[HIGH COURT OF AUSTRALIA.]

FARLEY (AUST.) PROPRIETARY LIMITED . APPLICANT;

AND

J. R. ALEXANDER & SONS (QUEENSLAND) PROPRIETARY LIMITED . . . RESPONDENT.

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SYDNEY, *Sept.* 12, 19.

Williams J.

Trade Mark—Rectification of register—Expunging trade mark—"Person aggrieved"—"Fraud"—Trade Marks Act 1905-1936 (*No.* 20 *of* 1905—*No.* 75 *of* 1936), *ss.* 51A, 71.

A person who, prior to the registration of a trade mark, has used the mark on the same or a similar class of goods and is still in the business, is a "person aggrieved" within the meaning of s. 71 of the *Trade Marks Act* 1905-1936.

The word "fraud" as used in s. 51A of the *Trade Marks Act* 1905-1936 is not limited to fraud on the Registrar of Trade Marks but applies to registrations of trade marks procured by fraud upon either the Registrar or other traders.

MOTION.

Farley (Aust.) Pty. Ltd. applied to the High Court by way of motion under s. 71 of the *Trade Marks Act* 1905-1936, filed on 15th July 1946, for the removal from the register of trade marks of a trade mark registered from 19th April 1939 by J. R. Alexander & Sons (Queensland) Pty. Ltd. and consisting of the word "Buz" registered in class 2 in respect of slow-burning sticks and coils for repelling and killing mosquitoes and pests.

The application was heard before *Williams* J. in whose judgment hereunder the material facts are sufficiently set forth.

R. L. Taylor, for the applicant.

W. J. V. Windeyer, for the respondent.

Thomas, for the Registrar of Trade Marks.

Cur. adv. vult.

Sept. 19

WILLIAMS J. delivered the following written judgment:—This is a motion under s. 71 of the *Trade Marks Act* to remove from the register a trade mark consisting of the word "Buz" registered in class 2 in respect of slow burning sticks and coils for repelling

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and killing mosquitoes and pests. The trade mark was registered from 19th April 1939, upon the application of the respondent which claimed to be the proprietor of the mark. The notice of motion was not filed until 15th July 1946, that is to say not until a period of more than seven years had expired from the date of the original registration. The respondent has continuously used the mark since the date of registration as a trade mark for mosquito coils which it has manufactured and sold, so that the registration, if originally valid, is not open to attack under s. 72. The grounds taken in the notice of motion as amended at the hearing are therefore those excepted from the operation of s. 51A, that the original registration was obtained by fraud and that the mark offends against the provisions of s. 114 of the Act.

The motion was heard partly on affidavit and partly on oral evidence. The deponent of one of the affidavits filed on behalf of the respondent, E. O. Farley, resides in Melbourne. Counsel for the applicant stated that if this affidavit was used he would require the deponent for cross examination. Counsel for the respondent then withdrew the affidavit, and counsel for the applicant did not press for Farley's attendance.

The early history of the word " Buz " is not in dispute. It was first used as an unregistered mark for an insecticide in the form of a fly spray sold in tins and for the accompanying atomizer by a company J. F. Moseley & Co. Ltd. about the year 1928. On 29th August 1928 this company applied for the registration of the word as a trade mark in class 2 for chemical substances used for agricultural, veterinary and sanitary purposes. At this time the company had sold about a thousand gross of tins. But the company became insolvent and went into voluntary liquidation on 4th March 1929, and the application lapsed. Another company E. O. Farley Ltd. purchased the assets and goodwill of the business from the liquidator. The assets included a stock of " Buz " spray and atomizers. The principal business of E. O. Farley Ltd. in insecticides was the local sale through a subsidiary company of another fly spray known as " Verm-X." But it made each year small sales of " Buz " fly spray for local consumption and larger sales for export. Towards the end of 1935 E. O. Farley Ltd. made preparations to sell mosquito coils in Australia under the mark " Buz." It ordered a thousand gross of these coils from the respondent which was the only manufacturer thereof in Australia. It forwarded a plate so that the respondent might have a special carton made and printed for the new coils, the cost of the cartons to be included in the price of the goods. While the coils and cartons were being manufactured, E. O. Farley Ltd. went into liquidation,

first voluntarily on 25th October 1935 and then compulsorily on 18th December 1935. The liquidator refused to accept delivery of the coils and cartons from the respondent. Thereupon the respondent, which had expended £250 upon the cartons, caused the register of trade marks to be searched, and having found that the word "Buz" was not registered, altered some of the wording on the cartons and commenced to sell the coils under the name of "Buz" on its own behalf.

