

at the cost of individual liberty; but however conservative or reactionary it may seem to some, this Court cannot write s. 92 out of the Constitution. It must therefore do its best to preserve a balance between competing interests, a balance which favours freedom of the individual citizen in the absence of compelling considerations to the contrary.⁵⁰

Gibbs and Wilson JJ. do not share the incredulity of the Chief Justice for the practical operation of the *Banks' Case* proviso, commenting that they do not find the reservation 'at all remarkable', nor without 'contemporary relevance'.⁵¹ The formulation offered by Gibbs and Wilson JJ. for the definition of reasonable regulation consistent with s. 92 is as follows:

what must first be shown in order to establish validity is that a monopoly covering both intrastate and interstate trade is the only practical and reasonable course open in the present circumstances. The test remains a stringent one, not likely to be satisfied except in exceptional circumstances. If that test is satisfied, it is still necessary for the Court to consider whether the interstate trade, so regulated, is 'absolutely free' within the meaning of s. 92.⁵²

What their Honours do not make clear is how that 'freedom' is to be defined. Will prohibition of the right of individuals to engage in interstate trade necessarily mean the trade is not 'free'? Or will the continued movement of goods or services across State borders be sufficient to allow the conclusion that the trade remains 'free'?

While the tenor of the joint judgment suggests that Gibbs and Wilson JJ. will resolve these questions consistently with orthodox doctrine, it contains sufficient flexibility to enable them to take another course. The retirement of the Chief Justice adds further uncertainty as to how the Court will decide the substantive issue, if or when it is argued.⁵³ Recent changes in the attitudes of continuing judges further complicate any speculation on the outcome of such a case.

There is nevertheless discernible in the Public Character Theory a gathering momentum which threatens eventually to overturn orthodox doctrine on the interpretation of s. 92 and its application to government regulatory schemes.

MICHAEL PEARCE*

MOORGATE TOBACCO CO. LIMITED v. PHILIP MORRIS LIMITED AND PHILIP MORRIS INC.¹

Privy Council — Application for leave to appeal — Opposition on ground that federal jurisdiction exercised — Judiciary Act ss. 39, 40 — Whether trade mark rights depend on existence of federal statute — Trade Marks Act ss. 28, 40.

The applicant Moorgate ('MG') had sought, as against the respondents ('PML' and 'PMI', respectively), declarations and injunctions in the Supreme Court of New South Wales on the basis that MG, not PML, was the proprietor of the trade marks GOLDEN LIGHTS and KENT GOLDEN LIGHTS for 'cigarettes'. Helsham C.J.

⁵⁰ (1980) 54 A.L.J.R. 581, 592.

⁵¹ *Ibid.* 592.

⁵² *Ibid.* 593.

⁵³ The plaintiff has in fact announced his intention not to proceed, citing costs as the main deterrent to further proceedings, although it is reasonable to conclude that the reasons for judgment in the instant case together with recent changes on the Bench may have influenced the decision, *The Australian Financial Review*, Wednesday, 20 May 1981, 3.

* LL.B. (Hons.).

¹ (1980) 31 A.L.R. 161.

in Equity dismissed the action, whereupon MG applied for conditional leave to appeal to the Privy Council. That application was removed to the High Court when the respondents asserted that Helsham C.J. had exercised federal jurisdiction invested by s. 39 of the Judiciary Act 1973 (Cth). By a unanimous decision of Barwick C.J. and Gibbs, Stephen, Mason, Murphy, Aickin and Wilson JJ. the application for conditional leave to appeal to the Privy Council was refused.

FACTS

On June 22 1977 MG purported to licence to PML until November 1977 all Australian trade mark rights in KENT and MICRONITE as then existing or as thereafter developed and acquired by MG during the life of the agreement. It was provided that such trade mark rights were MG's sole and exclusive property and that PML's use of the trade marks should enure entirely for MG's benefit. It was further provided that the arrangement created for PML no proprietary interest in the trade mark rights, and it was claimed by MG in the course of the proceedings that PML had renounced any proprietary interest in such rights.

