part B was introduced into the United Kingdom legislation by the Trade Marks Act 1919 (UK). Section 4 thereof provided that in any action for infringement of such a trade mark no injunction or other relief was to be granted:

... if the defendant establishes to the satisfaction of the court that the user of which the plaintiff complains is not calculated to deceive or to lead to the belief that the goods the subject of such user were goods manufactured, selected, certified, dealt with or offered for sale by the proprietor of the trade mark.

It will be observed that the section speaks of the character of the *user* of which the plaintiff complains, not the characteristics of the mark the use of which the plaintiff complains. The distinction is important for the question of infringement of the Levi Strauss word marks by the use of REVISE, the first of the two infringement issues to which I referred.

INFRINGEMENT BY USE OF REVISE

It is against the background of the earlier law, as discussed above, that the Act was enacted in 1955. Section 58(1) provides that subject to the Act, the registration of a mark in either Pt A or Pt B, if valid, gives to the registered proprietor the right to the exclusive use of 'the trade mark' in relation to the goods or services in respect of which the mark is registered, and 'to obtain relief in respect of infringement of the trade mark in the manner provided by this Act'. The connection between this provision and s 50 of the 1905 Act will be apparent. Of ss 50 and 53 of the earlier Act Williams J said in *Mark Foy's*, supra at 204:

Section 53 is really an appendage to s 50 and its function is to widen the definition of infringement so as to include cases where the defendant does not use the identical trade mark but uses a mark substantially identical with it or so nearly resembling it as to be likely to deceive.

The same appears to be true of the relationship between s 58 and s 62: see *Angoves Pty Ltd v Johnson* (1982) 66 FLR 216 at 219, 230, 240; 43 ALR 349; *Caterpillar Loader Hire*, supra,; at FLR 153. Section 62 states:

- 62(1) A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or the registered user of the trade mark using by way of permitted use, uses a mark which is substantially identical with, or deceptively similar to, the trade mark, in the course of trade, in relation to goods or services in respect of which the trade mark is registered.
- (2) In an action for infringement of a trade mark registered in Part B of the Register (not being an infringement occurring by reason of an act referred to in the next succeeding section), an injunction or other relief shall not be granted to the plaintiff if the defendant establishes to the satisfaction of the court that the use of the mark of which the plaintiff complains is not likely to deceive or cause confusion or to be taken as indicating a connexion in the course of trade

between the goods or services in respect of which the trade mark is registered and a person having the right, either as registered proprietor or as registered user, to use the trade mark.

It will be noted that whilst subs (1) is concerned with the use of a mark which is substantially identical with or deceptively similar to the registered mark, subs (2) provides a defence in a case of infringement of a Pt B mark that the defendant's use of the mark "is not likely to deceive or cause confusion ...". Section 6(3) provides:

6(3) For the purposes of this Act, a trade mark shall be deemed to be deceptively similar to another mark if it so nearly resembles that other trade mark as to be likely to deceive or cause confusion.

Of these provisions, in *Marc A Hammond Pty Ltd v Papa Carmine Pty Ltd* [1976] 2 NSWLR 124 at 127, Wootten J said:

The test for infringement is, under s 62(1), the same for marks registered in Pt A and Pt B of the register, but the effect of s 62(2) is that the proprietor of a trade mark registered in Pt B has more limited protection against infringement than the proprietor of a mark registered in Pt A. A particular trade mark may be registered in both Parts of the register, if it satisfies the criteria for both Parts: ss 24(3), 25(2), but many marks may be eligible for registration under Pt B only. Doubtless the plaintiffs' mark is registered only under Pt B because it was not eligible for the more beneficial, but more restricted, registration under Pt A. Hence the plaintiffs are not absolutely entitled to relief on showing an infringement of their registered mark.

In this case the plaintiffs had a registration in Pt B for GIOVANNI'S in respect of prepared food products including pizzas and pasta dishes. The question was whether the defendant's use of PAPA GIOVANNI infringed. Wootten J held that the defendant's mark was not "substantially identical with" but was "deceptively similar to" the registered mark, within the meaning of s 62(1). However, he held that the defendant had made out a defence under s 62(2) with the result that the plaintiffs were not entitled to injunctive relief. In the course of reaching that conclusion his Honour (at 127) said:

The first question is whether the plaintiffs have established an infringement under s 62(1), ie that the mark used by the defendant is substantially identical with, or deceptively similar to, the plaintiffs' mark. The defendant's mark includes the plaintiffs' mark, but goes beyond it and adds an additional and integral word. The defendant's mark is used only as a whole of two words and must be so considered. So considered it is not substantially identical with the plaintiffs' mark. Is it then deceptively similar? It is clear, as a matter of grammar, that the words "deceptively similar" qualify the word "mark". Hence it is no answer, under s 62(1), that the defendant's use of the mark is in all the circumstances not deceptive, if the mark itself is deceptively similar.