The applicant was incorporated on 30th January 1936. By an agreement in writing made on 5th February 1936 the liquidator of E. O. Farley Ltd. sold the assets of that company to the applicant with certain exceptions for £1,750. The assets sold included, *inter alia*, the goodwill of the business and the patent rights, trade marks and trade names, and the registered trade marks and letters patent particularized in the schedule. A small number of tins of "Buz" fly spray and atomizers were included in the stock so purchased. The applicant made some small local sales of "Buz" fly spray early in 1936, and it may have made some further sales in subsequent years but I am not satisfied of this. Its principal business in insecticides, like that of its predecessor, was the sale of "Verm-X."

In the latter half of 1938 Goldman, the managing director of the applicant, became aware that the respondent was selling mosquito coils under the name of "Buz." On 24th October 1938 he wrote a letter addressed to the respondent at Brisbane stating that the applicant was the owner of the trade name "Buz" by virtue of its use for many years as a brand for insecticides manufactured by his company and complaining of its use by the respondent. He received no reply, and on 21st November 1938 wrote a further letter, which he registered, enclosing a copy of the previous letter, stating that no reply had been received, and asking for prompt attention by the respondent. No reply was received to this letter. One W. R. Bennetts has been the managing director of the respondent for many years. He had made the contract for the manufacture of the coils with E. O. Farley Ltd. and had been responsible for the alteration of the cartons after the rejection of the goods, and their sale on behalf of his company under the name of "Buz." It was his duty to deal with the complaint made in these letters. About December 1938 an interview took place between Goldman and Bennetts. Goldman said that Bennetts telephoned him in Sydney to say that he had received the letters, that he was on his way either to or from New Zealand, and was pressed for time, and would Goldman go to Bennetts' Sydney office and discuss the matter. Goldman said that he went to this office, explained that the applicant was selling a local fly spray under the name "Buz," that it

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had bought the right to use the name from the liquidator of E. O. Farley Ltd., and complained that the action of the respondent in selling its mosquito coils under this name was an infringement of the applicant's rights. Goldman said that Bennetts explained how he came to use the name, and promised that he would discontinue selling the line immediately the stocks manufactured to the order of E. O. Farley Ltd. were exhausted, and would write and tell Goldman the position of the stock.

Bennetts said in evidence that he could not remember receiving the letters of 24th October and 21st November 1938 but would not deny that he might have received them. He said that a large portion of his records had been destroyed by a fire in the Brisbane office and that to the best of his recollection the interview took place in his Brisbane office and not in Sydney. He said that at the interview Goldman had said that the applicant was the proprietor of a registered trade mark for "Buz," and that he then told Goldman that if this was true he would cease using the name once he had cleared the original order. He said that after the interview he caused the register of trade marks to be searched and found that Goldman's statement was untrue, and that when he found that he had been deceived he did not think that Goldman was any longer worthy of consideration. He said that he then instructed his patent attorney to apply for the trade mark. The application claimed that the respondent was the proprietor of the trade mark. Under s. 4 of the Act "trade mark" includes a mark used or proposed to be used upon or in connection with goods.