On July 12 1977 PML applied to register GOLDEN LIGHTS as a trade mark, ostensibly its own, under the Trade Marks Act 1955 (Cth). It appears that MG had previously used the mark KENT GOLDEN LIGHTS in such a way as might ordinarily afford a ground for opposing such registration under s. 24 of that Act. MG claimed that as a result of various transactions it had, prior to July 12 1977, acquired Australian rights in respect of GOLDEN LIGHTS and KENT GOLDEN LIGHTS within the meaning of the alleged agreement. MG also claimed that PML had begun to make and sell in Australia cigarettes known as MARLBORO GOLDEN LIGHTS. MG alleged that PML's use and application for registration of the trade mark were in breach of agreement and of fiduciary obligations owed to it by PML, and that PML's application for registration amounted to unfair competition. MG further alleged that on or before December 21 1977 PML had executed a deed purporting to assign GOLDEN LIGHTS to PMI and that pursuant thereto the Registrar of Trade Marks had been asked to register PMI as subsequent proprietor of that mark. MG claimed the assignment was nugatory. Furthermore, while disclaiming any intention to present a so-called passing off case, MG claimed proprietorship of the trade marks and also that PML's assertion of proprietorship was fraudulent, in breach of contract and in breach of fiduciary duty.

DECISION

The leading judgment was given by Stephen, Mason, Aickin and Wilson JJ. who after stating the facts and issues proceeded firstly to the constitutional question. It was common ground between the parties that if there arose an issue as to the existence or non-existence of a right created by the Trade Marks Act the Supreme Court had exercised 'federal jurisdiction'. However there was a dispute as to when a matter *arises* within the meaning of s. 76(ii) of the Constitution (Cth).

Had MG invoked the proprietorship issue in such a way that it could be said to 'arise under' the Act? Clearly MG's main grounds of relief *viz.* breach of contract, breach of trust, and unfair competition, were based on general law and did not owe their existence to the Act. However the judges found it equally clear that MG's case was not restricted to these grounds, and that because proprietorship was crucial in proceedings under the Act, MG must be taken as having invoked a 'matter arising under' that Act.

It should here be interpolated that the proprietor of a trade mark is he who has publicly used it. At least this is the position under general law. However there is also a different kind of proprietor. He is what the High Court called the 'statutory

proprietor'.² Statutory proprietorship is conferred by operation of the Trade Marks Act³ and is based on an application for registration of the mark under the Act. Such an application procures for the applicant a conditional right to registration⁴ and the right to assert⁵ proprietorship as at the application date.

Here, MG as part of its argument asserted that PML had acquired *proprietorship* of the mark GOLDEN LIGHTS by applying to register it under the Act. Hence, said MG, the mark is the subject of a trust in our favour. However the High Court, rightly it is submitted, rejected this line of argument. An application does not invest the applicant with a proprietary right. At most it procures for him a conditional right to the benefits, however characterized, flowing from registration.

Nevertheless, said the judges, 'a critical question, if not *the* critical question, for the Registrar to decide is whether the applicant is the proprietor in the statutory sense'.⁶ The Court accepted that MG's case did not invite the Supreme Court to decide whether there was vested in MG or PML or PMI a right conferred by the Act. Nevertheless it held that the Supreme Court was invited to determine matters arising under the Act by reason of MG raising for decision the questions (1) whether MG was statutory proprietor, and (2) whether PML and/or PMI was proprietor, of the marks in question.

In the result, it was held that the Privy Council was not competent to entertain MG's appeal. The federal jurisdiction, once attracted, did not cease to be exercised merely because the case could suitably be disposed of on other grounds. Also the federal and non-federal issues were not severable, but were held to have a common foundation and to be so inextricably mixed and interwoven as to make difficult in the extreme the task of precisely identifying the extent to which the Supreme Court's role had been a non-federal one.⁷

COMMENT

Section 40 of the Act provides that a person claiming to be the proprietor of a trade mark may apply to register it, and the authorities indicate that registration depends on proprietorship. Unfortunately they also indicate the reverse. Their Honours referred to certain pronouncements of Lord Diplock in *GE Trade Mark*⁸ to the effect that the Act is the registrant's source of title, and is the only way 'whereby a trade mark could become the subject-matter of *proprietary* rights'.⁹ Later they reiterated the same theme: 'As we have seen, registration is the only way in which a trade mark can become the subject of a proprietary right to its exclusive use'.¹⁰

True, the Act seems to invest registered trade marks with many of the usual trappings of property, such as right of enjoyment, exclusion and disposition. For example, it provides that a registration, once obtained, is deemed valid until shewn otherwise. Section 61 confers 'prescriptive validity' on a Part A registration after

² (1980) 31 A.L.R. 161, 171.

³ Herein referred to as 'the Act'. Section references are to this Act unless otherwise stated.