In *Polaroid Corp v Sole N Pty Ltd* [1981] 1 NSWLR 491 at 497, Kearney J held that in assessing whether SOLAROID was deceptively similar to POLAROID (which was registered in

Pt A), so that there was an infringement, it was no answer in determining deceptive similarity that the products of the plaintiffs were more expensive and provided to a different class of customer.

To the same effect is the judgment of Cross J in *British Petroleum Co Ltd v European Petroleum Distributors Ltd* [1968] RPC 54 at 64. The plaintiff had a number of registrations, including one for the letters "BP" alone. As the trade mark was registered without limitation as to colour, it was deemed to be registered for all colours (see s 27(2) of the present Australian statute). The plaintiff marketed petrol and oils under its mark. It alleged infringement by the defendant which was distributing cut-price petrol under a mark EP. His Lordship, in dismissing the infringement action, said:

The fact that the EP mark is in practice coloured black on a yellow ground whereas the plaintiffs' BP appears in yellow on a green ground; the fact that the shapes of the respective panels on which the marks usually appear and of the poles supporting the panels are different; and the fact that EP petrol is not sold at the same price as BP petrol are as I see it all irrelevant on the question of infringement.

In the present case two of the registrations sued upon were Nos A251,717 and B220,174. The first of these is registered in Pt A and comprises the word "Levi's". The description of goods is "trousers, jackets, shorts, shorts and skirts". Trade mark No B220,174 is registered in respect of articles of clothing, including men's, women's, and children's jeans, slacks, trousers, pants, shorts and culottes. The registration comprises the word "Levi's" in block letters written vertically on a vertical strip; the applicant disclaims any right to the use per se of the tab label device, and to the exclusive use of the surname "Levi". In the present case, no defence relying upon s 62(2) was pleaded in respect of this registration in Pt B.

The primary judge held that the first appellant should be restrained from infringing these two marks, which for this purpose were considered together. The ultimate finding (116 ALR at 316) was:

In all the circumstances in my opinion Wingate's use of the mark REVISE is deceptively similar to the registered trade mark LEVI'S. It is a mark that is likely to deceive or cause confusion amongst the relevant class of persons.

The basic submission of the appellants was that when these two sentences are considered together it will be seen that, as an ultimate finding, they reflect the approach taken in the preceding passages. They directed attention to the use of the mark REVISE, an issue which would arise under s 62(2), rather than to the true issue. This was whether the monopoly created

by s 58(1), the right to the exclusive use of the two registered marks in relation to goods for which they were registered, was infringed by reason of (within the meaning of s 62(1)) the use by Wingate, in the course of trade, and in relation to goods in respect of which the trade marks were registered, of the mark REVISE, being a mark which is deceptively similar to the registered trade marks.

The result, Wingate submits, is that the primary judge approached the infringement issues as if presented in a case of passing off or contravention of s 52 of the TP Act. In an action for passing off, the essential question is not whether any trade marks that are involved are "deceptively similar" but whether in all the circumstances the conduct of the defendant constitutes a misrepresentation which is likely to injure the business of the plaintiff. In a case of contravention of s 52 the interests of the public also have to be considered.

There is some support for this criticism in the later passage in the judgment in which the primary judge deals with passing off and s 52: 116 ALR at 326. His Honour there says:

I have set out earlier the matters which I regard as relevant in determining whether there has been an infringement of the [two] trade [marks] LEVI'S by the [appellants'] use of the label "Revise". Those matters apply also to passing off and s 52 ...

Earlier (116 ALR at 316) the primary judge said:

It is true that Wingate does not control the marketing methods of retailers, who in fact place the new and second-hand jeans in close proximity. But by pursuing the marketing strategies which it does, Wingate has placed in the hands of retailers a product which is very easily confused with new Levi's jeans.

Section 66 of the Act provides:

66. In an action or proceeding relating to a trade mark, evidence is admissible of the usages of the trade concerned and of any relevant trade mark, trade name or get-up legitimately used by other persons.

Provision of this character reinforces the established position that the presence in the marks under comparison of matter which is in common use in the trade must to some extent be discounted when determining whether the marks are deceptively similar. An example is *Mond Staffordshire Refinery Co Ltd v Harlem* (1929) 41 CLR 475. There the High Court concluded that the registered trade mark MONSOL was not infringed by the use of MULSOL, there being a number of marks used for pharmaceutical products, such as those with which this case was concerned, which ended with "sol". In *Colgate-Palmolive Ltd v Pattron* [1978] RPC 635, an appeal to the Privy Council from Trinidad and Tobago, it was held that evidence was admissible

to show that the general public in Trinidad understood the prefix ``trin'' to mean made in that country. The issue was whether the Colgate registration was infringed by sale of Tringate toothpaste.

