[HIGH COURT OF AUSTRALIA.]

ROTHMAN'S LIMITED . . . . . APPLICANT;

AND

W. D. & H. O. WILLS (AUSTRALIA) LIMITED RESPONDENT.

H. C. OF A. 1955.

MELBOURNE, *June* 6, 7;

SYDNEY, *Aug.* 11.

Fullagar J.

Trade Mark—Removal from register—Absence of bona fide user for requisite period—Proprietor not manufacturing or selling trade marked goods—Manufacture by American corporation of trade marked goods—Private persons in Australia ordering direct from American corporation—Payment in America by person ordering—Goods sent direct by American corporation to person ordering—Periodic accounting by American corporation to proprietor in respect of share of profit on such sales—Trade Marks Act 1905-1948 (*No.* 20 *of* 1905—*No.* 76 *of* 1948), *s.* 72.

Section 72 of the *Trade Marks Act* 1905-1948 provides that: (1) The Court may, on the application of any person aggrieved, if it is shown that there has been no bona fide user of a trade mark for a consecutive period of three years since the date of the last registration thereof, order its removal from the register, unless it was at the date of the application in *bona fide* use and had been so for a period of six months immediately prior to the date of the application. (2) For the purpose of this section bona fide user or use means user or use of a trade mark in respect of the goods in respect of which it is registered for the purposes of trade by the proprietor or registered user of the trade mark or a predecessor in title.

Held, that the user or use must be (1) for the purposes of trade, (2) by the proprietor or a registered user, (3) in respect of the goods in respect of which the mark is registered, (4) for the purpose of indicating or so as to indicate, a connection in the course of trade between the goods and the proprietor of the registered mark, (5) in Australia.

W. was registered proprietor of two trade marks in respect of "tobacco manufactured or unmanufactured". One consisted simply of the words "Pall Mall" and the other consisted of a device of which those words formed part. From 1918 to 1932 it manufactured cigarettes which it sold to retailers in Australia in small numbers under the trade mark "Pall Mall". In 1932 such sales ceased. In 1937 it imported 2,000 cigarettes into Australia which

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it sold under the trade mark, and in 1941 it manufactured and sold under the trade mark in Australia a further 5,000 cigarettes. After 1946 small parcels of American cigarettes were imported into Australia mainly, if not exclusively, for the use of personnel employed in Australia by American corporations or in business activities in which such corporations were interested. These were purchased from British-American Tobacco Co. Ltd. in the United States and payment was made direct to that company by the person giving the order. Some of these cigarettes bore the trade mark " Pall Mall ". W. was in no way concerned in these importations and, although under an arrangement which it had with the British-American Tobacco Co. Ltd. it was entitled to receive a commission on all Australian sales made by that company whether it had any part in effecting those sales or not, it neither claimed nor received any commission. In July 1952 W. arranged with the British-American Tobacco Co. Ltd. that the latter would account to it for any profit made on orders for such cigarettes in excess of five per cent on factory cost. The arrangement was carried out but W., as before, took no part in any of the transactions. The cigarettes so imported were contained in red packets, bearing the words " Pall Mall " across the top of each of which was a sticker bearing the words " Made in U.S.A. for the proprietors in Australia, W. D. & H. O. Wills (Australia) Ltd." Between July 1952 and the end of September 1954 515,400 cigarettes were so imported into Australia by eight or nine persons. Invoices produced for this period showed that the goods were ordered by letter to the British-American Tobacco Co. Ltd., accompanied by a cheque on an American bank in payment, and that the goods were sent by parcel post to the person ordering. On applications to remove the trade marks from the register it was admitted that there had been a period of three years since the date of the last renewal of registration during which there was no user by W. but it was contended that the trade mark consisting simply of the words " Pall Mall " was at the date of the application, 15th September 1954, in bona fide use and had been so for a period of six months immediately prior to the date of the application.

Held, that the sale of the goods took place in the United States and that neither the British-American Tobacco Co. Ltd. nor W. or anyone else " used " the trade mark in any relevant sense in Australia. *Notes of Official Rulings* (1944) 61 R.P.C. 148, doubted and distinguished; *Re Registered Trade Mark " Yanx "*; *Ex parte Amalgamated Tobacco Corporation Ltd.* (1951) 82 C.L.R. 199, distinguished. Even if the trade mark was used in Australia it was by the British-American Tobacco Co. Ltd. and not by W. which was a stranger to every transaction of sale and purchase notwithstanding the private arrangement between it and the company.

