

# HIGH COURT OF AUSTRALIA

GLEESON CJ,  
GAUDRON, McHUGH, GUMMOW, KIRBY, HAYNE AND CALLINAN JJ

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CAMPOMAR SOCIEDAD, LIMITADA & ANOR                      APPELLANTS  
AND

NIKE INTERNATIONAL LIMITED & ANOR                      RESPONDENTS

*Campomar Sociedad, Limitada v Nike International Limited*  
[2000] HCA 12  
9 March 2000  
S41/1999

## ORDER

1. *Appeal allowed.*
2. *Set aside the orders of the Full Court of the Federal Court of Australia made on 7 July 1998 and in place thereof order that:*
  - (a) *the appeal to that Court be allowed in part;*
  - (b) *Order 3 of the orders made by Sheppard J on 20 August 1996 be set aside;*
  - (c) *Orders 1 and 2 of the orders made by Sheppard J on 20 August 1996 each be varied by adding the words "SPORT FRAGRANCE" after "NIKE" appearing therein;*
  - (d) *reserve liberty to any party to apply to a Justice of the Federal Court of Australia for variation of the terms of the orders of Sheppard J (as varied by these orders) on application made within 28 days of the date of this order;*
  - (e) *the respondents pay two-thirds of the appellants' costs of the appeal to the Full Court;*
  - (f) *otherwise the appeal to the Full Court be dismissed.*
3. *The respondents pay two-thirds of the appellants' costs of the appeal.*



2.

On appeal from the Federal Court of Australia

**Representation**

D K Catterns QC with J R Baird for the appellants (instructed by Mallesons Stephen Jaques)

D F Jackson QC with J V Nicholas for the respondents (instructed by Sprusons Solicitors)

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# HIGH COURT OF AUSTRALIA

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GAUDRON, McHUGH, GUMMOW, KIRBY, HAYNE AND CALLINAN JJ

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CAMPOMAR SOCIEDAD, LIMITADA

APPELLANT

AND

NIKE INTERNATIONAL LIMITED & ANOR

RESPONDENTS

*Campomar Sociedad, Limitada v Nike International Limited*  
9 March 2000  
S42/1999

## ORDER

1. *Appeal allowed with costs.*
2. *Set aside the orders of the Full Court of the Federal Court of Australia and in place thereof order that:*
  - (a) *the appeal to that Court be allowed in part and Orders 1 and 3 of the orders made by Sheppard J on 20 August 1996 be set aside;*
  - (b) *the entry in the Register of Trade Marks in respect of registration No A585204 be amended by amending the goods in respect of which the trade mark is registered to read "Soaps, being goods in Class 3";*
  - (c) *otherwise the application be dismissed with costs.*

On appeal from the Federal Court of Australia

## Representation

D K Catterns QC with J R Baird for the appellant (instructed by Mallesons Stephen Jaques)

D F Jackson QC with J V Nicholas for the respondents (instructed by Sprusons Solicitors)

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## CATCHWORDS

### **Campomar Sociedad, Limitada v Nike International Limited**

Trade Marks – "NIKE" – Appellants and respondents registered identical trade marks in respect of different products – Appellants' use of mark likely to deceive or cause confusion – Appellants intended to take advantage of respondents' goodwill – Application to expunge appellants' trade marks.

Trade Marks – Whether s 28 of *Trade Marks Act* 1955 (Cth) has continuing or secondary operation – Interests to which protection under s 28 is directed – Whether s 28 prevents "dilution" of trade mark – Whether s 28 accommodates prior or honest concurrent use – Whether appellants' trade marks had a reasonable probability of causing confusion – Issue to be considered prospectively at date of application for registration – Power to expunge mark from Register – Exercise of discretion on appeal – Limitation of goods for which trade mark registered.

Trade Practices – Misleading or deceptive conduct – Significance of "erroneous assumption" – Nexus between conduct and misconceptions or deceptions – Effect upon ordinary or reasonable members of the class of prospective purchasers to whom conduct directed.

Words and Phrases – "likely to deceive or cause confusion" – "wrongly made in the Register" – "wrongly remaining in the Register" – "blameworthy activities" – "dilution" – "probability of confusion" – "misleading or deceptive conduct" – "erroneous assumption".

*Trade Marks Act* 1955 (Cth), ss 22, 28, 34, 53(2), 58, 61.

*Trade Marks Act* 1995 (Cth), ss 93, 96, 207, 233(1), 234, 250.

*Trade Practices Act* 1974 (Cth), ss 52, 80.



The nature of the dispute

1 "Nike" is not an invented word. In Greek mythology, Nike was the goddess of victory. The *Oxford English Dictionary*<sup>1</sup> discloses that the term was also used to describe a range of surface to air guided missiles, developed by the United States from 1951.

2 On both sides in the present litigation, the term "NIKE" has been adopted as a trade mark. On one side, that of the appellants, which are Spanish corporations, the trade mark is registered in respect of cosmetics and toiletries, particularly perfume, and on the other side, that of the respondents, whose headquarters are in the United States, the trade mark is registered and used for sporting footwear and clothing. There has been litigation between them in Hong Kong and in the United Kingdom with respect to subject-matter similar or substantially similar to that which arises for determination in the present appeals.

3 These appeals are concerned with the working out of the legal consequences in Australia of this double use of the name "NIKE". This does not involve the operation of any tort of unfair competition. In *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]*<sup>2</sup>, this Court held that the existence of an action in unfair competition would be "inconsistent with the established limits of the traditional and statutory causes of action which are available to a trader in respect of damage caused or threatened by a competitor". Indeed, as a general proposition, the law of torts values competitive conduct between traders to keep down prices and improve products<sup>3</sup>.

4 Here, neither side has marketed goods in Australia of the same description as the other. Nevertheless, the essence of the complaint of the United States concern is that the appellants, in putting their goods on the Australian market in 1993, had sought to "cash in on [the 'NIKE'] reputation, which they [had] done nothing to establish"<sup>4</sup>. However, in *Victoria Park Racing and Recreation*

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1 2nd ed (1989), vol X.

2 (1984) 156 CLR 414 at 445.

3 *Dorset Yacht Co Ltd v Home Office* [1970] AC 1004 at 1060; *Warnink v J Townend & Sons (Hull) Ltd* [1979] AC 731 at 742; *Cadbury-Schweppes Pty Ltd v The Pub Squash Co Ltd* [1981] RPC 429 at 490-491; *Perre v Apand Pty Ltd* (1999) 73 ALJR 1190 at 1210, 1223, 1243; 164 ALR 606 at 635-636, 654, 680-681.

4 The expression is that of Sir Thomas Bingham MR in *Taittinger v Allbev Ltd* [1994] 4 All ER 75 at 95.

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*Grounds Co Ltd v Taylor*<sup>5</sup>, Dixon J said that in "British jurisdictions" courts of equity have not:

"thrown the protection of an injunction around all the intangible elements of value, that is, value in exchange, which may flow from the exercise by an individual of his powers or resources whether in the organization of a business or undertaking or the use of ingenuity, knowledge, skill or labour. This is sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to invention, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests and not under a wide generalization."

This passage was approved by this Court in *Moorgate Tobacco Co*<sup>6</sup> and should be regarded as an authoritative statement of contemporary Australian law.

5 On the other hand, the gist of the complaint of the appellants, the Spanish corporations, is that the United States concern seeks to "swamp" their Australian registrations by exploiting a false belief – a belief built up by advertising and promotional expenditure that, in Australia, the only goods that are or will be marketed under the mark "NIKE" are those of the respondents.

6 It is against that background that issues arise respecting the law of registered trade marks, principally under the *Trade Marks Act* 1955 (Cth) ("the 1955 Act"), that of misleading or deceptive conduct under s 52 of the *Trade Practices Act* 1974 (Cth) ("the TP Act") and the common law of passing-off. Questions also arise respecting the interrelationship between the two statutory regimes and between those regimes and the common law.

#### The parties and the course of the litigation

7 The appeals are brought from the Full Court of the Federal Court of Australia<sup>7</sup>. They were heard together, as they had been in the Full Court. By

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5 (1937) 58 CLR 479 at 509. See also *Data Access Corporation v Powerflex Services Pty Ltd* (1999) 73 ALJR 1435 at 1440; 166 ALR 228 at 235.

6 (1984) 156 CLR 414 at 444-445.

7 *Campomar Sociedad, Limitada v Nike International Ltd* (1998) 85 FCR 331.

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majority (Sackville and Leane JJ; Burchett J dissenting), the Full Court dismissed appeals against orders of a judge of that Court (Sheppard J)<sup>8</sup>.

8 The first appellant in the first appeal (No S41 of 1999) and the appellant in the second appeal (No S42 of 1999) is a Spanish corporation, Campomar Sociedad, Limitada ("Campomar"). It was incorporated in 1964 and it was registered proprietor of two trade marks Nos A451283 and A585204 ("the Campomar registrations"), each of which comprises the word "NIKE". The orders made by Sheppard J included orders for rectification of the Register of Trade Marks by the expungement of the Campomar registrations. The second appellant in the first appeal, Nike Cosmetics SA ("Nike Cosmetics"), is a related corporation. It was incorporated in 1989 to manufacture and sell "NIKE" perfume products, under exclusive licence from Campomar.

9 The applicants in both matters were the present respondents, Nike International Limited ("Nike International") and Nike Australia Pty Ltd ("Nike Australia"). Nike International was incorporated in Bermuda in 1980. It is a wholly owned subsidiary of Nike Inc. That company was incorporated in the United States, in the State of Oregon, in 1969 and is the parent company of Nike Australia.

10 By the time of the litigation, Nike International, or, perhaps more accurately, the Nike group of companies as an undifferentiated entity, had built up in Australia a significant reputation for the manufacture and distribution of athletic footwear and sports clothing distinguished by the "NIKE" mark.

11 The Campomar registrations were effected under the 1955 Act. The first registration was in respect of "perfume products of all kinds and essential oils", being goods in Class 3<sup>9</sup>. Registration was applied for on 29 August 1986 and on

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8 *Nike International Ltd v United Pharmaceutical Industries (Aust) Pty Ltd* (1996) 35 IPR 385.

9 The classification adopted for registrations under the 1955 Act was the International Classification which was first formalised by the Nice Arrangement of 1957, to which Australia acceded: Shanahan, *Australian Law of Trade Marks and Passing Off*, 2nd ed (1990) at 50. Sections 31 and 40 required each registration to be registered for goods or services in one of the prescribed classes.

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15 June 1989 the application was accepted for registration without opposition. The date of registration was deemed by s 53(2) of the 1955 Act to be the date of the lodging of the application<sup>10</sup>.

12 It may be noted that, in Spain, Campomar's predecessor in business had obtained a trade mark registration for "NIKE" for perfumes and essences on 10 June 1940 and it had obtained registrations in other countries, including one in the United States with the priority date of 18 August 1964. In a number of countries, these registrations had expired in 1982 by reason of failure to renew them within time. However, in some 20 countries Campomar obtained new registrations with priority dates of 1 June 1984 in respect of perfume and essences or perfume products in general. The European countries involved included the Federal Republic of Germany, Austria, France, Italy and Switzerland. The trade mark the subject of all these registrations was "NIKE".

13 In Australia, Campomar applied on 2 August 1992 for the registration of "NIKE" for "[b]leaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps", also being goods in Class 3. This application was accepted for registration, without opposition, on 6 January 1994. The date of this second Campomar registration is likewise deemed to be the date of the application, 2 August 1992.

14 On 29 August 1993, s 61 of the 1955 Act became applicable to the first Campomar registration. The effect of s 61(1) was that, after the expiration of seven years from 29 August 1986, the original registration was to be taken to be valid in all respects unless one or more of three matters was shown. The first (par (a)) was that the original registration was obtained by fraud; the second (par (b)) was that "the trade mark offends against the provisions of section 28"; and the third (par (c)) was that the trade mark was not, at the commencement of the proceedings in question, distinctive of the goods or services of the registered proprietor. Section 28 stated that a mark "shall not be registered as a trade mark" if, among other things, its use "would be likely to deceive or cause confusion".