However, some care is needed in applying this notion of trade usage. For example, the expression ordinarily would not comprehend the ephemeral advertising or other marketing techniques of particular individuals in the trade concerned. Were this not so, a finding of deceptive similarity might then be supported, with consequential injunctive relief which shut out a trader from use of a particular mark, in circumstances where a subsequent change in emphasis or adjusted marketing technique removed the basis for the finding of deceptive similarity between marks, upon which the injunctive relief was based. It would be an unresolved question as to whether, in those circumstances, the defendant might apply for a dissolution or variation of a final injunction granted under s 65 of the Act: see *ICI Australia Operations Pty Ltd v Trade Practices Commission* (1992) 38 FCR 248 at 266; 110 ALR 47 where the contrast is drawn between the general law and the operation of Pt VI of the TP Act.

It is true that the phrase ``deceptively similar'' appears in s 62(1) and also in other provisions of the legislation, notably ss 33 and 34, dealing with registration. It also is true that in s 6(3) it is provided that a trade mark shall be deemed to be deceptively similar to another trade mark if it so nearly resembles that other trade mark ``as to be likely to deceive or cause confusion'' and this latter phrase then appears, notably in ss 28 and 36. However, that does not mean that in each instance the expression ``deceptively similar'' performs the same function. In particular, it is well settled that when considering an objection to registration made under s 28 regard is to be had to the actual use and awareness in the market of the opponent's mark, but assuming a normal and fair use by the applicant on all goods or services covered by the application in question: *Coldstream Refrigerators Ltd v Aircraft Pty Ltd* " (1950) 20 AOJP 1491 at 1496, per Dixon J. Where s 33 is in issue, the opponent usually will be the proprietor of a mark already on the register. Here the risk of deception or confusion is assessed by regard to the notional use in a normal and fair manner for all of the goods or services covered by the registration and also the application in question; there may, indeed, have been no use in the market of either mark: *Smith Hayden & Co Ltd's Application* (1946) 63 RPC 97 at 101, per Evershed J.

Where the comparison of the marks is necessary to determine whether that of the defendant is deceptively similar to the registered mark of the plaintiff, who sues for infringement, the primary comparison must be between the registered mark on the one hand and the mark as used by the defendant on the other. The comparison differs from that in a passing off action where the plaintiff points to the goodwill built up around the mark by reason of prior use and then points to the conduct of the defendant as leading to deception (or perhaps merely confusion) and consequent damage to that goodwill of the plaintiff.

In *Textron Inc v Henry C Stephens Ltd* [1977] RPC 283 at 286, Graham J, after referring to the many authorities dealing with deceptive similarity between trade marks, said:

When reading these authorities it is important to bear in mind the somewhat different considerations which apply when the comparison is being made in the three possible types of case, namely, registration with or without opposition, infringement, and passing off. In the first, one is concerned not only with the protection of the opponent, if present, but also of the general public and other owners of any similar marks; in infringement proceedings one is concerned for practical purposes only with the two marks themselves; whilst in passing off one is concerned with the defendant's mark in the surrounding circumstances in which it is used and with the question whether by such use there is a false representation that the defendant's goods are those of the plaintiff.

The statement that in infringement proceedings the concern "for practical purposes" is only with the marks themselves requires some elaboration in the light of the other writings and authorities on the 1938 Act and the present Australian legislation, to which I have referred. In particular: (i) The comparison is between any normal use of the plaintiff's mark comprised within the registration and that which the defendant actually does in the advertisements or on the goods in respect of which there is the alleged infringement, but ignoring any matter added to the allegedly infringing trade mark; for this reason disclaimers are to be disregarded, price differential was considered irrelevant by Kearney J and Cross J, his Lordship also disregarded the differences in use by the parties of colour and display panels, and his Honour discounted the differences in the respective sections of the public to whom the goods were sold. (ii) However, evidence of trade usage, in the sense discussed above, is admissible but not so as to cut across the central importance of proposition (i). (iii) In particular, in making an aural comparison of the marks, whilst ordinarily one is concerned with what appears to be the natural and ordinary pronunciation, evidence in my view is admissible that those in the trade pronounce the defendant's mark in a manner which otherwise might be thought to vary from the normal fashion. (iv) Evidence of cases of deception or confusion may be taken into account: see, for

example, *BP* at 64. (v) Although, as *Australian Woollen Mills*, supra, itself decides, it is not decisive, evidence is admissible that the defendant's mark was adopted with a view to "sailing close to the wind", in the sense of the adverse finding made by the primary judge in this case.

In the *Shell case*, 109 CLR at 414–15, Windeyer J considered the distinction in s 62(1) of the Act between "substantial identity" and "deceptive similarity". Of the former, his Honour said that the marks should be compared side by side, their similarities and differences noted and their importance assessed having regard to the essential features of the registered mark and the total impression from the comparison of resemblance or dissimilarity. On the other hand where the issue was "not abstract similarity" but deceptive similarity the marks were not to be looked at side by side. Rather, the comparison was between the impression based on recollection of the plaintiff's mark which persons of ordinary intelligence and memory would have and the impression that such persons would obtain from the allegedly infringing use by the defendant. In that case this involved an examination of the television advertisements in which there appeared the "oil drop" character said to infringe the plaintiff's registration.