⁴ Because registration is subject to there being 'no lawful objection'; (1980) 31 A.L.R. 161, 171.

⁵ E.g. as against a putative general law proprietor who opposes registration under s. 49 of the Act.

⁶ (1980) 31 A.L.R. 161, 171. Under 'Comment', below, the author disputes this. It is submitted that the critical question for the Registrar is *not* 'whether the applicant is the proprietor in the statutory sense', but whether the applicant can make good the assertion of proprietorship asserted by his application.

⁷ *Ibid.* 175. Refer also to *Philip Morris v. Adam P. Brown* (1981) 33 A.L.R. 465 noted in (1981) 13 M.U.L.R. 104.

⁸ [1973] R.P.C. 297, 332.

⁹ (1980) 31 A.L.R. 161, 171.

¹⁰ *Ibid.* 172.

seven years. There are provisions for registered licensees and recognition that an exclusive licensee can sue for infringement of a trade mark, the registered proprietor being before the court. There are also provisions for registering assignments with or without the goodwill of the business concerned in the relevant goods. It appears, then, that the Act recognizes the alienation of a trade mark in gross that is as a mere object of property apart from the goods or business. It is further provided that the registration of any assignment, with or without goodwill, is unchallengeable after three years.

If Lord Diplock's pronouncements *supra* mean that registration is the only way one can own a trade mark as a mere object of property, then, with respect, he is wrong. Such an interpretation is hard to reconcile with long-established general law principles. It is very clear, for example, that unlike the corresponding requirements of the business name legislation, it is possible to use, for example, 'enjoy', a trade mark without registering it. Others may be excluded such as by a passing off action; and an unregistered trade mark can be disposed of by an unregistered assignment, provided appropriate safeguards are observed as to the relevant goodwill.

The better view is that registration does not depend on proprietorship, nor proprietorship on registration, but that the proprietor of a mark is he who can, if necessary, make good an assertion *viz.* that he is entitled to exclusive use of the mark.¹¹ If he has already used the mark, he may be able to assert his right in a passing off action under the general law. At all events the lodgment of an application for registration under the Act is an assertion of proprietorship. The assertion is 'made good'¹² by the applicant prosecuting his application to the registration stage. This process may include the adducing of *evidence* of proprietorship, such as in opposition proceedings by third parties, or evidence may be required to support the registration of a mark that is not in one of the categories deemed inherently distinctive.¹³ In some situations registration may follow an application almost automatically.

Therefore registration does not depend on proprietorship, nor *vice versa*. Registration simply deems a person to have made good an assertion of proprietorship. It says that his mark has been weighed in the scales and not found wanting; and for that it gives him a bundle of statutory benefits which, as later indicated, are very limited indeed.

In their leading judgment dismissing MG's application as incompetent, Stephen, Mason, Aickin and Wilson JJ. considered that 'registration of the trade mark GOLDEN LIGHTS was the real bone of contention between the parties'.¹⁴ Barwick C.J. agreed, saying that 'invested jurisdiction [that is federal jurisdiction invested by s. 39(2) of the Judiciary Act] was invoked and exercised by the Supreme Court',¹⁵ that the federal question was ever paramount and that it was not possible to isolate a non-federal question independent of the federal question which was involved in the case between the parties. Gibbs J. agreed with the leading judgment, saying that MG's claims 'raised for judicial determination rights which owe their existence to the Act, or which can only be enforced by virtue of the Act'¹⁶ and '[a]ccordingly, at the time when the statement of claim was lodged, the Supreme Court was invested with federal jurisdiction'.¹⁷

This is difficult to follow because it reads as if the Supreme Court's jurisdiction is derived from the nature of the claim before it. However, later in his judgment his

¹¹ *Kendall v. Mulysyn* (1963) 109 C.L.R. 300, 304.

¹² *Ibid.*

¹³ Section 24(1).

¹⁴ (1980) 31 A.L.R. 161, 173.

¹⁵ *Ibid.* 163.

¹⁶ *Ibid.* 164.

¹⁷ *Ibid.*

Honour, referring to an argument by MG's counsel that both federal and state jurisdictions were operating and available to be invoked by the Supreme Court, said that once jurisdiction is vested by s. 39 of the Judiciary Act, it displaces the jurisdiction derived from another source. His Honour found it

inconceivable that the Parliament could have intended that the conditions attached to the exercise of federal jurisdiction might be rendered nugatory either by the parties or by the State court.¹⁸

Murphy J. was content to observe that appeal rights to the Privy Council no longer exist, and/but if they did, they did not lie here.