15 On 28 April 1994, a proceeding was instituted in the Federal Court (No G241 of 1994) seeking, among other relief, the expungement of the first

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10 *Hunter Douglas Australia Pty Ltd v Perma Blinds* (1970) 122 CLR 49 at 57, 61-62, 66, 67.

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Campomar registration. This led to the first appeal in this Court. Reliance was placed upon par (b) of s 61(1), that is to say upon s 28 of the 1955 Act. It was also pleaded that the trade mark was not at the commencement of the proceedings distinctive of the goods of Campomar. However, the trial was fought on the discrete ground provided by s 61(1)(b) with respect to s 28. It was not alleged that the original registration was obtained by fraud within the meaning of par (a) of s 61(1). In this context, "fraud" requires more than "sharp business practice" and the court looks for active deception, the saying or doing of something misleading, the lulling of the applicant for expungement into a state of false security, or a breach of confidence which had been reposed by that party in the applicant for registration<sup>11</sup>.

16 On 8 June 1994, a proceeding was instituted in the Federal Court (No G333 of 1994) seeking the expungement of the second Campomar registration. This led to the second appeal in this Court. Section 61 had no application here to limit the grounds of attack on the original registration, but again the trial was fought on the operation of s 28.

17 The trial judge, Sheppard J, made orders for the expungement of the Campomar registrations<sup>12</sup>. His Honour did so on the footing that the registrations wrongly remained in the Register, within the meaning of s 22(1)(b) of the 1955 Act. This was because, having regard to the significant reputation in Australia of "NIKE" to athletic footwear and sports clothing, the use of the Campomar registration for perfume products "would (in the sense of 'becomes' or 'has become') be likely to deceive or cause confusion" within the meaning of s 28(a) of the 1955 Act<sup>13</sup>.

18 His Honour's orders were made on 20 August 1996. In the meantime, the 1955 Act had been repealed with effect from 1 January 1996 by the *Trade Marks Act 1995* (Cth) ("the 1995 Act"), that is to say, during the pendency of the proceedings before Sheppard J. Section 233(1) of the 1995 Act provides that all

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11 *Farley (Aust) Pty Ltd v J R Alexander & Sons (Q) Pty Ltd* (1946) 75 CLR 487 at 492; *Aston v Harlee Manufacturing Co* (1960) 103 CLR 391 at 404-405.

12 (1996) 35 IPR 385 at 408-409.

13 (1996) 35 IPR 385 at 399.

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trade marks that immediately before 1 January 1996 were registered in Pt A or Pt B of the old Register "are registered trade marks for the purposes of this Act". However, s 250 of the 1995 Act states:

"If proceedings arising from an application to a court under section 22 (Rectification of Register) of the repealed Act were pending immediately before 1 January 1996, the matter is to be decided under the repealed Act as if the old register were to be rectified, but any order made by the Court may only be in respect of the rectification of the Register."

Accordingly, although the two Campomar registrations were, with effect from 1 January 1996, registered under the 1995 Act, the pending proceedings for their expungement were to be determined by reference to the provisions of the 1955 Act.

- 19 It is convenient at this stage to refer to certain registrations under the 1955 Act which were held by Nike International. With effect from 8 January 1975, its predecessor in title obtained registration No A284351 for "NIKE" for goods in Class 25, being "[a]thletic shoes for sports, athletic shoes for training, and athletic shoes for general use; and athletic uniforms". Nike International also held, with effect from 19 April 1979, registration Nos A331649 and A331650 respectively for "NIKE" for all goods in Class 18 and for all goods in Class 28. With effect from 21 January 1981, it held registration No A355648 for "NIKE" for all goods in Class 25. The goods in Class 18 are:

"Leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery".

The goods in Class 25 are "[c]lothing, footwear, headgear" and those in Class 28 are "[g]ames and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees"<sup>14</sup>.

- 20 However, neither Nike International nor the second respondent, Nike Australia, held a registration in respect of goods in Class 3, the class for goods in

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**14** These classes are also to be found, expressed in the same terms, in Sched 1 to the Trade Marks Regulations 1995 (Cth).

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which Campomar held its registrations. Nor had they marketed perfume products under the mark "NIKE". Indeed, to have done so during the currency of the first Campomar registration would have infringed the trade mark rights of Campomar in Australia. If this Court reverses the expungement orders made by the trial judge, the presence of the Campomar registrations will continue to present an obstacle to any such expansion by the Nike group of companies in the use of "NIKE" as a trade mark.

21 The case in the Federal Court, both at first instance and on appeal, proceeded on the footing that, upon the true construction of the 1955 Act, the registration of a trade mark such as the Campomar registrations was liable to expungement as wrongly remaining on the Register, within the meaning of s 22(1)(b), if, at the date of the application for removal, the trade mark was one the use of which then would be likely to deceive or cause confusion within the meaning of s 28(a). This was said to be so, regardless of whether the trade mark had had that character at the deemed time of its registration under s 53(2). Sheppard J followed what he identified as a "preponderance of judicial opinion" to the effect that s 28(a) had a "continuing operation"<sup>15</sup>.

22 The contested question at first instance and in the Full Court was directed to a consequential matter. This was whether, on the footing that s 28(a) does have this continuing or secondary operation, nevertheless there should be no order for expungement because any likelihood of deception or confusion in the present case was not the result of "blameworthy" activities of the proprietor, Campomar, whose registered marks are the subject-matter of proceedings for expungement. On that issue, Burchett J dissented in the Full Court. His Honour said<sup>16</sup>:

"Certainly, a proprietor might, by a sustained manner of dealing, give to his mark a misleading or confusing meaning or connotation, but I do not think the evidence, or the trial judge's findings, would support a conclusion that Campomar's brief activities so affected its mark. The liability to deceive or confuse in question here arises out of the tendency towards brand extension of Nike International's success."

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<sup>15</sup> (1996) 35 IPR 385 at 405.

<sup>16</sup> (1998) 85 FCR 331 at 343.

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23 In this Court, the appellants sought to challenge the preponderance of judicial authority with respect to the "continuing operation" of s 28 which had been identified by Sheppard J. They submitted that, upon its proper construction, s 28 of the 1955 Act spoke only to the state of affairs at the time of registration. It was not disputed that there is no binding authority in this Court which, as a matter of ratio decidendi, forecloses acceptance of the argument presented by the appellants. In particular, views on the point expressed in the judgments in this Court in *Berlei Hestia Industries Ltd v Bali Co Inc*<sup>17</sup> and *New South Wales Dairy Corp v Murray Goulburn Co-op Co Ltd*<sup>18</sup> were not determinative of the particular disputes in those cases. In the latter case, no argument against the continuing operation of s 28 was developed by counsel. Three of the members of the Court (Deane, Gaudron and McHugh JJ) disagreed with the basis upon which the case was conducted and the assumption that was made as to the meaning of s 28. In the present case, the point which was not argued in *Murray Goulburn* was raised squarely for decision.

24 One of the principal axes on which the present appeals turn thus is the construction of s 28 of the 1955 Act. This construction is informed by the statutory context, in particular those provisions in the 1955 Act which disclose the balance struck between the protection of the interests of consumers from the likelihood of being misled and confused and the commercial interests of registered trade mark proprietors and traders who have no registration but who have common law rights the subject of equitable remedies. In considering the numerous provisions of the 1955 Act material to this inquiry, it will also be necessary to turn to their respective predecessors in Australian and United Kingdom legislation without which the purposes of the applicable provisions will be less readily understood.

25 The construction of s 28 of the 1955 Act continues to be of general importance beyond that for the pending litigation to which s 250 of the 1995 Act applies. The automatic registration under the new statute brought about by s 233 brings with it s 234. The effect of s 234(2) is that an original registration under the 1955 Act is to be taken to be valid in all respects after a period of seven years from its registration date unless one or more of three things be shown. The first

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17 (1973) 129 CLR 353.

18 (1990) 171 CLR 363.

9.

of these is that the original registration was obtained by fraud (s 234(2)(c)) and the third is that, at the commencement of any legal proceedings, the trade mark was not distinctive (s 234(2)(e)). The second, found in s 234(2)(d), is that "the registration of the trade mark would be contrary to section 28 of the [1955 Act]".

- 26 If the appellants were to succeed in their denial of the continuing operation of s 28 of the 1955 Act, no subsidiary issue would arise respecting "blameworthy conduct" on the part of Campomar. Nevertheless, there would be a residual issue, which the respondents urged upon this Court, as to whether, in any event, at the dates of the respective registrations, the two Campomar registrations offended s 28 so that they should never have been put on the Register. If so, they were liable to expungement under s 22(1)(b) as entries "wrongly made" rather than "wrongly ... remaining" in the Register.

Injunctive relief

- 27 The respondents also submitted that, whether or not Campomar succeeds in retaining its registrations for "NIKE", the orders for final injunctions granted by Sheppard J should stand. These were founded in ss 52 and 80 of the TP Act and the tort of passing-off. In particular, Orders 1 and 2 of the orders made by Sheppard J in Matter No G241 of 1994 restrain Campomar and Nike Cosmetics from:

- "(a) in trade or commerce, without the licence of the [respondents], advertising, promoting, selling, offering to sell, supplying or offering to supply any perfume, aftershave, eau de toilette, cosmetic, shampoo, soap, deodorant or other health or beauty care product under or by reference to the name NIKE or any other name or mark substantially identical with or deceptively similar thereto;
- (b) aiding, abetting, counselling, procuring or being in any way, directly or indirectly, knowingly concerned in or party to the conduct referred to in sub-paragraph (a) hereof",

and from engaging in passing-off by:

- "(a) without the licence of the [respondents], advertising, promoting, selling, offering to sell, supplying or offering to supply any perfume, aftershave, eau de toilette, cosmetic, shampoo, soap, deodorant or

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other health or beauty care product in Australia under or by reference to the name NIKE or any other name or mark substantially identical with or deceptively similar thereto;

- (b) aiding, abetting, counselling or procuring any other person to engage in the conduct referred to in sub-paragraph (a) hereof".

28 Until about 1986, Campomar's trading had been confined to Spain and North Africa. None of its products was sold in Australia until 1993. The present litigation was provoked by the marketing in Australia in 1993 of Campomar products. The most significant of these had a get-up prominently featuring the expression "NIKE SPORT FRAGRANCE"<sup>19</sup>. The first word appeared in significantly larger print than the second and third. The essence of the case against Campomar, which Sheppard J accepted, fixed upon the placing of the "NIKE SPORT FRAGRANCE" in the same area of pharmacies as other products, including those of the Nike group's competitor, Adidas, which were marketed as sports fragrances. The successful argument was that, although there had been no product "extensions" by the Nike group (or its licensees) into sports fragrances, the marketing of "NIKE SPORT FRAGRANCE" was likely to mislead or deceive members of the public in a material respect. This was inducing members of the public "into thinking that the Nike sports fragrance was in some way promoted or distributed by Nike International itself or with its consent and approval"<sup>20</sup>.

29 Mr Antonio Ruiz-Corrales is the Managing Director of Campomar and before Sheppard J he was cross-examined on the affidavits he had sworn. Sheppard J made factual findings respecting the events preceding the making of the application for the first Campomar registration in 1986. Sheppard J found<sup>21</sup>:

"The evidence establishes that in the mid-1980s Mr Ruiz perceived the possibility of marketing the Nike brand of cosmetics in conjunction with Nike International. The correspondence he had with Nike Inc in 1985 and

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19 See, for an image of the get-up, (1996) 35 IPR 385 at 414.