In the present case, the primary judge said, in my view correctly, that he gained assistance from evidence as to the pronunciation by consumers and persons in the trade of "Revise". This indicated that many in fact pronounced "Revise" to rhyme with "Levi's". There was some criticism of this evidence, in particular, as being coloured by the presentation of the two marks in proximity upon the products of the first appellant. However, in my view, it was open to the primary judge to have regard to evidence of this kind.

For myself, I would not regard it as material, for the purposes of the present inquiry, as his Honour did (116 ALR at 315-16) that the retail prices for the jeans of the two contestants in this litigation are roughly comparable, nor that the respondents use their registered marks upon new jeans which are designed to have a "second-hand look".

However, it was proper to take into account the finding of his Honour (116 ALR at 307) in respect of the second appellant:

In my opinion Mrs Woolley [the second appellant] chose the name "Revise" because it was a rather clever play on "Levi's", if pronounced "Reevise" (with the accent on the first syllable, to rhyme with "Levi's"), which the evidence demonstrates is the pronunciation adopted by a significant number of people. In my view she had in mind that consumers might associate "Revise" with "Levi's", whether pronounced "Reevise" or "Reevise" (especially as the same shops would tend to sell both

products), and think that ``Levi's'' and ``Revise'' had the same badge of origin notwithstanding that Revise jeans are second-hand.

The mark REVISE initially was adopted by Wingate, in November 1990, in a form which was evocative of the respondent's trade marks because it shared in common with LEVI'S the letters ``evis'', they being in bold or block type, whilst the first and last letters were in ``shadow''. Following complaints by the respondents the mark was changed so that all letters appeared in bold heavy type. There have since been changes in the accompanying matter. But in the form immediately in question the mark first came into use in January 1991. There have been various changes to the Revise label attached by Wingate to the goods. The present form of label was adopted in March 1992. The litigation commenced in November of that year and the trial was in March 1993. Thus, in considering the actual user in trade of REVISE (but ignoring added matter) there was a body of evidence before the court. A material finding by the primary judge upon the issue of deceptive similarity was, in my view, that stated as follows (116 ALR at 313):

Sales staff in retail stores including Myer, Grace Bros, Dotti of Centrepoint, Sportsgirl in the Pitt Street Mall, Sydney, have been and are confused as to whether Levi Strauss is in some way involved in the recycling and resale of second-hand Levi's jeans under the name ``Revise''. They are confused as to whether Levi Strauss is the source of the Revise jeans.

If the issue of deceptive similarity is, as in my view it must be, looked at somewhat more narrowly than it was by the primary judge, nevertheless the finding of deceptive similarity between the marks should not be upset. I refer, in particular to the findings as to pronunciation, the intention or design of Mrs Woolley, and the evidence of the confusion in the trade.

RELIEF ON THE FIRST INFRINGEMENT ISSUE

The primary judge granted an injunction in the following terms (order (1)):

- (1) [Wingate] by itself its servants and agents be restrained from infringing the registered trade marks A251,717 and B220,174 (the applicants' Levi's trade marks) by using the mark REVISE in relation to men's, women's and children's denim jeans or shorts bearing the applicants' Levi's trade marks (REVISE marked Levi's jeans) in the course of trade by supply to any person for the purpose of supply or re-supply to the public by any person from retail outlets which supply jeans or shorts.

By the amended notice of cross-appeal filed in court during the course of argument on the appeal, Levi Strauss submits that the primary judge erred in the formulation of order (1) so as

to restrict the area of relief to less than the monopoly right given by the relevant registrations and invaded by Wingate.

In particular, counsel submitted that there was no occasion to limit the injunction to use of REVISE in relation to garments which also carried the two registrations of Levi Strauss to which REVISE is a deceptively similar mark. Nor, counsel submitted, was it appropriate to confine the course of trade in respect of which the injunction operated to that involving supply to any person for the purpose of supply or re-supply to the public from retail outlets.

The form taken by order (1) reflects a greater concern with what one might call ‘‘passing off’’ relief rather than injunctive relief usually given in cases of trade mark infringement. Indeed, from the materials to which we were taken it appears that Levi Strauss itself may truly be the author of this confusion by originally propounding an order in these terms.

In all the circumstances, my view is that the court should now put the matter on an appropriate footing by acceding to the submission that order (1) be amended so as more accurately to reflect the consequences of the finding of trade mark infringement of the two Levi Strauss registrations by the mark REVISE.

I would substitute for order (1) an injunction in the following terms:

- (1) [Wingate] by itself, its servants and agents be restrained from infringing the registered trade marks A251,717 and B220,174 by using the mark REVISE in the course of trade in relation to men's, women's and children's denim jeans or shorts.