MOTION.

Rothman's Ltd., a company incorporated in England, applied to the High Court by way of motion under s. 72 of the *Trade Marks Act* 1905-1948 for the removal from the register of trade marks of two trade marks numbered 18437 and 22947 registered respectively

from 17th June 1915 and 13th April 1918 by W. D. & H. O. Wills (Australia) Ltd., a company incorporated in England.

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

G. A. Pape, for the applicant.

A. D. G. Adam Q.C. and *A. H. Mann*, for the respondent.

Cur. adv. vult.

Aug. 11.

FULLAGAR J. delivered the following written judgment:—

This is a motion by Rothman's Ltd. (a company incorporated in England) relating to two registered trade marks of which W. D. & H. O. Wills (Australia) Ltd. (which is also a company incorporated in England) is the proprietor. Both marks are registered in class 45 in respect of all goods comprised in that class, viz. "Tobacco manufactured or unmanufactured", and they are entered on the register as "associated marks" under s. 29 of the *Trade Marks Act* 1905-1948. The first mark, which is No. 18437, consists simply of the words "Pall Mall"; it was originally registered on 17th June 1915, and the registration has been duly renewed from time to time. The second mark, which is No. 22947, consists of a label or device, the features of which are an eagle in the top left-hand corner, a seal in the bottom right-hand corner, and in the centre the words "Pall Mall" in large capitals. This mark was originally registered on 13th April 1918, and the registration has been duly renewed from time to time.

The motion seeks an order under s. 72 (1) of the *Trade Marks Act* 1905-1948 for the removal of the two marks from the register on the ground of what is shortly called "non-user". It is really only the user of the first mark that is in issue, because the respondent does not claim to have used the second mark at all at any time. There is an alternative application under s. 71 (1) (*c*) of the Act for an order excluding cigarettes from the class of goods in respect of which the marks are registered. This alternative application, however, may be disregarded, because the respondent company does not claim to have used the first mark in respect of any goods in class 45 other than cigarettes. If, therefore, non-user of that mark in respect of cigarettes is established, the applicant is prima facie entitled to an order under s. 72 (1). If, on the other hand, sufficient user of that mark by the respondent in respect of cigarettes is proved, the order sought under s. 71 (1) (*c*) obviously cannot be made.

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The applicant company and its predecessors in business have, since 1900 and up to the present time, manufactured cigarettes in England in large quantities and sold them under the trade mark "Pall Mall" in England and other countries. The company's cigarettes were first sold under the trade mark in Australia in 1914. From 1927 onwards its cigarettes have been sold in Australia under the trade mark, but up to 1946 only in comparatively small quantities and subject to interruptions caused by Government regulations and by war. Since 1946 they have been so sold in Australia in very substantial quantities. In 1948 over 137,000,000 cigarettes—or about 7,000,000 packets of twenty—were so sold, and sales have been well maintained since. On 11th November 1948 the company applied for registration of the trade mark "Pall Mall" in respect of cigarettes, but the application was, of course, met by citation of the respondent's two registered marks and s. 25 of the Act, which forbids the registrar to register a mark identical with one belonging to a different proprietor and already on the register in respect of the same description of goods or so nearly resembling such a mark as to be likely to deceive. It is in order to overcome this obstacle (and, of course, without prejudice to any application under s. 28 based on "honest concurrent user") that the company makes the present application for the removal of the respondent's marks from the register under s. 72 (1). The notice of motion was filed on 15th September 1954.

Section 72 (1) provides that "The Court may, on the application of any person aggrieved, if it is shown that there has been no *bona fide* user of a trade mark for a consecutive period of three years since the date of the last registration thereof, order its removal from the register, unless it was at the date of the application in *bona fide* use and had been so for a period of six months immediately prior to the date of the application". It is not denied that the applicant company is a "person aggrieved" within the meaning of s. 72, and it is common ground that the "date of the last registration" means, in a case where original registration has been renewed, the date of the last renewal, and this date is, in the case of mark No. 18437, 12th June 1943, and in the case of mark No. 22947, 13th April 1946. It is admitted in the case of each mark, that there has been a period of three years since the date of the last renewal of registration during which there was no user by the respondent company. The applicant thus makes a prima facie case. The respondent company, however, contends that, so far as mark No. 18437 is concerned, the case falls within the last part of s. 72 (1), because, it says, that mark "was at the date of the application

in *bona fide* use and had been so for a period of six months immediately prior to the date of the application ". The " application " is, of course, the application for removal from the register, and the " date of the application " I take to be the date of the filing of the notice of motion, which was, as I have said, 15th September 1954.