20 (1996) 35 IPR 385 at 393.

21 (1996) 35 IPR 385 at 406.

11.

1986 demonstrates this. He endeavoured to induce Nike Inc to enter into an arrangement with Campomar which he thought would be beneficial to both and which would lead to a successful venture not only for Campomar but also for Nike Inc. In making this proposal, he was acting in good faith. The proposal was not without merit but it did not appeal to Nike Inc. The matter was left open until the middle of 1986 when Mr Lucas [an employee of Nike Inc] indicated to him that Nike Inc was not interested. It was then that he said to him, somewhat pointedly, that Campomar was not to suggest or imply that any Nike products it produced were sponsored or approved by Nike Inc. But, Mr Ruiz took this as an indication that this part of the market, ie the market for toiletries and cosmetics for use by persons engaged in sport, was being left to him so that he could take advantage of it himself. This is what he decided to do."

30 The communication from Mr Lucas in mid-1986 to which Sheppard J referred was dated 9 June 1986 and read:

"On consideration of your proposal as set forth in your letter of September 1986 [sic] and your telex of 6 June, we have decided we do not wish to participate in your project, *as we do not believe perfume and cosmetic products are part of this company's image.*

While we understand you have registered the name 'NIKE' in the class covering 'Perfume and Essences', we must caution you not to suggest or imply that any 'NIKE' products you produce are sponsored or approved by NIKE INC.

I trust our position has been made clear regarding this matter." (emphasis added)

The passage which we have emphasised assumed great significance for Mr Ruiz in preparing and pursuing his business plans. The effect of Sheppard J's findings was that Mr Ruiz had failed fully to appreciate the sting in the sentence which followed and the "caution" conveyed therein.

31 On this topic, Sheppard J said<sup>22</sup>:

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22 (1996) 35 IPR 385 at 408.

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"Campomar had no reputation in Australia when its marketing activities were commenced in 1993. [Nike International] had a worldwide reputation. By 1993 its products had become very well known in Australia.

The one advantage which Campomar had was that it, like Nike International, had the Nike name registered as a trade mark, not, of course, in relation to sporting goods or athletic footwear, but in connection with perfumes and toiletries. Mr Ruiz said more than once that Nike International had left this part of the market to him. It did not want it. It was not prepared to join in his venture which he suggested to it in 1985. But what he appears not to understand is that that did not entitle him, as he seems to have thought, to market his goods in such a way as to give the impression that they were or might be connected with Nike International. Mr Lucas' letter written in June 1986 was not an invitation to Mr Ruiz to act in the way he appears to have thought he could. Indeed it contained a clear warning that that was the very thing to which Nike Inc would object."

32 His Honour's findings<sup>23</sup> that Campomar marked the "NIKE SPORT FRAGRANCE" products in order to take advantage of the goodwill and reputation of Nike International, intending customers to make an assumption that these products were marketed either by Nike International itself or with its authority, and that this amounted to "blameworthy conduct" on the part of Campomar, are to be understood against this background of the previous dealings between the two sides.

33 However, it is well established by the authorities referred to by the Privy Council in *Cadbury-Schweppes Pty Ltd v The Pub Squash Co Ltd*<sup>24</sup> that, where there is such a finding of intention to deceive, the court may more readily infer that the intention has been or in all probability will be effective. Nevertheless, the actual decision in that case, favourable to the defendant, is a reminder that even an imitation of one product by another does not necessarily bespeak an intention to deceive purchasers. In particular, if Campomar were to retain its

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23 (1996) 35 IPR 385 at 406, 408, 409.

24 [1981] RPC 429 at 493-494. See also, with respect to s 52 of the TP Act, *S & I Publishing Pty Ltd v Australian Surf Life Saver Pty Ltd* (1998) 88 FCR 354 at 361-362.

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registrations and put them to use on a new range of products, the use thereon of "NIKE" would not necessarily indicate an intention to deceive purchasers.

- 34 After commencement of proceedings, the Campomar products were withdrawn from the market pending the outcome of the litigation. At the trial, Campomar's attitude was that it wished to resume trade if it was clear it could do so without the risk of litigation. However, it is apparent that the injunctive orders made by Sheppard J forbade the use of "NIKE" *simpliciter* and so went beyond the restraint of any further engagement in marketing of the "NIKE SPORT FRAGRANCE" products. This relief, as Burchett J emphasised in the Full Court<sup>25</sup>, was granted only after Sheppard J had found that the Campomar registrations should be expunged. Burchett J would have set aside the orders for expungement of the "NIKE" registrations held by Campomar. As a consequence thereof, his Honour would have remoulded the injunctive orders<sup>26</sup>:

"so that they would relate only to the marketing of products in the manner that was pursued prior to the cessation of marketing which occurred following the institution of the proceedings. On the basis that Campomar's registered trade mark should not be expunged, the trial judge's reasoning would not support wider relief under the [TP Act] or for passing off."

- 35 With some qualifications which will appear later in these reasons, in our view the Full Court should have allowed the appeals before it and made orders to the effect of those proposed by Burchett J.

#### The provisions of the 1955 Act

- 36 Section 14 of the 1955 Act required the keeping at the Trade Marks Office of a Register of Trade Marks divided into four parts, Pts A, B, C and D. There were to be entered into the Register particulars of registered trade marks. The Campomar registrations were in Pt A. Under the 1995 Act, this partition of the Register is not maintained<sup>27</sup>. However, for the present appeals, it is important to

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25 (1998) 85 FCR 331 at 337.

26 (1998) 85 FCR 331 at 345.

27 1995 Act, s 207.

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note that the 1955 Act also provided in Pt XI (ss 83-92) for Pt C of the Register, dealing with certification trade marks, and in Pt XII (ss 93-97) for Pt D of the Register, being defensive trade marks.

37 If a Pt A trade mark was used to such an extent in relation to goods for which it was registered that its use in relation to other goods would be likely to be taken as indicating a connection between those other goods and the registered proprietor, then, notwithstanding the absence of use or proposed use of the trade mark for those other goods, a Pt D registration might be obtained (s 93). Use by others of the Pt D registration might be restrained in an infringement action (s 96). Further, the mark would not be liable to removal from the Register for non-use (s 93(2)). Nike International does not hold any Pt D registrations.

38 Section 28, upon the construction of which so much turns in these appeals, was found in Pt IV (ss 24-39), dealing with those trade marks registrable in Pt A and Pt B. Section 28 provided:

"A mark:

- (a) the use of which would be likely to deceive or cause confusion;
- (b) the use of which would be contrary to law;
- (c) which comprises or contains scandalous matter; or
- (d) which would otherwise be not entitled to protection in a court of justice;

shall not be registered as a trade mark."

Section 22(1) stated:

"Subject to this Act, a prescribed court<sup>[28]</sup> may, on the application of a person aggrieved or of the Registrar, order the rectification of the Register:

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28 The Federal Court was a "prescribed court" (s 112).

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- (a) by the making of an entry wrongly omitted to be made in the Register;
- (b) by the expunging or amendment of an entry wrongly made in or remaining in the Register;
- (c) by the insertion in the Register of a condition or limitation affecting the registration of a trade mark which ought to be inserted; or
- (d) by the correction of an error or defect in the Register."

39 As indicated, the provision in issue here is par (b) of s 22(1), principally with respect to an entry said wrongly to be remaining in the Register rather than wrongly to have been made in the Register. Section 22(3) indicated that the power to order rectification conferred by s 22 included power to order the removal of a registration from Pt A to Pt B of the Register.

#### The scope and purpose of the 1955 Act

40 It is convenient to deal first with the question of the continuing or secondary operation of s 28 of the 1955 Act. This will entail some consideration of the scope and purpose of that statute. Essentially, much of the support for the continuing or secondary operation of s 28 is founded on the proposition that the supreme or, at least, predominant interest manifested in the 1955 Act is the maintenance of the integrity of the Register against any apparent condonation of misleading or deceptive practices which may arise from the use of registered marks. However, as will appear, trade marks law is more complex than this proposition would suggest and the 1955 Act struck a balance between various interests.

41 Moreover, a consideration of modern trade marks legislation commencing in the United Kingdom with the *Trade Marks Registration Act* 1875 (UK) and the *Patents, Designs, and Trade Marks Act* 1883 (UK) ("the 1883 UK Act") and in Australia with the *Trade Marks Act* 1905 (Cth) ("the 1905 Act") shows that the species of trade marks themselves have developed from one statute to the next. For example, defensive trade marks were first provided for in Australia by the 1955 Act. Certification trade marks were revived in that statute, following the lapse of time after the "Workers' Trade Marks" provisions of Pt VII of the 1905

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Act were held constitutionally invalid in the *Union Label Case*<sup>29</sup>. Part 15 (ss 161-167) of the 1995 Act introduces the "collective trade mark" used by members of an "association", defined in s 6 to "not include a body corporate".

42 Further, the Australian legislation has manifested from time to time a varying accommodation of commercial and the consuming public's interests. There is the interest of consumers in recognising a trade mark as a badge of origin of goods or services and in avoiding deception or confusion as to that origin. There is the interest of traders, both in protecting their goodwill through the creation of a statutory species of property protected by the action against infringement, and in turning this property to valuable account by licensing or assignment. The provisions of the 1955 Act with respect to defensive registrations and certification marks were recognitions that the interests of the owners of registered trade marks may go beyond that of indicating trade origin. In *Yale Electric Corporation v Robertson*, Judge Learned Hand said of this interest<sup>30</sup>:

"that one merchant shall not divert customers from another by representing what he sells as emanating from the second. This has been, and perhaps even more now is, the whole Law and the Prophets on the subject, though it assumes many guises."

In this decade, legislation in the United States<sup>31</sup>, the United Kingdom<sup>32</sup>, and now in Australia<sup>33</sup> to varying degrees has extended the infringement action to restrain

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29 *Attorney-General for NSW v Brewery Employees Union of NSW* (1908) 6 CLR 469. See *Davis v The Commonwealth* (1988) 166 CLR 79 at 96-97.

30 26 F 2d 972 at 973 (1928).

31 *Federal Trademark Dilution Act of 1995*, 15 USCS §1125. See Alexander and Heilbronner, "Dilution Under Section 43(c) of the Lanham Act", (1996) 59 *Law and Contemporary Problems* (No 2) 93; Lemley, "The Modern Lanham Act and the Death of Common Sense", (1999) 108 *Yale Law Journal* 1687 at 1698-1699.

32 *Trade Marks Act* 1994 (UK), s 10. See Martino, *Trademark Dilution*, (1996), Ch 12; Carty, "Dilution and Passing Off: Cause for Concern", (1996) 112 *Law Quarterly Review* 632 at 638-665.

33 1995 Act, s 120(3), (4).

activities which are likely adversely to affect the interests of the owner of a "famous" or "well-known" trade mark by the "dilution" of its distinctive qualities or of its value to the owner.

43 Such provisions represent legislative responses to the claims of trade mark owners to protection where, particularly by successful advertising, the fame of a mark carries its function beyond the traditional role as an identifier of origin. The "dilution" theory of liability "does not require proof of a likelihood of confusion"; rather, what is protected is "the commercial value or 'selling power' of a mark by prohibiting uses that dilute the distinctiveness of the mark or tarnish the associations evoked by the mark"<sup>34</sup>. The term "dilution" has an uncertain scope of application. It also is used to describe the processes by which a mark, such as "Linoleum"<sup>35</sup> or "Pyrex"<sup>36</sup>, becomes generic and the effects of the use of a mark in parody<sup>37</sup>.

44 The respondents do not locate any such provisions in Australian statute law to base their attack in this litigation. However, as will appear later in these reasons, in a sense the respondents' reliance upon s 28 of the 1955 Act to attack the Campomar registrations involves the use of that provision as an "anti-dilution" device to protect the goodwill of the respondents in "NIKE".