Order (3) made by the primary judge was directed to the second appellant, Mrs Woolley, and in effect enjoined her from procuring or authorising acts which would fall within order (1). There is ample precedent for an injunction of this description in infringement actions where the party enjoined is the controller of the corporate infringer: see, for example, *Polaroid Corp v Sole N Pty Ltd* [1981] 1 NSWLR 491 at 498.

However, consequent upon the substitution of a fresh order (1), order (3) should have the following substituted:

- (3) [Mrs Woolley] be restrained from procuring or authorising [Wingate] or any other person to infringe registered trade marks A251,717 and B220,174 by using the mark REVISE in the course of trade in relation to men's, women's and

children's denim jeans or shorts.

Order (5) made by the primary judge dealt with the taking of an account of profits. It will be necessary to refer further to this relief after dealing with the second trade mark issue.

To this I now turn.

SECOND-HAND GOODS — INFRINGEMENT OF LEVI MARKS

In addition to what I might call the LEVI'S word marks, registered Nos A251,717 and B220,174, the second-hand garments sold by Wingate bore other registered marks of the respondents. These included trade mark No A299,545, registered in respect of buttons, and showing a representation in a fancy manner of the words "Levi Strauss & Co SF Cal", together with the label mark No A192,104 (this shows two horses unsuccessfully rending apart a pair of jeans and is known as "the two horse mark"), and trade mark B302,847 showing the arcuate stitching pattern on the back pockets of the garments. The two horse mark appears on the waistband of the Levi Strauss jeans.

The primary judge found (116 ALR 308) that since about November 1990 all recycled products sold by Wingate had been marketed under the name "Revise" which appeared on a label attached to the garments. (There is some evidence which suggested that at or before these garments reached the point of sale, the "Revise" labels sometimes became loosened or detached from the garments.) The use of the "Revise" labels by Wingate is a significant matter. It differentiates the facts of this case from those of other authorities, such as *Fender*, where the goods were sold second-hand bearing the manufacturer's mark but no additional mark of the second-hand trader. It will be necessary to refer further to this aspect of the present case.

The primary judge held that the answer to the question whether in these circumstances there was an infringing use by Wingate of these LEVI'S marks depended upon the degree of repair or reconditioning which the garments had undergone at the hands of Wingate. His Honour said (116 ALR at 323-4):

The question is whether the respondents are in effect telling the truth in the market place. Has the reconditioning or repair to the original jeans been so extensive or basic that it is a misnomer to call them Levi's jeans? This is in my opinion the correct test to apply in Australia.

The jeans sold by Wingate as second-hand jeans fall into the following classifications. All have been washed or laundered.

- (a) Perfect
- (b) Worn or damaged
- (c) Very worn or damaged
- (d) Worn or damaged with repairs such as darning
- (e) Stonewashed
- (f) Patched — with flags, cartoons, suede or other forms of patching
- (g) Cut-off so as to convert into shorts
- (h) Colour stripped or bleached
- (i) Dyed
- (j) Painted.

In my opinion Levi Strauss fails in its attempt to establish that the second-hand Levi's jeans marketed by Wingate in categories (a) to (d) inclusive have so fundamentally changed the character of the Levi Strauss product as to be a different product. However, the classifications (e) to (j) inclusive in my opinion do fundamentally change the character of the jeans.

In dealing with the issues raised on this branch of the appeal, it is necessary to begin with the definition in s 6(1) of the Act of "trade mark". This term is defined, as regards marks in Pt A and Pt B:

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

The provisions dealing with registration of marks in respect of services were introduced by the Trade Marks Amendment Act 1978. Service marks were introduced in the United Kingdom by legislation in 1984. In dealing with a number of the authorities which expound the notion of "trade mark use", it is to be understood that the legislation as it then stood did not permit registration in respect of the provision of services.

In Australia, it is well settled that an infringing use must be use "as a trade mark", even though those words do not appear in ss 58 or 62 of the Act: see the authorities discussed in *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326; 101 ALR 700. It is also well settled both that the one item may reach the market bearing several trade marks (as in *Mark Foy's Ltd v Davies Coop & Co Ltd* (1956) 95 CLR 190) and that the

connection in the course of trade which may be indicated by a trade mark is not limited to that between the manufacturer and the goods.

In *Kerly's Law of Trade Marks and Trade Names*, 12th ed, §2-15, it is said:

In the earlier days of trade marks, the connection indicated was generally with a manufacturer; and observations may be found in which, no doubt unintentionally, words are used which might suggest that trade marks always indicated a manufacturing source. Such a limitation has never been recognised. There have always been instances in which the reputation behind goods was that of a merchant and not of the actual maker; and in recent times the concept of a trade mark has had a wider scope than that. The 1905 Act listed the various forms for trade connection that it recognised — manufacture, selection, certification, dealing — and since it can hardly be supposed that the present wording [in the definition of trade mark in s 68 of the 1938 UK Act and in s 6(1) of the present Australian statute] is narrower in scope, decisions under that Act admitting marks as trade marks are still of value.