On 15th March 1939 Goldman, who had not received the promised letter from Bennetts, wrote a further letter to Brisbane referring to their conversation at the interview and reminding him of his promise. No reply was received to this letter. In January 1946 Goldman discovered that the respondent was still selling mosquito coils under the word "Buz" and had registered the word as a trade mark. On 13th February 1946 the patent attorneys for the applicant wrote to the respondent recapitulating the facts and threatening proceedings unless the respondent ceased using the word and cancelled the trade mark. A reply was eventually received from Bennetts on 7th May 1946 stating:—"Your clients, evidently, have very bad memories. We have subject matter in our office dealing with this and are satisfied we have complete answer to any plaint that may be instituted. We have nothing further to say in the matter." When asked in cross examination what the subject matter in his office was he said, "our registration . . . plus what I had found out and the details I had gained."

I have no hesitation in finding that Goldman's account of the interview in December 1938 is substantially correct, and that Bennetts' account is a tissue of lies. Bennetts knew from a previous search that "Buz" was not a registered trade mark. The interview was about the claim made in the letters in which the only claim was for an unregistered mark. Goldman knew that the word was not registered so that Bennetts would like the Court to believe that Goldman was content to rely on a promise which he must have known was worthless because it was subject to the condition that "Buz" was registered. I am satisfied that Bennetts gave Goldman an absolute undertaking that he would cease trading under the name "Buz" as soon as he had sold the coils which had been left on his hands by E. O. Farley Ltd. I am also satisfied that Bennetts knew perfectly well that he had received the previous letters, and that Goldman is right when he said that the interview took place in Sydney and that the matter discussed was the claim in the letters. There was only one interview and I do not see how Goldman could have known that Bennetts had interests in New Zealand and was on his way to or from New Zealand unless Bennetts had told him. At the time of the interview about one-sixth of the coils had been sold. At first they sold at a loss, and at that stage Bennetts would no doubt have been satisfied to discontinue the use of "Buz" as soon as he had disposed of the original order. But the line began to show a profit, and Bennetts began to believe that it had a future. At some stage between the date of the interview and the date of the application for the trade mark, he evidently thought that it would be an advantage if he could appropriate the mark for his company. He therefore applied for registration of the mark behind Goldman's back. At that time Goldman was unlikely to anticipate such a move in view of Bennetts' promise. Bennetts registered the mark and the ruse had succeeded.

The first question is whether the applicant is an aggrieved person within the meaning of s. 71 of the *Trade Marks Act*. These words have been given a wide signification. It has been said that their purpose was to prevent the register being attacked by common informers or for sentimental reasons. In *Powell* v. *Birmingham Vinegar Brewery Co.* (1), Lord *Watson* said that "the fact that the trader deals in the same class of goods and could use it, is prima facie sufficient evidence of his being aggrieved, which can only be displaced by the person who registered the mark, upon whom the onus lies, showing that there is no reasonable probability that the objector would have used it, although he were free to do so. That reading of the statute appears to

(1) (1894) A.C. 8, at p. 12.

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me to be in substantial conformity with the construction adopted by the Court of Appeal in *In re Rivière's Trade Mark* (1) and also in *In re Apollinaris Co.'s Trade Marks* (2)." It is true that neither the applicant nor its predecessor in title ever used "Buz" as a trade mark for mosquito coils. It is also true that the respondent's registration is confined to mosquito coils, and that s. 50 of the Act only gives the registered proprietor the exclusive right to the use of the trade mark upon or in connection with the goods in respect of which it is registered. But the applicant is engaged in the same class of business as the respondent. It still has small stocks of "Buz" fly spray which it will want to dispose of. If it uses the word even for fly spray it would run the risk of being sued for passing off and the registration would materially assist the respondent in such a suit. The right to use the word was purchased as part of the goodwill of E. O. Farley Ltd., and the applicant may desire to use the word, not only for fly sprays, but also for mosquito coils. Any person who has used a mark prior to registration, particularly a person who has used the mark on the same or a similar class of goods and is still in this business is, I should think, plainly an aggrieved person within the meaning of the section (*In the Matter of Verity's Trade Mark* (3)). I am therefore of opinion that the applicant is an aggrieved person within the meaning placed on these words in the cases, and entitled to bring the proceedings.