45 The exploitation of a trade mark registration in turn may involve questions of public interest. This may engage the law with respect to restrictive trade practices. On the one hand, it has been said, particularly in decisions of the Court of Appeals for the Seventh Circuit, that trade marks confer economic benefits because they "reduce the costs consumers incur in searching for what

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34 *Restatement Third, Unfair Competition*, §25, Comment (a).

35 *Linoleum Manufacturing Co v Nairn* (1878) 7 Ch D 834.

36 *James A Jobling & Co Ltd v James McEwan & Co Pty Ltd. In re James A Jobling & Co Ltd's Trade Marks* [1933] VLR 168.

37 Welkowitz, "Reexamining Trademark Dilution", (1991) 44 *Vanderbilt Law Review* 531 at 550-560; Carty, "Dilution and Passing Off: Cause for Concern", (1996) 112 *Law Quarterly Review* 632 at 643-646.

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they desire, and the lower the costs of search the more competitive the market"<sup>38</sup>. However that may be, in Australia the TP Act (in s 51(3)(b), (c)) has given but limited immunity to dealings in certified trade marks and registered user arrangements from contraventions of the restrictive trade practices provisions of Pt IV of that statute. In particular, there was no immunity from the operation of s 46 (misuse of market power) or s 48 (resale price maintenance) conferred upon the exercise of rights given the proprietors of trade marks registered under the 1955 Act.

46 Moreover, trade marks may play a significant role in ordinary public and commercial discourse, supplying vivid metaphors and compelling imagery disconnected from the traditional function of marks to indicate source or origin of goods. Writing extrajudicially, Judge Kozinski has observed<sup>39</sup>:

"Trademarks are often selected for their effervescent qualities, and then injected into the stream of communication with the pressure of a firehose by means of mass media campaigns. Where trademarks come to carry so much communicative freight, allowing the trademark holder to restrict their use implicates our collective interest in free and open communication."

47 Traders between whom a business is divided, or who unknowingly, perhaps in different geographical areas, have developed the same or similar marks in their businesses, will have an interest in the concurrent use of trade marks. Should the legislation weigh against the possibility of deception in the minds of the public, the commercial claims acquired by such concurrent user?<sup>40</sup> In addition,

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38 *Scandia Down Corporation v Euroquilt Inc* 772 F 2d 1423 at 1429 (1985), a judgment of Easterbrook J which was followed by Posner J in *WT Rogers Co Inc v Keene* 778 F 2d 334 at 338-339 (1985). These views are questioned in Lunney, "Trademark Monopolies", (1999) 48 *Emory Law Journal* 367 at 421-439.

39 "Trademarks Unplugged", (1993) 68 *New York University Law Review* 960 at 973. See also his Honour's judgment, for the Court of Appeals for the Ninth Circuit, in *New Kids on the Block v News America Publishing Inc* 971 F 2d 302 (1992) and, in this Court, the observations by Kitto J respecting the public interest in this area in *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511 at 513-515.

40 See the remarks of Lord Tomlin in *In the Matter of an Application by Alex Pirie and Sons Ltd to Register a Trade Mark* (1933) 50 RPC 147 at 158-160.

irrespective of prior or honest concurrent use, the state of the Register might be such that identical or substantially identical or deceptively similar marks for goods of the same description are registered in the name of different proprietors. May one of these sue the other for infringement and, if so, which one, or is an infringement remedy to be denied to both?

48 Finally, there are the competing interests of registered proprietors and those traders who have no registration but who assert that they have built up prior common law rights which equity would protect in a passing-off action. In *Colbeam Palmer Ltd v Stock Affiliates Pty Ltd*<sup>41</sup>, Windeyer J described "common law trade marks" as "creatures of equity which established a form of property in a mark gained by use and reputation", the protection of which antedated the protection of statutory trade marks. His Honour also said of a registered trade mark under the 1955 Act that it could "hardly be said" not to be "a species of property of the person whom the statute describes as its registered proprietor, and which it permits him to assign: ss 57 and 82"<sup>42</sup>. Section 57(2) provided for the enforcement of equities in respect of a trade mark "in like manner as in respect of other personal property". Notice of a trust was not to be entered in the Register, but assignments or transmissions were to be registered (ss 15, 20). When these property rights in registered and common law marks conflict, the question arises as to whether the existence of a registration is an answer to an application for injunctive relief in a passing-off action.

49 For present purposes, it is significant that the balancing of all these interests has been struck differently between one statute and the next as markets and trade methods and practices have changed.

### Deception and confusion

50 The 1955 Act established a system which, in various respects, involved a prospect of deception and confusion. Those provisions dealing with licensing and assignment "in gross" and honest concurrent user are examples. Provisions with respect to licences by way of registered user and to assignments without goodwill had been introduced by the *Trade Marks Act* 1948 (Cth) and were

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41 (1968) 122 CLR 25 at 33.

42 (1968) 122 CLR 25 at 34.

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continued respectively by Pts IX (ss 73-81) and X (s 82) of the 1955 Act. Of these registered user provisions, Fullagar and Taylor JJ said in *Heublein Inc v Continental Liqueurs Pty Ltd*<sup>43</sup>:

"It may, of course, be said that the provisions as to registered users, contemplating, as they do, the use by one person of another person's mark, sanction what would have been regarded under the earlier legislation as a form of deception but the deception which would result from the use by the appellant of the mark in question here could not by any means be described in the language of the Report of the Goschen Committee as 'no material deception' (*Kerly on Trade Marks*<sup>44</sup>)."

- 51 Later, in *Riv-Oland Marble Co (Vic) Pty Ltd v Settef Sp A*<sup>45</sup>, Bowen CJ referred to the provisions in the 1955 Act for the assignment of trade marks without goodwill and to the concurrent user provisions of s 34 of the 1955 Act as indicating that "inherent in the system" established by that statute there was "some degree of deception and confusion". A similar point was made by McHugh J in *Murray Goulburn*. His Honour referred to the House of Lords decision in *Eno v Dunn*<sup>46</sup> with respect to the 1883 UK Act. This often is referred to as indicating that the purpose of a provision such as s 28 is the protection of the public. McHugh J then continued<sup>47</sup>:

"But the [1955 Act] has other competing purposes. Since the decision in *Eno v Dunn*, the scope of the legislation has changed. Thus, while the [1955 Act] has the purpose of protecting the public by indicating the origin or nature of goods or services, it also has the purpose of protecting the valuable rights which a proprietor acquires in relation to a trade mark. Since the decision in *Eno v Dunn*, the enactment of provisions with respect to registered users (ss 73-81) and assignment of trade marks without

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<sup>43</sup> (1960) 103 CLR 435 at 451.

<sup>44</sup> 7th ed (1951) at 368.

<sup>45</sup> (1988) 19 FCR 569 at 574-575.

<sup>46</sup> (1890) 15 App Cas 252.

<sup>47</sup> (1990) 171 CLR 363 at 421.

goodwill (s 82) has changed the focus of the [1955 Act]. The registered user provisions, the assignment provisions and the limited indefeasibility given to registered proprietors tend to suggest that, after registration, the interests of traders are preferred to the competing interests of consumers in being protected from the use of marks which are likely to deceive or confuse. Thus, the presence in the [1955 Act] of ss 73-82 tends to neutralise the inference to be drawn from s 28 standing alone."

- 52 Provisions respecting honest concurrent use, whereby identical or nearly identical trade marks for the same goods or description of goods might be registered by more than one proprietor, subject to possible imposition of conditions, had first been made in Australia by s 28 of the 1905 Act<sup>48</sup>. Of the concurrent use provision in s 34 of the 1955 Act, Bowen CJ observed in *Riv-Oland*<sup>49</sup>:

"No doubt this provision had its origin in the situation that traders in different parts of the country might be circulating goods within their particular region under marks which were similar and doing so quite honestly. In such circumstances expansion of the respective markets might tend to bring the likelihood of deception or confusion. Notwithstanding this the policy of the legislation was to enable honest concurrent users to register their marks."

- 53 Further, the 1955 Act contemplated that two or more persons might be proprietors of registered trade marks which were substantially identical or deceptively similar. This was so, even where, as in the present litigation, the registrations were not for the same goods or services. Section 58(3) provided that in such a case:

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48 See *Bedggood & Co v Graham* (1909) 7 CLR 752; *James F McKenzie & Co v Leslie* (1909) 9 CLR 247.

49 (1988) 19 FCR 569 at 573. See also, with respect to the honest concurrent use provision of the *Trade Marks Act 1938* (UK) ("the 1938 UK Act"), *Budweiser Trade Marks* [1998] RPC 669 at 696-697; affd sub nom *Anheuser Busch Incorporated v Budejovicky Budvar NP* unreported, English Court of Appeal, 7 February 2000.

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"rights of exclusive use of either of those trade marks are not (except so far as their respective rights have been defined by the Registrar or a prescribed court) acquired by any 1 of those persons as against any other of those persons by registration of the trade marks but each of those persons has otherwise the same rights as against other persons (not being registered users) as he would have if he were the sole registered proprietor".

The statute thus recognised the continued registration of trade marks which were substantially identical or deceptively similar and regulated the rights of those proprietors *inter se*.

54 Another instance of a degree of deception or confusion inherent in the system established by the 1955 Act was provided by s 118. It stated:

"The use of a registered trade mark in relation to goods or services between which and the person using the trade mark a form of connexion in the course of trade subsists shall not be deemed to be likely to cause deception or confusion on the ground only that the trade mark has been, or is, used in relation to goods or services between which and that person or a predecessor in title of that person a different form of connexion in the course of trade subsisted or subsists."

55 This section was designed to immunise a trade mark from a claim of likelihood of deception or confusion where a change of user of the trade mark occurred. The provision followed upon the adoption by the Dean Committee<sup>50</sup> of par 93 of the Report of the Knowles Committee<sup>51</sup>. This in turn had referred to what had been said on the subject in the United Kingdom in 1934 by the Goschen Committee. That Committee had said<sup>52</sup>:

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50 *Report of the Committee Appointed to Consider what Alterations are Desirable in the Trade Marks Law of the Commonwealth* (1954).

51 *Report of the Committee Appointed to Consider What Alterations are Desirable in the Trade Marks Law of the Commonwealth* (1939).

52 *Report of the Departmental Committee on the Law and Practice Relating to Trade Marks*, (1934), Cmd 4568, par 200.

"We think that, in the present state of the law, any change in the nature of the user of a registered trade mark might be held by the Courts to be likely to lead to deception and consequently to invalidate the registration, and that there is force in the representations made to us that the law in this respect should be altered. The theory underlying our recommendations for relaxing some of the present restrictions on the assignment of trade marks, and for making provision for the registration of users of registered trade marks, is that greater elasticity in our trade mark system is urgently required by the conditions of modern commerce and that this can be introduced without any serious risk of deception or other results contrary to the public interest."

56 Enough has been shown to demonstrate that, in varying ways and to varying degrees, the 1955 Act, by its express provisions, established and sanctioned a system the operation of which involved a measure of likely deception or confusion. The construction of s 28 of the 1955 Act should be approached with this in mind and not from a vantage point which abhors the prospect of any such deception or confusion. The operation of s 28 on its proper construction should not be so strained to avoid that prospect.

57 In *Murray Goulburn*, Mason CJ observed that it was curious that a mark, the use of which is deceptive, should remain in the Register and lead to the availability of relief against a registered proprietor by way of passing-off or perhaps under s 52 of the TP Act, thereby restricting the exercise by the registered proprietor of his statutory rights<sup>53</sup>. However, as the matters referred to above indicate, there is no curiosity in a state of affairs under which Campomar may retain its registrations. This is because, as it is expressed in the *Restatement Third, Unfair Competition*<sup>54</sup>:

"The substantive scope of trademark rights [has gone beyond the initial emphasis on fraud and property rights and] now reflects the recognition of numerous interests, including the trademark owner's claim to the benefits of its good will, the interest of consumers in reliable indicia of source and

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53 (1990) 171 CLR 363 at 383.