In *Major Brothers v Franklin & Son* [1908] 1 KB 712, it was held that a firm of salesmen of vegetables on commission in Covent Garden held a valid trade mark registration in respect of those goods. In *Aristoc Ltd v Rysta Ltd* (1945) 62 RPC 65 at 84–5, Lord Simonds described this as the extreme limit of the meaning of the terms in the 1905 Act:

... for the purpose of indicating that they are the goods of the proprietors of such trade mark by virtue of manufacture, selection, certification, dealing with or offering for sale.

Nevertheless, had Wingate sought to register REVISE as a trade mark, there would have been, in my view, sound ground for submitting that there was a trade mark use of REVISE by Wingate in relation to the second-hand goods, the relevant connection between Wingate and the goods being at least those of the operations upon the goods listed under heads (e)-(j). I have set this list out earlier in these reasons.

It is true that had that been the relevant question some difficulty might have arisen, by reason of what had been said, in relation to the corresponding definition in the 1938 United Kingdom Act, in some of the speeches in the House of Lords in *Aristoc Ltd v Rysta Ltd*, *supra*.

One of the issues in that case was whether a mark which was proposed to be used on or in relation to stockings for the purpose of indicating, or so as to indicate, the fact that the stockings had been repaired by the person seeking registration was within the definition in s 68 of the 1938 Act, that is to say whether a mark indicating the repair of stockings was registrable. It was emphasised that the legislation did not permit registration of what would now be called

service marks; see 63 RPC at 70, 78, 83, 85. The general question was answered in the negative.

Viscount Maugham said (at RPC 75-6):

It must be observed that there is a very striking difference between a mark intended to indicate origin and one intended to signify repair, cleaning, or some analogous process after, and it may be long after, the goods have come upon the market. The former will indicate a character or quality which will ordinarily remain so long as the goods remain recognisable. *The latter may indicate a purely temporary connection with the goods such as repairing, washing, cleaning or adjusting them*; and I am not able to see why the principle should not extend to the connection by warehousing or carrying the goods. Not only may the effect of such operation be quite ephemeral, but such operations may be repeated many times ... by different persons, and only one or some of these persons may desire to affix a trade mark to the goods. A washing mark or a cleaner's tab is usually affixed only to indicate that the articles are the property of a certain customer, that is, to prevent loss; but if the respondents' view is right such persons may obtain a trade mark for the goods when washed or cleaned. [Emphasis supplied.]

Lord Simonds (at RPC 85) said:

The word "trade" has many meanings, wide or narrow, according to the context in which it is found. It is by the ascription to it of a wide meaning in s 68 of the Act that the respondents support their claim. But it appears to me that the subject matter, the history of the law and the context in which the word is found both in s 68 and elsewhere in the Act, unite to deny to it any such meaning. It might be true to say that the respondents carry on a trade which is connected with stockings just as a cleaner carries on a trade which is connected with the goods that he cleans or a piano tuner a trade connected with the piano he tunes, but it does not follow, and in my opinion it is not the fact, that there is in any such case such a connection in the course of trade between the goods and the person rendering that service or performing that operation as to satisfy the definition in s 68.

Passages such as these support the proposition that the operations upon the second-hand jeans identified in items (a)-(d) of the list in the judgment of the primary judge, would not provide a sufficient connection in the course of trade to support the characterisation of "Revise" as involving a trade mark use.

But that is not the issue in this case. The issue here is whether there is infringement of the marks already upon the goods by reason of the further activities of Wingate pursuant to which the goods are, in a sense, placed or further placed upon the market.

I have dealt at such length with the significance of the presence on the goods of the Wingate "Revise" label because that circumstance differentiates the present from other cases where there is discussion of the significance in trade mark law of the sale of second-hand goods

bearing the mark affixed by the manufacturer. As I have said, those cases, particularly *Fender*, were not cases in which the second-hand dealer affixed any mark of his own.

The issue as to infringement of the Levi Strauss trade marks by Wingate, not by reason of the use of REVISE (the first set of trade mark issues on the appeal), but by reason of the dealings conducted upon the goods and their resale is to be framed as follows. It concerns the purpose and nature of the alleged infringing use and is, in terms of the well known authorities, whether the Levi Strauss trade marks are used by Wingate for the purpose of indicating, or so as to indicate, a connection in the course of trade between the garments and Wingate: *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd*, supra; at FCR 342, 347.

As indicated earlier in these reasons, the issue thus presented is not answered by considerations concerned with deceptiveness or the goodwill of the registered proprietor.

In testing the question of infringement, it is proper to have regard to the very goods in question in their condition at the time of the allegedly infringing acts. The continued appearance of the Levi Strauss marks upon the goods as sold by Wingate, after what one might call their conditioning, is an illustration of the class of case referred to by Viscount Maugham in the quotation set out above from *Aristoc Ltd v Rysta Ltd*. Namely, these marks were intended by the manufacturer to indicate origin and thus indicate a character or quality of the goods. This may be displaced, having regard to the degree of change wrought by the activities of Wingate.