Whether the contention of the respondent should succeed or not depends, of course, on the facts, and it is now necessary to turn to the evidence. The evidence was given primarily on affidavit, but one of the deponents, Mr. G. D. McKay, who is a director and joint sales manager of W. D. & H. O. Wills (Australia) Ltd., was cross-examined and re-examined before me.

From 1918 to 1932 the respondent company manufactured cigarettes which it sold to retailers in Australia under the trade mark " Pall Mall ". The number so sold was not large in any year, and from 1927 onwards was very small. In 1932 " owing to the economic conditions then prevailing ", such sales ceased. In 1937 the company imported 2,000 cigarettes into Australia, which it sold under the trade mark, and in 1941 it manufactured and sold under the trade mark in Australia a further 5,000 cigarettes. After that year conditions arising out of the war are said to have made it impracticable for the company to manufacture or import cigarettes for sale under the trade mark.

For many years very large quantities of cigarettes have been manufactured in the United States and sold in that country under the name " Pall Mall " by the American Tobacco Co. Incorporated, a company incorporated in the United States. There appears to be some agreement between this American company and the British-American Tobacco Co. Ltd., a company incorporated in England, under which the latter company has the right to market in countries other than the United States cigarettes manufactured by the former company. It would appear also that the British-American Tobacco Co. itself also manufactures cigarettes in the United States. It may probably be assumed that there is some connection or association by way of contract or shareholding or otherwise between the American Tobacco Co., the British-American Tobacco Co. and W. D. & H. O. Wills (Australia) Ltd., but there was no other evidence of the nature of any such association or connection. A sample packet of " Pall Mall " cigarettes sold in the United States was put in and marked " exhibit 1 ".

After 1946 small parcels of American cigarettes began to be imported into Australia under licence from the Customs Department. These cigarettes were mainly, if not exclusively, imported for the use of personnel employed in Australia by American corporations

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or in business activities in which American corporations were interested. They were purchased by persons in Australia from the British-American Tobacco Co. Ltd. in the United States, and payment was made direct to that company by the person giving the order. Such cigarettes came into Australia in packets bearing several different trade marks, but some bore the trade mark " Pall Mall ". The respondent company was in no way connected with, or concerned in, any of these importations, and it did not enter in any way into any of the transactions which have been described. There was in existence an arrangement between it and the British-American Tobacco Co. Ltd., under which it was entitled to receive a " profit " or " commission " on all Australian sales made by the British-American Tobacco Co., whether it had been in any way instrumental in effecting those sales or not, but in respect of the transactions which have been described it neither claimed nor received any share of any profit. Whether it knew of those transactions or not does not appear.

It may be that the respondent company first became aware in 1952 of the trade which has been described. At any rate, in or about July of that year an arrangement was made between the respondent company and the British-American Tobacco Co. with regard to the cigarettes which were coming into Australia bearing the trade mark " Pall Mall ". The effect of the arrangement was that the latter company was to account to the respondent company for any profit made on orders for such cigarettes in excess of five per centum on factory cost. This arrangement was carried out, and from this time onwards, and in and after September 1954, cigarettes bearing the trade mark " Pall Mall " continued to be imported into Australia in the manner described above, the respondent company receiving the profit after allowing for five per centum on factory cost, but otherwise, as before, taking no part in any of the transactions and being in no way concerned in, or connected with, any importation or sale. The cigarettes so imported were contained in red packets of a distinctive character bearing the words " Pall Mall " in large white capitals, and across the top of each packet was a small piece of white paper, which has been referred to as a " sticker ", bearing the words in blue ink: " Made in U.S.A. for the proprietors in Australia, W. D. & H. O. Wills (Australia) Ltd." The number of cigarettes thus imported into Australia between July 1952 and the end of September 1954 was 515,400. The number of persons who imported them was eight or nine, but I understand that each consignment was divided by arrangement among several persons.

It should perhaps be mentioned that a number of affidavits by persons in close touch with the tobacco trade in Australia were filed on behalf of the applicant. These persons deposed that, while they were familiar with Rothman's "Pall Mall" cigarettes, they had never heard of any "Pall Mall" cigarettes marketed in Australia by W. D. & H. O. Wills (Australia) Ltd. It is, of course, readily understandable that these deponents would not be aware of the transactions on which the respondent now relies.