54 §9, Comment (d), "Doctrinal development".

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sponsorship, and the right of other sellers to compete vigorously with the trademark owner in the marketplace."

- 58 It is also significant that, as Taylor J remarked in *F H Faulding & Co Ltd v Imperial Chemical Industries &c Ltd*, s 56 of the 1955 Act, which had been modelled on s 15 of the 1938 UK Act, was to be seen<sup>55</sup>:

"as a provision intended to define exhaustively what manner of use after registration of a registered trade mark which is a word mark shall or shall not operate to invalidate the mark. It is not to be invalidated 'by reason only of the use, after the date of the registration, of a word or words which the trade mark contains or of which it consists, as the name or description of an article or substance'. But if there is 'a well-known and established use of a word as the name or description of an article or substance by a person or persons carrying on a trade in that article or substance, not being use in relation to goods connected in the course of trade with the proprietor or a registered user of the trade mark', the registration of the trade mark, so far as regards registration in respect of the article of any goods of the same description, 'shall be deemed for the purposes of section twenty-two of [the 1955 Act] to be an entry wrongly remaining in the Register'."

The other members of the Court in that case decided that the mark in question, "Barrier", in relation to skin protective creams had not been distinctive at the time of its registration and so did not deal with the precise point made by Taylor J. The same may be said of the decision in *Berlei Hestia Industries*<sup>56</sup>.

- 59 The analysis by Taylor J in *F H Faulding & Co* is important in demonstrating the weak foundation in legislative history for any proposition that, unless s 28 be given a continuing or secondary operation, there will be continued in the scheme of the 1955 Act a weakness which was well recognised in the earlier legislation. In 1933, in the *Pyrex Case*<sup>57</sup>, Mann J had held that this

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55 (1965) 112 CLR 537 at 560-561.

56 (1973) 129 CLR 353.

57 *James A Jobling & Co Ltd v James McEwan & Co Pty Ltd. In re James A Jobling & Co Ltd's Trade Marks* [1933] VLR 168.

registration under the 1905 Act should be expunged on the ground that "Pyrex" had become a generic term to describe a product with particular physical characteristics. In *F H Faulding & Co*, Taylor J doubted that the provisions of the 1905 Act allowed for such a result<sup>58</sup> and saw s 56 of the 1955 Act as designed to overcome this particular limitation.

60 The forerunners of s 28 were s 114 of the 1905 Act and s 11 of the *Trade Marks Act* 1905 (UK) ("the 1905 UK Act")<sup>59</sup>. Before the enactment of the 1955 Act, what Deane J later described as "the only convincing analysis in judgments of persuasive authority"<sup>60</sup> was that of Eve J in the *Gripe Water Case*<sup>61</sup>. Eve J had refused to give s 11 of the 1905 UK Act a secondary or continuing operation. The 1955 Act did not enact, alongside s 56, a further provision in terms which would overcome the result in the *Gripe Water Case*.

61 In *Murray Goulburn*, Deane J said, in a passage which we would adopt<sup>62</sup>:

"It is true that there are considerations of policy which favour removal from the register of any registered mark whose use is likely to deceive or cause confusion. Those considerations are, however, modified by the availability of ordinary criminal or civil procedures to prevent dishonesty, fraud and passing-off and by the fact that registration of a trade mark does not ordinarily constitute a licence for what would otherwise be unlawful conduct: see, eg, *Lyle and Kinahan Ltd's Application*<sup>63</sup>; *Van Zeller v*

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58 (1965) 112 CLR 537 at 560.

59 *Murray Goulburn* (1990) 171 CLR 363 at 394-395.

60 (1990) 171 CLR 363 at 394.

61 *W Woodward Ltd v Boulton Macro Ltd* (1915) 32 RPC 173 at 198. Later, in his speech in *General Electric Co v General Electric Co Ltd* [1972] 1 WLR 729 at 732; [1972] 2 All ER 507 at 510, Lord Reid agreed with Eve J that s 11 had only a limited application.

62 (1990) 171 CLR 363 at 396-397.

63 (1907) 24 RPC 249 at 262.

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*Mason, Cattley & Co*<sup>64</sup>; and note the narrowness of the trade mark exception in s 51(3)(c) of the [TP Act]. On balance, it appears to me that the policy considerations favouring a construction of s 28 which would make the section directly applicable to prohibit the continued registration of any duly registered mark which was brought within par (a) by subsequent events are outweighed by the considerations militating against the lessening of the effective protection of a mark which due registration was, in my view, intended to provide."

### Statutory monopoly?

62 In their written submissions, the respondents approached the construction of s 28 on the footing that the 1955 Act gave to the registered proprietor entitlement to a statutory monopoly enforceable by injunctive and pecuniary remedies. That, as is indicated in the passage set out immediately above from Deane J's judgment in *Murray Goulburn*, overstates the position. Rather than conferring a "statutory monopoly" in any crude sense, the 1955 Act is an example of the striking of a legislative compromise between various interests, in the manner indicated earlier in these reasons.

63 The exclusive right to control, for a lengthy period, reproduction in a material form given by the copyright legislation to owners of copyright in literary and artistic works<sup>65</sup> had no counterpart in the 1955 Act. Retention of a valid registration of a Pt A or Pt B trade mark under the 1955 Act depended upon continuation of use of that trade mark (s 23). There could be no infringement of the Campomar registrations unless, in relation to goods for which "NIKE" was registered, it was used as a trade mark, to distinguish goods in the course of trade therein<sup>66</sup>. Further, to preserve the Campomar registrations is not to retain for Campomar a statutory monopoly entitling it to use of "NIKE" as a trade mark in violation of the rights of others. Section 68 of the 1955 Act expressly

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64 (1907) 25 RPC 37 at 41.

65 *Copyright Act* 1968 (Cth), s 31(1)(a)(i).

66 *The Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 at 422-424; *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 333-334, 342, 347-349.

contemplated the bringing of an action for passing-off arising out of the use by the defendant of a registered trade mark of which the defendant is the registered proprietor or a registered user.

64 As indicated above, the effect of s 58(3) in the present case was that, whilst Campomar remained registered proprietor, neither Nike International nor Campomar might bring infringement proceedings against the other. The effect of s 58(1) was that, if valid, the Campomar registrations gave to that company rights enforceable against third parties, in particular in respect of infringement. But this was done without conferring upon the registered proprietor an immunity from suit at the instance of third parties which themselves had relevant rights at common law or under another law of the Commonwealth.

65 The nature of the "monopoly" conferred by provisions such as s 58(1) relevantly accords with that under the 1905 Act. The explanation given by Harvey CJ in Eq in *Leach v Wyatt*<sup>67</sup> with respect to the 1905 Act is good for the 1955 Act. In that case, the Chief Judge in Equity rejected the proposition that the right given to the registered owner of a trade mark affirmatively carried with it the right to use the mark anywhere in Australia at all times and under all conditions<sup>68</sup>. His Honour went on to adopt the law stated with respect to earlier United Kingdom legislation by Buckley LJ in *In the Matter of an Application to Register a Trade Mark by Lyle and Kinahan Ltd*<sup>69</sup>. Buckley LJ had pointed out that the only right conferred by registration was a right to prevent others from using the trade mark as a mark for their goods and continued<sup>70</sup>:

"I conceive that if at the date when application is made to register a Trade Mark there is no ground of objection upon the footing that it will be calculated to deceive, and if subsequently by alterations in the character of the business of the two parties respectively the use of the Trade Mark will be calculated to deceive and a passing-off action were brought by one party against the other, it would be no defence at all on the part of the owner of

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67 (1931) 48 WN (NSW) 173.

68 (1931) 48 WN (NSW) 173 at 175.

69 (1907) 24 RPC 249.

70 (1907) 24 RPC 249 at 262.

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the registered Trade Mark to say – 'Deception or no deception I am entitled to do it because that is my registered Trade Mark.' That could not be advanced for a moment."

66 Whilst the Campomar registrations remained, Nike International and its related corporations would infringe those registrations if "NIKE" were used for any expansion of their business into perfumery. It was not suggested that there was any immediate proposal for such an expansion. In any event, an adjustment of the conflicting commercial interests of Campomar and Nike International might be achieved otherwise than by an expungement of the Campomar registrations.

67 There is available to Nike International the law with respect both to the tort of passing-off and to misleading or deceptive conduct within the meaning of s 52 of the TP Act. The injunctive remedy, whether at general law or under s 80 of the TP Act, is sufficiently flexible to permit the framing of orders which are apt to deal with the particular uses of the Campomar registrations which are likely to mislead or to deceive but without wholly prohibiting all use by Campomar or any authorised user<sup>71</sup> of "NIKE" as a trade mark in relation to goods covered by those registrations. There may be such uses which do not involve necessarily any engagement by Campomar, or those claiming under it, in conduct amounting to passing-off or contravention of s 52 of the TP Act. As has been indicated earlier in these reasons, that was the approach taken by Burchett J in his dissenting judgment in the Full Court and, in our view, it is correct.

#### The construction of s 28

68 It is convenient now to come to the immediate issue respecting the construction of s 28. The text is set out earlier in these reasons. Section 28 appeared in Pt IV (ss 24-39) which was headed "REGISTRABLE TRADE MARKS". This phrase, as a matter of ordinary usage, is indicative of those trade marks which were capable of entry in Pt A or Pt B of the Register established by Pt III (ss 14-23), in particular by s 14. That susceptibility to registration turned upon the consecutive operation of criteria prescribed by the 1955 Act. There

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71 The 1995 Act introduces (in s 8) the concept of an "authorised user".

must have been a "trade mark"<sup>72</sup> which was registrable in Pt A or Pt B of the Register and an application for registration which satisfied Pt V (ss 40-48). This elicited a report by an Examiner as to whether the trade mark was "capable of registration" (s 41(b)), a decision by the Registrar to refuse or to accept the application, with or without conditions or limitations (s 44), and the advertisement of acceptance (s 47). This advertisement may have been followed by an opposition to registration under Pt VI (ss 49-52). If there was no opposition or the opposition failed, the trade mark was to be registered in the appropriate part of the Register (s 53).

69 Other provisions of Pt VII (ss 53-68) dealt with the effect of registration, including limitations as to the periods within which and the grounds on which the original registration may have been attacked. Subject to the provisions of s 56, the registration "[did] not become invalid" by reason only of the use, after registration, of a word or the words which the trade mark contained, or of which it consisted, "as the name or description of an article, substance or service" (s 56(1)).

70 Within Pt IV, the criteria which had to be satisfied to supply a capacity for registration in Pt A or Pt B were expressed in positive and negative form. A trade mark with specified characteristics "[was] registrable" in Pt A (s 24) or Pt B (s 25) as the case may be. On the other hand, a mark which met one or more of the four adverse criteria listed in s 28 "shall not be registered as a trade mark". The result was that, even if a trade mark, being, say, an invented word within the meaning of s 24(1)(c), was registrable as a distinctive mark, it was not to be registered as a trade mark if its use "would be likely to deceive or cause confusion" (s 28(a))<sup>73</sup>. It was for the applicant for registration to show that there was no such likelihood<sup>74</sup>.

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72 A term defined in s 6(1); see *Smith Kline and French Laboratories (Australia) Ltd v Registrar of Trade Marks* (1967) 116 CLR 628; cf *Smith, Kline and French Laboratories Ltd v Sterling-Winthrop Group Ltd* [1976] RPC 511.

73 See *Bayer Pharma Pty Ltd v Farbenfabriken Bayer Aktiengesellschaft* (1965) 120 CLR 285 at 291-295.

74 *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 594, 608.