Here, the function of the mark REVISE is to indicate that there have been operations performed upon the goods since they left the manufacturer. The Levi Strauss trade marks appear on the goods not for the purpose of indicating or so as to indicate a connection between the garments and Wingate (the purpose and nature of REVISE) but to indicate by way of comparison or contrast the origin of the goods. That is the purpose and nature of the alleged trade mark use by Wingate of the Levi Strauss marks. Use of that character is not a trade mark use; cf *Irvine's Yeast-Vite Ltd v Horsenail* (1934) 51 RPC 110.

The primary judge found that "Revise" was a rather clever play on "Levi's" and that whilst it does not ordinarily carry the connotation of recycle or reuse, it does have a secondary connotation of "modify". This serves to strengthen the impression that the REVISE mark suggests that these are not Levi Strauss goods in their original form and that changes or

adjustments have been made by Wingate. So also does the phrase which appears on the present form of label near the mark REVISE and in quite prominent print, "Second Hand Environmentally Friendly Clothing" and the statement in smaller print "Imported to Australia and modified by Wingate Marketing Pty Limited".

Accordingly, in my view, there was no infringement by reason of the retention on the second-hand goods marketed by Wingate of the Levi Strauss trade marks placed upon them in the course of manufacture.

This conclusion makes it unnecessary to consider a particular defence relied upon by Wingate. This was not accepted by the primary judge. It was unsuccessfully urged upon his Honour that having regard to the history of s 63(1) of the Act, neither s 58(1) nor s 62(1) should be construed as extending to circumstances covered by s 63(1). The further submission was that one or more of the acts to which s 63 is expressed to apply were acts of which complaint was made against Wingate.

FENDER'S CASE

Both before the primary judge and on the appeal, reliance was placed upon what had been decided in *Fender Australia Pty Ltd v Bevk* (1989) 25 FCR 161; 89 ALR 89. The applicant was the exclusive distributor in Australia of guitars made in the United States by the Fender Musical Instruments Corporation. The applicant was the registered proprietor in Australia of a number of trade marks used by the United States corporation in relation to goods manufactured by it. The respondents offered for sale in Australia guitars bearing the trade marks, which had been purchased in the United States where they were manufactured. One branch of the case was concerned with the trade mark rights of the applicant in respect of the "parallel importation" of new goods. The other branch of the case was concerned with alleged infringement in respect of imported second-hand guitars. Burchett J held that the sale of imported second-hand guitars bearing the trade marks did not constitute use of the trade marks by the respondents.

It was in its second aspect that the case was the subject of submissions to us. It will be apparent from the above recitation of the facts that they differed significantly from the present dispute. The marks which were placed upon the goods by the manufacturer in the United States were,

in Australia, registered by the exclusive distributor. The respondents did not apply any further mark to the second-hand goods.

Nevertheless, the following further points should be made as to the significance of the reasoning in this decision. There is a number of strands in that reasoning for the conclusion that there was no infringement in respect of the second-hand goods. These appear at 25 FCR 168-9, and are as follows. First, reference is made to the “fundamental nature of a trade mark” as an aspect of the goodwill of a particular business. The goodwill of a business producing or marketing goods is said to be in connection with the sale of the goods it supplies, not with the market in what those goods will become after they have been used for some time. Thus, the sale of the imported second-hand Fender guitars was not deceptive and did not impinge on the goodwill to which the trade marks of the Australian exclusive distributor was related. I have already indicated my views as to the unsafe foundation provided by concepts of goodwill protection for the resolution of issues concerning registered trade mark infringement.

Secondly, his Honour held that the connection in the course of trade, the denotation of which is the essential function of a trade mark, is broken by the retail sale of goods and their use, so that when they re-enter the market as second-hand goods they have entered upon a new commercial existence and the relevant connection in the course of trade is a new one. In the present case, Lockhart J (116 ALR at 323) disagreed with a proposition of this width. I am of the same view as Lockhart J. I agree also with the contention that whilst a trade mark remains on goods, it functions as an indicator of the person who attached or authorised the initial use of the mark, and in that respect there should be no necessary dichotomy between new and second-hand goods: see Note by Sullivan (1991) 2 *AIPJ* 44 at 45.

Thirdly, his Honour held that a person who sells used goods does not represent that there is any connection in trade between the goods, in their character of used goods, and the registered proprietor of the mark. The point was put somewhat differently, and in a manner with which, subject to some qualification, I would agree, by saying (25 FCR at 169; 89 ALR at 97):

A person who sells used goods, though by reference to a name they bore as a mark when sold new, does not by doing so represent that there is any connection in trade between him and the manufacturer or original distributor of the goods, nor that any goods so marked are wearing his badge ...