The question in the case is whether it can be said that by virtue of these facts the trade mark "Pall Mall" was "in *bona fide* use" within the meaning of s. 72 (1) of the *Trade Marks Act*. If it was, it was so in use at the date of the present application for removal, and had been so in use for a period of more than six months before the date of the application. If it was not, absence of bona fide user for a period of three years since the last renewal of registration has been proved by the applicant, and the respondent has failed to bring itself within the exception or proviso in the latter part of the sub-section.

The Australian Act, unlike both the English Act of 1905 and the English Act of 1938, defines what is meant by bona fide user or use. Sub-section (2) of s. 72 (so far as material) provides that, for the purposes of that section "*bona fide* user or use means user or use of a trade mark in respect of the goods in respect of which it is registered for the purposes of trade by the proprietor or registered user of the trade mark". It seems clear to me that the words "for the purposes of trade" and the words "by the proprietor or registered user" are to be read with the words "user or use of a trade mark" and not with the word "registered". The user or use must, therefore, be a user or use (1) for the purposes of trade, (2) by the proprietor or a registered user, (3) in respect of the goods in respect of which the mark is registered. It is, in my opinion, involved in this that the use must be such as is contemplated by the definition of "trade mark" in s. 4 of the Act. That is to say, I think that it must be "used for the purpose of indicating, or so as to indicate, a connection in the course of trade" between the goods and the proprietor of the registered mark. The use must, of course, be a use in Australia.

I have not regarded the question raised as free from difficulty, but I have come to the conclusion that "*bona fide* use" within the meaning of s. 72 (1) is not proved.

I think, indeed, that Mr. *Pape* is right in his primary argument that no use at all of the mark in Australia by anybody is really established by the evidence. A number of invoices relating to

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"Pall Mall" cigarettes imported into Australia between April and September 1954 were exhibited to Mr. McKay's affidavit. These show that the goods were ordered by letter, that they were sent by parcel post to the person ordering, and that payment had been received before despatch. I understood from Mr. McKay that the letter conveying the order was a letter from the privileged person in Australia direct to the British-American Tobacco Co. in the United States, and that the letter enclosed a cheque on an American bank in payment for the goods ordered. On these facts it appears to me that the sale of the goods took place in the United States, and that neither the British-American Tobacco Co. nor W. D. & H. O. Wills (Australia) Ltd. or anybody else "used" the trade mark in any relevant sense in this country. It is true that the word "use" seems to be interpreted liberally in relation to trade marks. In 1944 the registrar in England decided (*Notes of Official Rulings* (1)), that a mark was used in England when it was applied to goods supplied by the owner of the mark to a firm in England with a view to obtaining through that firm some channel, such as an agency, or a wholesale purchaser, for the supply of the goods to the English market. (I feel some doubt about the soundness of this ruling, but I will assume it to be correct.) Again, in *Re Registered Trade Mark "Yanx"; Ex parte Amalgamated Tobacco Corporation Ltd.* (2), *Williams* J. held that there had been a use of the trade mark "Yanx" in Australia, where goods designated by that mark had been offered for sale and ordered in Australia through a New South Wales company from an English company, although the goods had not arrived in Australia before the date which was relevant in that case. But in that case there had been an actual offering of goods for sale under the mark in Australia by the owner of the mark, and in the case before the registrar samples of goods bearing the mark had been sent to England by the owner of the mark with a view to finding a market in England. In each case there was, or could be said to have been, an offering of goods under the relevant trade mark in the relevant territory. Here there was no such thing. It seems to me that the only relevant things that were done in Australia were the writing and posting of a letter ordering goods under the trade mark from the owner of the trade mark in the United States. I would not think that a mark is "used" in Australia in any relevant sense when all that happens is that a person in Australia orders goods direct from the proprietor of the

(1) (1944) 61 R.P.C. 148. (2) (1951) 82 C.L.R. 199.

mark in another country for the use of himself or of himself and his friends.

But, even if I am wrong in thinking that no user of the trade mark at all in Australia in the relevant period is proved, and if the mere entry into Australia of goods bearing the mark ought to be held to amount to a user of the mark in Australia, still, if the respondent is to succeed, the user must be a bona fide user *by it*, and I am of opinion that there was no bona fide user *by W. D. & H. O. Wills (Australia) Ltd.* within the meaning of the Act. The position may be considered first as it existed before the " sticker " began to be used. There is no evidence that it was used between 1946 and 1952, and I think it probable (though it is perhaps not definitely established) that it was part of the arrangement between the two companies in 1952 that it should be so used.