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71 The circumstances which render the mark deceptive or confusing in this sense may, of course, stem from the prior commercial activities of others, not the inherent character of the mark. In this way, by denying to any other trader registration of the same or a similar mark, s 28 provided what might be described as a "negative protection" for a well-known mark, even one not already registered and not used in relation to the same goods or services as those in respect of which the application for registration was made. The result was that, to a degree, s 28 operated as an "anti-dilution" device<sup>75</sup>.

72 Further, the phrase in s 28(a), "would be likely", involved a particular prospective inquiry. The question whether there was a likelihood of confusion was not to be answered by reference to the manner in which the applicant for registration had used its mark in the past. Rather, regard was to be had to the use to which, within the ambit of the registration, the applicant could properly put the mark if the application were to be granted. The onus to show that there was no such likelihood was to be discharged by the applicant in respect of all of the goods coming within the specification in the application, not only in respect of those goods on which the applicant proposed to use the mark immediately<sup>76</sup>. Thus, if registration were sought in respect of particular goods and there would be a likelihood of deception if the mark were used upon such goods marketed as expensive products, it was no answer that the applicant proposed to use the mark only upon goods to be sold as inexpensively produced items<sup>77</sup>. But that is not to give s 28(a) the secondary or continuing operation for which the respondents contended on these appeals.

73 Where it applied to preclude registration, s 28 required the provision of an adverse report by the Examiner under s 41(b) as to whether the trade mark the subject of the application in question was capable of registration, and refusal by the Registrar of the application (s 44), even if the trade mark otherwise was registrable in Pt A (s 24) or Pt B (s 25). Although otherwise capable of registration, the mark was not to be registered as a trade mark if it displayed one

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75 See *Radio Corporation Pty Ltd v Disney* (1937) 57 CLR 448.

76 *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 595.

77 *Berlei Hestia Industries* (1973) 129 CLR 353.

or more of the negative characteristics listed in s 28. Further, even if registered despite the barrier imposed by s 28, that original registration would have been "wrongly made" and thereafter be liable to expungement under s 22(1)(b)<sup>78</sup>.

74 If the structure and purpose of the 1955 Act are understood in this way, there is no reason to depart from the apparent and ordinary meaning and effect of s 28. Further, to fail to do so and to give s 28 a continuing or secondary operation, thereby prescribing conditions for the continued registration of a trade mark, which had been capable of registration when registered, would lead only to confusion worse confounded. The doctrine, if it be that, of "blameworthy conduct" is an example; it is a gloss on the text of s 28 to mitigate what would appear to be the harsh consequences of a construction of s 28 which accommodates such a continuing or secondary operation.

75 The difficulties to which this in turn gives rise are exemplified in the differences of judicial opinion, both in the *Murray Goulburn* litigation and the present case in the Federal Court, as to what particular facts must be shown to support a holding of "blameworthy conduct". It is unnecessary to peer further into this overgrowth upon the statutory structure because, as we have indicated, the occasion for any such doctrine disappears once the terms of s 28 be allowed their ordinary meaning in the setting in which they are found in Pt IV of the 1955 Act.

76 The result for the present appeals is that the Campomar registrations were not wrongly remaining in the Register within the meaning of s 22(1)(b) of the 1955 Act and thus their automatic registration under the 1995 Act was not liable to attack on that ground.

#### The primary operation of s 28

77 There remains the question whether the Campomar registrations nevertheless are liable to expungement under s 22(1) because they are entries which were "wrongly made". This involves the application of s 28 in its primary, and, as indicated above, its sole operation as a barrier to the Campomar registrations at their respective deemed dates of registration in 1986 and 1992.

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78 *Berlei Hestia Industries* (1973) 129 CLR 353.

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78 Sheppard J made no findings on these issues. Nor did the majority of the Full Court. It was unnecessary for their Honours to do so in order to uphold the orders made by Sheppard J. However, it was necessary for Burchett J, who would have allowed the appeals, to deal with these issues. He did so and found that the Campomar registrations were not to be impeached for contraventions of s 28.

79 Burchett J pointed out that the evidence had concentrated upon "the rapidly growing reputation of Nike International in the period up to trial"<sup>79</sup>. He noted that the Campomar registrations had been effected without opposition by Nike International and, in the case of the first registration in 1986, after correspondence with Nike Inc in which that corporation had indicated to Campomar that perfume and cosmetic products were not part of its "image".

80 Burchett J concluded<sup>80</sup>:

"In my opinion, it would not be right to make a finding that Campomar's trade marks, particularly the earlier mark, offended s 28(a) at the date of their registration. Of course, this conclusion is stronger, on the evidence I have been discussing, in relation to the 1986 registration; but, given the validity of that, I do not think the slight extension of it involved in the later registration could be regarded as in itself involving any likelihood of deception or confusion.

It is clear that the remedy of expunction is a remedy to be granted or withheld in the court's discretion<sup>81</sup>. The trial judge did not advert to this discretion because the weight he gave to the brand extension argument caused him to devote no separate consideration to the rights conferred by registration on Campomar in respect of the marketing of fragrances and cosmetic products generally, without any overt link to sports. At least in the case of the 1992 registration, assuming the 1986 registration was valid

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79 (1998) 85 FCR 331 at 344.

80 (1998) 85 FCR 331 at 344-345.

81 *General Electric Co* [1972] 1 WLR 729 at 751; [1972] 2 All ER 507 at 526; *Murray Goulburn* (1990) 171 CLR 363 at 391.

when granted, I think that, even if the 1992 registration offends s 28(a), the court's discretion should be exercised in favour of [Campomar]. In reaching that conclusion, I take into account s 34 and the matters of principle in relation to it which I have already discussed."

81 Section 34 was addressed to honest concurrent use. The matters of principle of which Burchett J spoke appear to be the need to recognise as points going to the exercise of discretion the special circumstances that arise from "the collision of marks through the invasive effect of brand extension" across national boundaries in an age of expansion in international commerce<sup>82</sup>.

82 Nike Australia has been the exclusive Australian importer, distributor and manufacturer of "NIKE" products since 1 June 1992. In the immediately preceding period from January 1989, the exclusive Australian importer and licensee had been John D Trading Pty Ltd. From about August 1984 to January 1989, the exclusive Australian importer and licensee had been a Victorian company, Impression Sports Pty Ltd ("Impression"), which operated a division under the trading style "Nike Australia". There was an issue on the pleadings and not resolved at the trial as to the degree to which the sales and promotion in Australia of "NIKE" footwear and athletic clothing was extensive between 1972 and 1986. In this period, the growth of sales of "NIKE" footwear had been inhibited by a system of import quotas. The initial investment in the new division of Impression had included \$1.582 million to purchase import quotas. Shoes imported outside the quota system incurred a penalty duty of \$15 per pair. The evidence suggests that "NIKE" footwear had been sold in Australia since about 1972 and "NIKE" products were advertised and promoted to a significant degree in the early 1980s. In the period 1 July to 31 December 1985, Impression spent \$200,000 on promotions and advertising. The "Nike Australia" division of Impression was not trading profitably at the beginning of 1986. In the period between July 1984 and November 1985, approximately \$280,000 in royalties were due to Nike International.

83 It was for Campomar to satisfy the Registrar, or, as it transpired, the Federal Court, that on 29 August 1986 there was no reasonable probability of confusion,

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82 (1998) 85 FCR 331 at 335, 338.

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that is to say a real, tangible danger of it occurring<sup>83</sup>. It would be enough if the ordinary person had entertained a reasonable doubt that perfumery products branded "NIKE" would come from the same source as footwear and athletic clothing products; a determination of that issue would involve the consideration of all the surrounding circumstances, including those in which the marks would be used and those in which the goods would be bought and sold, and the character of the probable purchasers of the goods. The propositions are well settled and derive from the compelling reasons of Kitto J in *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd*<sup>84</sup>.

84 In their written submissions in this Court, the respondents referred to various items of evidence which, it was submitted, if taken together, would found a conclusion resolving in their favour the issue respecting the application of s 28(a) on 29 August 1986 to the first Campomar registration. We have reviewed that evidence, in addition to the matters referred to above. We have concluded, even allowing, as must be the case, for the onus to negative the application of s 28(a), that there was no reasonable probability of confusion in the sense required by the authorities. The case at trial appears largely to have been conducted by reference to the state of affairs in 1994 rather than that in 1986. Given the relative strength of the evidence as to the state of affairs at the two dates, that is not surprising. Accordingly, Burchett J was correct in his conclusion that the first Campomar registration was not registered in contravention of s 28.

85 There remains the second appeal. This concerns the second Campomar registration in respect of which the relevant date for the primary application of s 28(a) is 2 August 1992. This registration, as Burchett J pointed out in the Full Court, involved a "slight extension" from "perfumery products" to "soaps". However, the registration was also in respect of "[b]leaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations".

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83 *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1954) 91 CLR 592 at 594-595.

84 (1954) 91 CLR 592 at 595.

86 As we have indicated, the thrust of the evidence was to establish, as found by Sheppard J, at the time of the institution of the actions in the Federal Court in 1994 an extensive reputation of "NIKE" for athletic footwear and sporting gear. The evidence demonstrated a reputation which grew in the late 1980s. The respondents, or their United States affiliated companies, sponsored major international sporting events after 1986 and in 1985 arrangements had been made with Michael Jordan, the United States National Basketball Association's 1985 Rookie of the Year, for him to endorse and promote "NIKE" products. The "Air Jordan" line promoted and endorsed by Michael Jordan was a great success. The evidence thus showed a rapidly growing reputation, not only internationally but in Australia, in the period up to trial. Given the onus borne by Campomar and the strength of this evidence, we would not be sufficiently satisfied that, on 2 August 1992, there was not the reasonable probability of confusion referred to in the authorities.

87 However, that is not the end of the matter. The power to expunge the registration involves the exercise of a discretion. That is to say, the term "may" in s 22 is not to be read as meaning "must"<sup>85</sup>. In *Murray Goulburn*<sup>86</sup>, Brennan J pointed out that, in the exercise of a discretion, it may be relevant to consider not only the public interest but also the respective contributions to the state of affairs made by the parties involved. This aspect of the matter was adverted to by Burchett J in the Full Court in the manner described earlier in these reasons. His Honour would have exercised the discretion favourably to the appellants. Rather than return the second appeal to the Federal Court, the discretion should be exercised by this Court<sup>87</sup>.

88 The correspondence culminating in the communication of 9 June 1986 would not, as Sheppard J pointed out, have supported any belief by Campomar that Nike International regarded it as entitled to market its goods in such a way as to give the impression they were or might be connected with Nike International. However, Campomar had been told that Nike International did not believe that perfumes and cosmetic products were part of that company's image. This was

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85 cf *Re Carl Zeiss Pty Ltd's Application* (1969) 122 CLR 1 at 5-6.

86 (1990) 171 CLR 363 at 391.

87 See *CDJ v VAJ* (1998) 72 ALJR 1548 at 1578-1579; 157 ALR 686 at 727-728.

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given as the reason which had led Nike International to decide against participating in the project put forward by Campomar. Further, Nike International had also written in the same communication that it understood that Campomar had "registered the name 'NIKE' in the class covering 'Perfume and Essences'". Thereafter, Nike International had opposed neither of the Campomar registrations which then were made in Australia. So far as the second Campomar registration also included "soaps", it was nevertheless within the assumption upon which the earlier correspondence reasonably had led Campomar to act.

89 Finally, as has been indicated earlier in these reasons, it does not necessarily follow that such registration by Campomar of "NIKE" for "soaps" may be turned to account only by the marketing of goods in such a way as to give an impression that they are or might be connected with Nike International. The trial judge found, with respect to the marketing after the commencement date of the second Campomar registration of "NIKE SPORT FRAGRANCE", that this conduct was engaged in so as "to take advantage of the goodwill and reputation of Nike International"<sup>88</sup>. On the assumption that this is a matter to be taken into account in the exercise of the discretion conferred by s 22, it does not eclipse the other considerations favouring the exercise of the discretion to refuse an order for expungement.