The qualification is that each case requires an understanding of what Kitto J called “the purpose and nature” of the impugned use, including the manner in which the particular mark

has been displayed in relation to the goods or services or advertisement of which complaint is made: the *Shell case* 109 CLR at 426 ; see also *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326; 101 ALR 700. Thus, it is dangerous to frame in absolute terms any general proposition as to user in relation to "second-hand goods". Accordingly, I would not express any view upon the various hypothetical situations discussed in the course of argument, particularly by counsel for Levi Strauss. These included situations where Wingate placed no mark of its own upon the second-hand Levi Strauss garments, or some different mark to REVISE.

CONSEQUENCES OF HOLDING UPON SECOND INFRINGEMENT ISSUE

Orders (2) and (4) reflected the favourable decision of the primary judge upon the second trade mark infringement issue. It follows from what I have said above that in my view those orders should be set aside.

As I have indicated, order (5) provided for the taking of an account of profits. It was expressed in two ways, so as to encompass both profits earned by Wingate from infringements of the description enjoined by order (1) (that is to say by use of the REVISE mark) and by the sale of altered Levi Strauss jeans (as dealt with in order (2)). It follows from the setting aside of order (2) and the re-drawing of order (1), that order (5) requires amendment to reflect this state of affairs.

Order (6) required Wingate to file and serve an affidavit disclosing evidence that would be relevant on the taking of the account. It also will require consequential amendment.

Orders (5) and (6) may require further amendment, if specific injunctive relief now is given on the passing off issue, to permit inclusion in the account of profits for which Wingate is accountable on that further footing.

I should also indicate that there was no submission that if injunctive relief be given in respect of contravention of s 52 of the TP Act, ss 82 and 87 thereof are wide enough to allow not only an award of damages but an account of profits. Consideration of the action for contravention of s 52 thus, in my view, can properly, in this case, lead only to injunctive relief.

As to the taking of an account in respect of both trade mark infringement and passing off, the finding, to which I have referred, by the primary judge as to the reasons for the adoption of the REVISE mark by Mrs Woolley and Wingate is significant. It was not contended that Wingate committed the acts complained of other than with the necessary knowledge of the facts constituting the rights of Levi Strauss: see *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd* (1968) 122 CLR 25 at 34–5 *Conagra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 at 345, 357–64; 106 ALR 465.

It thus becomes critical to determine whether nevertheless the activities of Wingate, although trade mark infringements, amount to passing off or contravention of s 52 of the TP Act, and whether it is open for the respondents now to seek orders implementing what they submit are the findings in their favour on these issues by the primary judge.

REMAINING ISSUES

In dealing with the causes of action in passing off and for contravention of s 52, the primary judge referred in particular to a number of matters: 116 ALR at 326-7. These included the form and contents of certain of the ``Revise'' labels; the circumstance that while the products of both sides were sold in shops which sold new goods (although some did sell both new and second-hand goods) the Wingate products were not sold in second-hand shops; the selling alongside each other of both Revise and the Levi Strauss jeans; the broad comparability of the prices of the two sets of goods; and the sale thereof to the same range of consumers. His Honour also was concerned (at 327) that:

... the label ``Revise'' appears on each of the pairs of jeans which have a number of the trade marks of Levi Strauss appearing on them, so that the minds and eyes of the consumers and members of staff of retail stores are inevitably drawn at the same time to the marks of Levi Strass and the label ``Revise''.

The primary judge added (116 ALR at 327):

Plainly the whole marketing strategy of Wingate is to sell second-hand Levi's jeans (they being the particularly relevant products), making it very clear to the public that they are Levi's jeans with all the goodwill and background of Levi Strauss that attaches to them, the benefit of which will rub off onto Wingate, although the Revise label makes it reasonably clear that they are second-hand goods.

I do not accept the submission of counsel for [Wingate] that the evidence of confusion is weak and does not support a finding that there has been any significant confusion occurring in the market place as a consequence of the trading activities of Wingate. Nor do I accept the submission that Levi Strauss has itself contributed to any confusion which has occurred and failed to take reasonable steps to dispel such confusion as may have arisen.

As to Mrs Woolley, it is plain that she was knowingly concerned in the relevant contravention of s 52. In my opinion she intended at all material times to achieve the result which was in fact achieved by Wingate.

In my view those findings were plainly well based, and no ground has been shown for disturbing them.

I agree with Sheppard J that Wingate and Mrs Woolley should not now be permitted to rely upon the new point based upon the correspondence between the parties or their solicitors.

For the reasons Sheppard J gives, relief now should be given with respect to the causes of action in passing off and s 52. The injunctive relief should be in the form outlined by Sheppard J. The proffered undertaking by Wingate should not be accepted.

Order (5) of the orders made by the primary judge should be revised to reflect both the setting aside of order (2) and the amendment of order (1), and the fresh relief for passing off. For the date of ``7 September 1993'' appearing in order (6) there should be substituted ``such date as is fixed by a judge of the court''. Otherwise the appeal and cross-appeal should be dismissed.

Finally, I agree with the order for costs proposed by Sheppard J.