Before the sticker began to be used, I would think it impossible to say that there was any user of the trade mark by W. D. & H. O. Wills (Australia) Ltd. That company was a complete stranger to every sale of the cigarettes. For all that appears, it did not even know until 1952 that the cigarettes were being supplied to persons in Australia by the British-American Tobacco Co. It seems to me that at this stage the only person who can be said to be using the trade mark (assuming it to be " used " at all in Australia) is the British-American Tobacco Co.

Then did the affixing of the sticker make any difference ? The situation was, of course, altered in two respects in 1952, if we assume the sticker to have been first used in that year. In the first place, W. D. & H. O. Wills (Australia) Ltd. had an interest, which it had not had before, in the sales of Pall Mall cigarettes by the British-American Tobacco Co. to persons in Australia. And, in the second place, whereas previously there had been nothing whatever to connect the label " Pall Mall Cigarettes " with W. D. & H. O. Wills (Australia) Ltd., the sticker now does suggest such a connection by asserting that the contents of the packet are " made in U.S.A. for the proprietors in Australia, W. D. & H. O. Wills (Australia) Ltd." But the substance of the position does not appear to me really to be altered. I do not think the question at issue is to be solved by saying simply that the assertion made by the sticker is false, but the words used are extremely vague, and their very vagueness suggests unreality. The reality of the position, as I see it, still is, as it was before, that the customer in Australia is ordering cigarettes from the British-American Tobacco Co. W. D. & H. O. Wills (Australia) Ltd. still is, as it was before, a

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complete stranger to every transaction of sale and purchase. It knows nothing of any transaction until it receives a credit note at the end of each quarter. The mere fact that the cigarettes were supplied direct to the customer by the British-American Tobacco Co. in pursuance of an order given to that company would not, I should suppose, be fatal to the respondent's contention, if the order were a genuine order for cigarettes identified by means of the trade mark with W. D. & H. O. Wills (Australia) Ltd. But no such order was ever given. Assuming (contrary to my own opinion) that there was a use of the trade mark in Australia at all, the only person, in my opinion, who really used the trade mark was the British-American Tobacco Co. The trade for the purposes of which the mark was used was the trade of the British-American Tobacco Co. There was no buying or selling or offering to buy or sell except between that company and its customers, and in the transactions between them the function of the mark in truth and reality was to denote cigarettes manufactured or supplied by that company. These seem to me to be the essential facts, and I do not think that their character could be altered by any private arrangement between the two companies. After the coming into force of the *Trade Marks Act* 1948 the British-American Tobacco Co. might perhaps have become a "registered user" of the trade mark in Australia, and user by it would then have been deemed, under s. 31A, to be user by W. D. & H. O. Wills (Australia) Ltd. But it did not become a registered user.

I have not succeeded in finding any authority to afford me any real assistance in this case. Mr. *Pape* referred me to the very recent case of *Electrolux Ltd.* v. *Electrix Ltd.* (1). In that case the plaintiff company had unquestionably been "using" the trade mark, and the question seems to have been whether the fact that it was used solely for the purpose of strengthening the plaintiff's hand in a contemplated infringement action prevented that user from being "bona fide" within the meaning of the Act. The Master of the Rolls said that there had been "a real commercial use on a substantial scale and in that sense genuine" (2). Here I feel unable to hold that there has been any use at all by W. D. & H. O. Wills (Australia) Ltd.—still less that there has been "a real commercial, and in that sense genuine, use" by that company.

For the above reasons I am of opinion that I ought to make an order for the removal of both trade marks from the register. The applicant has established what is required by the first part of s. 72 (1),

(1) (1953) 71 R.P.C. 23.

(2) (1953) 71 R.P.C., at p. 41.

and the respondent has failed, in my opinion, to establish what is required by the latter part of that sub-section. If I have any discretion in the matter, I am not able to see any sound reason for exercising it against the applicant, which has been selling its "Pall Mall" cigarettes in this country in very substantial quantities since 1946.

Order that trade marks Nos. 18437 *and* 22947 *be removed from the Register of Trade Marks. Order that respondent pay applicant's costs of this application.*

Solicitors for the applicant, *Whiting & Byrne.*
Solicitors for the respondent, *Best, Hooper, Rintoul & Shallard.*

R. D. B.