90 Nevertheless, the wide description of goods included in the second Campomar registration, in so far as it goes beyond "soaps", lies outside the subject-matter of the earlier correspondence. It appears that Burchett J would have exercised the discretion in favour of retaining the whole of the second registration. However, the orders to be made on the second appeal should provide for the automatic registration under the 1995 Act to be limited.

91 The entry in the Register for the second Campomar registration should be rectified by amending the goods in respect of which the trade mark is registered to read "soaps, being goods in class 3".

## Section 52

92 The result is that, even if they otherwise were minded to do so, Nike International and its related corporations may not, without the licence of

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<sup>88</sup> (1996) 35 IPR 385 at 406.

Campomar, expand their business in Australia by having "NIKE" on products the subject of the Campomar registrations. There remains for consideration the submissions by the appellants in the first appeal in which they seek the discharge of the injunctive orders made by Sheppard J restraining their marketing of perfume and other products under or by reference to the name "NIKE" or any other name or marks substantially identical with or deceptively similar thereto. The orders were founded both in ss 52 and 80 of the TP Act and, in the accrued jurisdiction of the Federal Court, in the tort of passing-off.

93 Before considering the submissions with respect to s 52 and passing-off, it is convenient to recapitulate the conclusions reached respecting the construction of s 28 of the 1955 Act and to contrast the scope of its operation and that of s 52 and passing-off.

94 Section 28(a) barred the registration of a mark the use of which would have been likely to deceive or cause confusion. The issue was to be determined at the date of the application for registration and with respect to all of the goods for which registration was desired, not only those for which there was proposed an immediate use. A state of confusion falling short of an actual probability of deception leading to a passing-off would not negative the operation of s 28 and would not lift the bar to registration.

95 By this prophylactic operation of s 28, an applicant might be denied registration for certain goods even though the subsequent use of the mark on those goods would not mislead or deceive or be likely to have that result, and would not found an action against the applicant for contravention of s 52 or passing-off. Thus, there could be a field of activity in which, whilst the applicant was denied registration of the mark and the rights against other traders which this would have given, use of the mark by the applicant could not be enjoined by those traders.

96 The first appeal concerns a significant variant of that situation. The Campomar registrations were not barred by s 28 and their existence on the Register will support an infringement action against other traders. However, the registrations would not answer actions against Campomar and Nike Cosmetics based on either s 52 or passing-off if, as Sheppard J found to be the case, the ingredients for those actions were made out.

97 We now turn to consider the application of s 52 of the TP Act. In this respect, the judgment of Mason J in *Parkdale Custom Built Furniture Pty Ltd v*

*Gleeson* CJ  
*Gaudron* J  
*McHugh* J  
*Gummow* J  
*Kirby* J  
*Hayne* J  
*Callinan* J

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*Puxu Pty Ltd*<sup>89</sup> contains three important and basic propositions. First, his Honour answered in the negative the question he posed<sup>90</sup>:

"Can it be inferred from the detailed treatment of limited monopolies of intellectual and industrial property in specific statutes that s 52(1) should be read down if it otherwise could facilitate the creation of new monopolies not subject to the limitations imposed by those statutes?"

Secondly, Mason J said<sup>91</sup>:

"Likewise, the operation of s 52 is not restricted by the common law principles relating to passing-off. If, as I consider, the section provides the public with wider protection from deception than the common law, it does not follow that there is a conflict between the section and the common law. The statute provides an additional remedy."

Thirdly, his Honour dealt with the relationship between s 52(1) and other provisions of Pt V of the TP Act, and the provisions of Pt IV of that statute, by saying<sup>92</sup>:

"Parliament intended to promote free competition within a regulatory framework that prohibits the trader from engaging in misleading or deceptive conduct, even if it means that one trader cannot in particular cases compete with another trader because the opposite view would give a paramountcy to freedom of competition not accorded to it by the statute."

In this way, the legislation encouraged manufacturers to compete vigorously without adopting restrictive practices and to observe prescribed standards of conduct in their dealings with consumers<sup>93</sup>.

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**89** (1982) 149 CLR 191.

**90** (1982) 149 CLR 191 at 205.

**91** (1982) 149 CLR 191 at 205.

**92** (1982) 149 CLR 191 at 205.

**93** (1982) 149 CLR 191 at 204.

Causation and erroneous assumption

98 In *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd*<sup>94</sup>, Stephen J referred to the tender of evidence by the respondent that persons had been misled in the way in which the respondent complained and said that he would assume that this had occurred. Nevertheless, his Honour went on, in order to determine whether there had been any contravention by the appellant of s 52(1) of the TP Act, "to inquire why this misconception has arisen in the minds of others"<sup>95</sup>. Thus, an issue arises in cases such as the first appeal as to the presence of a sufficient nexus between the conduct (which may include refraining from doing an act<sup>96</sup>) and those misconceptions or deceptions. The appellants submitted that there was no nexus in the present case sufficient to support the relief against them for contravention of s 52.

99 The matter should not be considered in the abstract. Regard must be had to the circumstances of the particular case and the remedy sought in respect of the contravention alleged either to have occurred or to be threatened. It is one thing, for example, to claim interlocutory relief, particularly on a *quia timet* basis, where one of the conditions for the grant of relief is the presence of a serious question to be tried as to the apprehended contravention of s 52(1)<sup>97</sup>. It is another to seek at a trial a final remedy, whether an injunctive order under s 80 of the TP Act or damages under s 82, at the suit of a person who alleges the suffering of loss or damage "by conduct of another person" in contravention of s 52(1)<sup>98</sup>. To say this is to emphasise the point made by Toohey J in *Wardley Australia Ltd v Western Australia*<sup>99</sup>:

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94 (1978) 140 CLR 216 at 228.

95 (1978) 140 CLR 216 at 228.

96 TP Act, s 4(2)(c).

97 See *Patrick Stevedores Operations No 2 Pty Ltd v Maritime Union of Australia* (1998) 195 CLR 1 at 24.

98 See *Wardley Australia Ltd v Western Australia* (1992) 175 CLR 514 at 525.

99 (1992) 175 CLR 514 at 551.

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"Although it is customary to speak of a claim for damages for misleading or deceptive conduct, s 52 of the [TP Act] does not of itself give rise to any liability. The consequences of a contravention of the terms of s 52 are to be found in various sections of the [TP Act]<sup>100</sup>."

100 In their joint judgment in *Taco Company of Australia Inc v Taco Bell Pty Ltd*<sup>101</sup>, Deane and Fitzgerald JJ observed that whether or not conduct amounted to a representation was "a question of fact to be decided by considering what [was] said and done against the background of all surrounding circumstances". Their Honours continued<sup>102</sup>:

"In some cases, such as an express untrue representation made only to identified individuals, the process of deciding that question of fact may be direct and uncomplicated. In other cases, the process will be more complicated and call for the assistance of certain guidelines upon the path to decision."

101 The other classes of case which their Honours had in mind include those of actual or threatened conduct involving representations to the public at large or to a section thereof, such as prospective retail purchasers of a product the respondent markets or proposes to market. Here, the issue with respect to the sufficiency of the nexus between the conduct or the apprehended conduct and the misleading or deception or likely misleading or deception of prospective purchasers is to be approached at a level of abstraction not present where the case is one involving an express untrue representation allegedly made only to identified individuals.

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**100** *Concrete Constructions (NSW) Pty Ltd v Nelson* (1990) 169 CLR 594 at 608-609; see also *Bank of New Zealand v Spedley Securities Ltd* (1992) 27 NSWLR 91 at 98-100.

**101** (1982) 42 ALR 177 at 202.

**102** (1982) 42 ALR 177 at 202.

102 It is in these cases of representations to the public, of which the first appeal is one, that there enter the "ordinary"<sup>103</sup> or "reasonable"<sup>104</sup> members of the class of prospective purchasers. Although a class of consumers may be expected to include a wide range of persons, in isolating the "ordinary" or "reasonable" members of that class, there is an objective attribution of certain characteristics. Thus, in *Puxu*<sup>105</sup>, Gibbs CJ determined that the legislation did not impose burdens which operated for the benefit of persons "who fail[ed] to take reasonable care of their own interests". In the same case, Mason J concluded that, whilst it was unlikely that an ordinary purchaser would notice the very slight differences in the appearance of the two items of furniture in question, nevertheless such a prospective purchaser reasonably could be expected to attempt to ascertain the brand name of the particular type of furniture on offer<sup>106</sup>.

103 Where the persons in question are not identified individuals to whom a particular misrepresentation has been made or from whom a relevant fact, circumstance or proposal was withheld, but are members of a class to which the conduct in question was directed in a general sense, it is necessary to isolate by some criterion a representative member of that class. The inquiry thus is to be made with respect to this hypothetical individual why the misconception complained has arisen or is likely to arise if no injunctive relief be granted. In formulating this inquiry, the courts have had regard to what appears to be the outer limits of the purpose and scope of the statutory norm of conduct fixed by s 52<sup>107</sup>. Thus, in *Puxu*, Gibbs CJ observed that conduct not intended to mislead or deceive and which was engaged in "honestly and reasonably" might nevertheless contravene s 52<sup>108</sup>. Having regard to these "heavy burdens" which

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**103** The phrase "ordinary purchaser" was used by Mason J in *Puxu* (1982) 149 CLR 191 at 210.

**104** The term used by Gibbs CJ in *Puxu* (1982) 149 CLR 191 at 199.

**105** (1982) 149 CLR 191 at 199.

**106** (1982) 149 CLR 191 at 210-211.

**107** cf *Environment Agency (formerly National Rivers Authority) v Empress Car Co (Abertillery) Ltd* [1999] 2 AC 22 at 30-31.

**108** (1982) 149 CLR 191 at 197.

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the statute created, his Honour concluded that, where the effect of conduct on a class of persons, such as consumers, was in issue, the section must be "regarded as contemplating the effect of the conduct on reasonable members of the class"<sup>109</sup>.

104 It is here that there arises a critical question on the case put for the appellants. It concerns the so-called "doctrine" of "erroneous assumption" said to be derived from, in particular, decisions of the Full Court of the Federal Court in *McWilliam's Wines Pty Ltd v McDonald's System of Australia Pty Ltd*<sup>110</sup>, *Taco Company of Australia Inc v Taco Bell Pty Ltd*<sup>111</sup> and *Lego Australia Pty Ltd v Paul's (Merchants) Pty Ltd*<sup>112</sup>. In their joint judgment in *Taco Bell*<sup>113</sup>, Deane and Fitzgerald JJ emphasised that "no conduct can mislead or deceive unless the representee labours under some erroneous assumption". Their Honours went on to observe<sup>114</sup>:

"Such an assumption can range from the obvious, such as a simple assumption that an express representation is worthy of credence, through the predictable, such as the common assumption in a passing-off case that goods marketed under a trade name which corresponds to the well-known trade name of goods of the same type have their origins in the manufacturer of the well-known goods, to the fanciful, such as an assumption that the mere fact that a person sells goods means that he is the manufacturer of them."

Their Honours added that, in determining the question whether conduct properly should be categorised as misleading or deceptive or as likely to mislead or deceive, the nature of the erroneous assumption which must be made before

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**109** (1982) 149 CLR 191 at 199.

**110** (1980) 33 ALR 394.

**111** (1982) 42 ALR 177.

**112** (1982) 42 ALR 344.

**113** (1982) 42 ALR 177 at 200.

**114** (1982) 42 ALR 177 at 200.

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conduct could have that character "will be a relevant, and sometimes decisive, factor"<sup>115</sup>. Their Honours rejected<sup>116</sup>:

"[any] general proposition of law to the effect that intervention of an erroneous assumption between conduct and any misconception destroys a necessary chain of causation with the consequence that the conduct itself cannot properly be described as misleading or deceptive or as being likely to mislead or deceive".