Prima facie the words of a statute should be given their ordinary grammatical meaning. The ordinary meaning of fraud involves "dishonesty or grave moral culpability" (*In re Avery's Patent* (4)). It means "actual fraud, dishonesty of some sort." (*Waimiha Sawmilling Co. Ltd.* v. *Waione Timber Co. Ltd.* (5)). It was contended that the applicant's claim to "Buz" in the letter of 24th October 1938 on the ground of its use for many years as a brand for insecticides was unfounded, and that it cannot be fraud to ignore threats which are bona fide and on reasonable grounds believed to be unfounded. I agree that generally speaking it is not fraud to ignore threats whether they are well or ill founded. But the respondent did not ignore the applicant's threat or keep the applicant at arm's length. Bennetts made a definite promise which lulled the applicant into a state of false security. It was contended that his subsequent conduct was at most a breach of contract. But the parties never intended to make a contract. They only intended to make a business arrangement, and the arrangement was

(1) (1883) 26 Ch. D. 48.
(2) (1891) 2 Ch. 186.
(3) (1901) 19 R.P.C. 58, at p. 64.
(4) (1887) 36 Ch. D. 307, at p. 319.
(5) (1926) A.C. 101, at p. 106.

of such a nature that neither party could secretly go behind it without being guilty of bad faith. When Bennetts was on the eve of making the application for the registration of what he called " our trade mark " he received the letter of 15th March reminding him of his promise. But he was not deterred. He neglected to answer the letter and soon managed to forget that he had ever received it. Bennetts' undertaking was given on the basis that the applicant had a better right to the trade mark than he. The registration of the trade mark was intended to deprive the applicant of this right. The breach of the undertaking was, in all the circumstances, plainly dishonest and Bennetts was guilty of grave moral culpability.

It was contended that the fraud referred to in s. 51A was fraud on the Registrar of Trade Marks. I can find nothing in the section or in the Act to limit the meaning of fraud in this way. The Act does not give an express statutory right of rectification on the ground of fraud. It merely saves the right in such an event to apply for rectification after seven years. Fraud is conduct which vitiates every transaction known to the law. It even vitiates a judgment of the Court. It is an insidious disease, and if clearly proved spreads to and infects the whole transaction (*Jonesco* v. *Beard* (1)). A registration of a trade mark procured by fraud, whether another trader or the Registrar was defrauded, would be equally open to attack. In most cases a registration obtained in fraud of the rights of another trader would also involve a fraud on the Registrar. The respondent gave evidence of extensive use of the trade mark after the date of registration. But where the original registration was procured by fraud, the use to which a monopoly so obtained was subsequently put could not cure the initial invalidity (*In re Heaton's Trade Mark* (2)). The crucial date is the date of the application for registration (*Shredded Wheat Co. Ltd.* v. *Kellog Co. of Great Britain Ltd.* (3)).

For these reasons I am of opinion that the applicant is entitled to succeed and I make an order that the register of trade marks be rectified by expunging therefrom the trade mark " Buz " numbered 74534, and a further order that the respondent J. R. Alexander & Sons (Q'land.) Pty. Ltd. pay the costs of the applicant and of the Registrar of Trade Marks including any fees payable for obtaining rectification (*In the Matter of the Trade Marks of J. Lesquendieu* (4)).

(1) (1930) A.C. 298, at pp. 301, 302.
(2) (1884) 27 Ch. D. 570, at p. 582.
(3) (1939) 57 R.P.C. 137, at pp. 148, 150.
(4) (1934) 51 R.P.C. 273, at p. 277.

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Order that the register of trade marks be rectified by expunging therefrom the trade mark "Buz" numbered 74534 and that the respondent J. R. Alexander & Sons (Q'land.) Pty. Ltd. pay the costs of the applicant and of the Registrar of Trade Marks including any fees payable for obtaining rectification.

Solicitors for the applicant, *Owen Jones, McHutchison & Co.*

Solicitors for the respondent, *J. Stuart Thom & Co.*

Solicitor for the Registrar of Trade Marks, *H. F. E. Whitlam*, Crown Solicitor for the Commonwealth.

J. B.