105 Nevertheless, in an assessment of the reactions or likely reactions of the "ordinary" or "reasonable" members of the class of prospective purchasers of a mass-marketed product for general use, such as athletic sportswear or perfumery products, the court may well decline to regard as controlling the application of s 52 those assumptions by persons whose reactions are extreme or fanciful. For example, the evidence of one witness in the present case, a pharmacist, was that he assumed that "Australian brand name laws would have restricted anybody else from putting the NIKE name on a product other than that endorsed by the [Nike sportswear company]". Further, the assumption made by this witness extended to the marketing of pet food and toilet cleaner. Such assumptions were not only erroneous but extreme and fanciful. They would not be attributed to the "ordinary" or "reasonable" members of the classes of prospective purchasers of pet food and toilet cleaners. The initial question which must be determined is whether the misconceptions, or deceptions, alleged to arise or to be likely to arise are properly to be attributed to the ordinary or reasonable members of the classes of prospective purchasers.

106 In *Lego Australia Pty Ltd v Paul's (Merchants) Pty Ltd*<sup>117</sup>, a decision delivered on the same day as that in *Taco Bell*, the Full Court undertook this task. Involved in this was the question whether the misconception complained of would be suffered by that hypothetical individual who would have been a member of that ordinary or reasonable class of purchasers of the respondent. The Full Court "viewed objectively" evidence suggesting that in Australia the name

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<sup>115</sup> (1982) 42 ALR 177 at 200.

<sup>116</sup> (1982) 42 ALR 177 at 200.

<sup>117</sup> (1982) 42 ALR 344 at 352.

Gleeson CJ  
Gaudron J  
McHugh J  
Gummow J  
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"Lego" was so well known as being applicable to the applicant's Lego toys and was so little known as being applicable to any other products that members of the public would assume any product at all to which the name was applied was manufactured by the manufacturer of the toys. As Deane and Fitzgerald JJ emphasised<sup>118</sup>:

"The fact that companies may and sometimes do expand the range of products which they produce cannot of itself warrant a conclusion that a particular company has done so."

Their Honours, however, were concerned that a "line ought to be drawn" lest there be no products in respect of which "Lego" could be used without fear of contravention of s 52 because, in all such cases, some members of the public would be under the misconception that those goods were manufactured by the maker of the "Lego" toys<sup>119</sup>. Their Honours thus decided in *Taco Bell* that the "question whether particular conduct causes confusion or wonderment cannot be substituted for the question whether the conduct answers the statutory description contained in s 52"<sup>120</sup>. This reasoning should be accepted.

107 In the present case, evidence was given of the marketing of the "NIKE SPORT FRAGRANCE" products in pharmacies. Sheppard J said<sup>121</sup>:

"Some of the evidence establishes that this product was found displayed in pharmacies beside or underneath other sports fragrances, including a sports fragrance marketed under the name 'Adidas'. Evidence establishes that the well known sporting organisation Adidas does either itself, or through other companies which it authorises, market a sports fragrance bearing its name."

Further, an examination of the affidavit and oral evidence of the witnesses shows that in the assumption they made as to the extension of "NIKE" sportswear business into a sports fragrance, they were aware of and influenced by the

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**118** (1982) 42 ALR 344 at 352.

**119** (1982) 42 ALR 344 at 351.

**120** (1982) 42 ALR 177 at 201.

**121** (1996) 35 IPR 385 at 393.

activities of the Adidas company in introducing a range of Adidas fragrance products. In those circumstances, looking at the matter objectively, there was nothing capricious or unreasonable or unpredictable in Sheppard J's conclusion that the placing of the "NIKE SPORT FRAGRANCE" product in the same area of pharmacies with other sports fragrances was likely to mislead or deceive members of the public into thinking that the "NIKE SPORT FRAGRANCE" product was in some way promoted or distributed by Nike International itself or with its consent and approval.

### Passing-off

108 The appellants appeared to advance their attack upon the order restraining passing-off by raising similar arguments with respect to erroneous assumption and causation. Section 52 is designed to protect consumers. However, passing-off, at least so far as concerns equitable relief, protects against injury to the goodwill built up by the activities of the plaintiff. This has been settled since the decision of the House of Lords in *A G Spalding & Brothers v A W Gamage Ltd*<sup>122</sup>. The speech of Lord Parker in that case was described by Isaacs ACJ in *Angelides v James Stedman Hendersons Sweets Ltd*<sup>123</sup> as leaving no room for doubt or discussion on the subject.

109 The tort of passing-off is but one of the greatly differing contexts in which the courts have been called on to define and identify the nature of goodwill<sup>124</sup>. The injuries against which the goodwill is protected in a passing-off suit are not limited to diversion of sales by any representations that the goods or services of the defendant are those of the plaintiff. In *Spalding* itself, the misrepresentation was that one class of the plaintiff's goods was another class. In more recent times there has been development both in the nature of the "goodwill" involved in

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**122** (1915) 32 RPC 273.

**123** (1927) 40 CLR 43 at 60.

**124** *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 at 611, 631. See also the observations of Dawson J in *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41 at 144-145.

Gleeson CJ  
 Gaudron J  
 McHugh J  
 Gummow J  
 Kirby J  
 Hayne J  
 Callinan J

46.

passing-off actions and in the range of conduct which will be restrained. In *Moorgate Tobacco*, Deane J spoke with evident approval of<sup>125</sup>:

"the adaptation of the traditional doctrine of passing off to meet new circumstances involving the deceptive or confusing use of names, descriptive terms or other indicia to persuade purchasers or customers to believe that goods or services have an association, quality or endorsement which belongs or would belong to goods or services of, or associated with, another or others: see, eg, *Warnink v Townend & Sons*<sup>126</sup>; *Henderson v Radio Corporation Pty Ltd*<sup>127</sup>".

110 The decision of the New South Wales Full Court in *Henderson* marked the rejection in Australia nearly 40 years ago of the requirement apparent in some English decisions, notably that of Wynn-Parry J in *McCulloch v Lewis A May (Produce Distributors) Ltd*<sup>128</sup>, that there be a "common field of activity" between the commercial activities of the parties. In deciding whether purchasers are likely to believe that the goods or services of the defendant have an endorsement by, or other association with, the plaintiff, the courts in Australia have not applied any "erroneous assumption" doctrine<sup>129</sup>. Further, on the assumption that questions respecting sufficiency of causation are involved here which resemble those which arise with respect to contraventions of s 52 of the TP Act, they are, for the reasons already given, to be answered in this litigation favourably to the respondents.

#### The width of injunctive relief

111 Accordingly, injunctions framed in respect of the marketing of the "NIKE SPORT FRAGRANCE" product would have been well founded both upon s 52

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<sup>125</sup> (1984) 156 CLR 414 at 445.

<sup>126</sup> [1979] AC 731 at 739ff.

<sup>127</sup> [1960] SR (NSW) 576.

<sup>128</sup> (1947) 65 RPC 58 at 64.

<sup>129</sup> *10th Cantanae Pty Ltd v Shoshana Pty Ltd* (1987) 79 ALR 299 at 324-325; *Hogan v Pacific Dunlop Ltd* (1988) 83 ALR 403 at 426.

47.

and s 80 of the TP Act and in passing-off. However, in *Taco Bell*, Deane and Fitzgerald JJ made the point, which must be of fundamental importance in this area<sup>130</sup>:

"Injunctive relief granted to restrain contravention of s 52 of the [TP Act] should plainly be limited to what is necessary in the circumstances of the particular case."

As has been indicated, the injunctions granted by the trial judge went further than restraining marketing of the "NIKE SPORT FRAGRANCE" and enjoined use of "NIKE" *simpliciter* on any products of Campomar. It is here that there arises in this Court the issue with respect to the remoulding of the form of the injunctive relief, a matter discussed by Burchett J in his dissenting judgment in the Full Court. The treatment of the issue by his Honour is recounted earlier in these reasons, under the heading "Injunctive relief", and agreement expressed with it.

112 In his oral evidence in chief, Mr Ruiz identified examples of a range of products made in Spain by Nike Cosmetics which Campomar "would propose to sell in Australia if the court permitted [it] to do so". The packaging and labelling of these products displayed the trade mark "NIKE" but without the additional words "SPORT FRAGRANCE". It is not possible to judge whether the marketing of those products in Australia, in addition to being a use of the Campomar registrations, would necessarily contravene s 52 of the TP Act or give rise to a passing-off as the goods of Nike International. Much would depend upon the particular circumstances disclosed by the evidence in any action which might be brought against Campomar and Nike Cosmetics.

113 As matters now stand, it is not for a court to "permit" conduct for the engagement in by the appellants for which there is no firm proposal. The result is two-fold. Campomar may not receive at this stage what in effect would be judicial advice. On the other hand, it should not have been enjoined in terms which barred it from all use of its trade mark registrations. As Burchett J would have ordered, the existing injunctive relief must be remoulded. Liberty should therefore be granted to the parties to approach a judge of the Federal Court to adjust the form, but not the intent, of that revised relief. The liberty should be exercised within 28 days of these orders.

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130 (1982) 42 ALR 177 at 207.

*Gleeson* CJ  
*Gaudron* J  
*McHugh* J  
*Gummow* J  
*Kirby* J  
*Hayne* J  
*Callinan* J

48.

### Orders

114 We would make the following orders in each appeal.

#### Appeal No S41 of 1999

1. Appeal allowed.
2. Set aside the orders of the Full Court of the Federal Court of Australia made on 7 July 1998 and in place thereof order that:
  - (a) the appeal to that Court be allowed in part;
  - (b) Order 3 of the orders made by Sheppard J on 20 August 1996 be set aside;
  - (c) Orders 1 and 2 of the orders made by Sheppard J on 20 August 1996 each be varied by adding the words "SPORT FRAGRANCE" after "NIKE" appearing therein;
  - (d) reserve liberty to any party to apply to a Justice of the Federal Court of Australia for variation of the terms of the orders of Sheppard J (as varied by these orders) on application made within 28 days of the date of this order;
  - (e) the respondents pay two-thirds of the appellants' costs of the appeal to the Full Court;
  - (f) otherwise the appeal to the Full Court be dismissed.
3. The respondents pay two-thirds of the appellants' costs of the appeal.

#### Appeal No S42 of 1999

1. Appeal allowed with costs.
2. Set aside the orders of the Full Court of the Federal Court of Australia and in place thereof order that:

*Gleeson CJ*  
*Gaudron J*  
*McHugh J*  
*Gummow J*  
*Kirby J*  
*Hayne J*  
*Callinan J*

49.

- (a) the appeal to that Court be allowed in part and Orders 1 and 3 of the orders made by Sheppard J on 20 August 1996 be set aside;
- (b) the entry in the Register of Trade Marks in respect of registration No A585204 be amended by amending the goods in respect of which the trade mark is registered to read "Soaps, being goods in Class 3";
- (c) otherwise the application be dismissed with costs.

115 The parties, by leave given at the hearing of the appeals, presented written submissions as to appropriate costs orders on various contingent outcomes of the appeals. Rather than adopting in full either side's proposals, the provisions made above in both appeals with respect to costs in the Full Court and at first instance follow those proposed by Burchett J<sup>131</sup>. The higher burden of costs in this Court will be attributable to the first appeal, No S41 of 1999. Costs with respect to the argument upon the primary and secondary operation of s 28 of the 1955 Act should be attributed to the first appeal. The appellants succeeded in this respect but the respondents succeeded in retaining a large measure of their injunctive relief. The appellants should have two-thirds of their costs of this appeal. Costs of the second appeal will follow the event.

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**131** (1998) 85 FCR 331 at 345.