It is submitted, contrary to their Honours' findings first that the 'statutory concept of proprietorship' although it may be in some respects 'novel'¹⁹ is not different from the common law notion of proprietorship; secondly that in this case the Supreme Court did not exercise federal jurisdiction, and finally that the appeal to the Privy Council ought to have been allowed.

A trade mark is a mark placed on goods²⁰ to be put on the market, and the proprietor is the person of whom it says, 'these are my goods' — not in the sense of belonging, but to represent that that person chooses to take responsibility for putting the goods on the market, and to be regarded as the trade-originator of those goods.

A trade mark is therefore a representation about the goods. If the effect of this representation is to direct the purchaser's mind to a particular trader, known or unknown by name, then to that purchaser the mark is a trade mark. The vector-sum of such impressions over the whole community indicates the proprietor of the trade mark. Proprietorship is therefore a matter of general reputation. If the mark is an ordinary descriptive word, for example, 'mild' for cigarettes, or if it points different people in different directions, the resultant or total impression is zero and there is no relevant proprietor. Therefore, proprietorship of a trade mark can exist quite outside the Act. Indeed this is acknowledged by the Act itself where, as already indicated, it expresses a general law notion of proprietorship.²¹ Ofttimes 'general law proprietorship' is a condition precedent to registration e.g. where evidence of use is required to support the registration of some kinds of mark.²² It is submitted that the only departure which the statute makes from the general law is the notion that a person is deemed to have a claim to proprietorship if he is the 'author' of the mark. Authorship of a trade mark has almost no bearing upon authorship in the usual sense of the word.²³ It means the person who first propounded the mark for use as a trade mark on particular goods.²⁴ However, the 'statutory title' remains subject to general law proprietorship, because it can always be challenged on the basis that the mark is not distinctive of the registrant's goods.²⁵ Furthermore, in the pre-registration stage the applicant carries the burden of proof and his application will be refused if, e.g. in

¹⁸ (1980) 31 A.L.R. 161, 166.

¹⁹ *Ibid.* 171.

²⁰ The Trade Marks (Amendment) Act 1978 included 'services'.

²¹ Section 30(1).

²² E.g. surnames and geographical names; s. 24(1)(d) and (e).

²³ In a recent copyright case Graham J. in the English High Court held that *EXXON* is not an original literary work, although the word is believed to have been coined by reference to the absolute novelty (?) of the double-x consonant in any language.

²⁴ The mark may be an 'invented word'; s. 24(1)(c), or it may be a word having no intrinsic novelty. However, if it is an ordinary English word it must have no direct reference to the 'character or quality of the goods'; s. 24(1)(d). See for example *Registrar of Trade Marks v. Muller* (1980) 31 A.L.R. 177, noted in (1981) 13 *M.U.L.R.* where *LESS* was refused in relation to 'pharmaceuticals'. A possibility would be *SHAMROCK* for 'artificial stone'.

²⁵ Sections 22, 61(1)(c).

opposition proceedings by the general law proprietor, he (the applicant) fails to substantiate a superior claim to proprietorship.

In addition it should be noted that no registration of a trade mark prevents subsequent registration by a person with an equal or superior claim to proprietorship,²⁶ and continued use from an anterior date does not constitute infringement of a registered trade mark.²⁷

What is left of their Honours' 'statutory concept of proprietorship'? Virtually nothing, it is submitted, that is not covered by, subject to, and copiously beset with, general law notions. At most, the statute confers a qualified right to use, involving a right to sue for infringement²⁸ with numerous statutory defences.²⁹

In the result it seems very clear that the trade mark registration scheme is almost entirely 'registration of title' and any 'title by registration'³⁰ is minimal. Certainly the statute confers none of the usually accepted incidents of property that are not in substance enjoyed by the general law proprietor.³¹ It is true that the Act provides prescriptive validity for certain registrations thereunder,³² but it also remains true to say that the general law continues to recognize trade mark rights which may be protected by for example a passing off action.³³ It may also be conceded that the statute regularizes certain licenses and assignments that might otherwise be doubtful. However, it now seems open³⁴ to Australian courts to uphold such transactions even in respect of unregistered trade marks, provided they continue to make a true representation as to their proprietorship.

Therefore, to say that *registration* was the real bone of contention between the parties, was to let the tail wag the dog. The Act created no right that was in issue here. Clearly the real bone of contention was whether M. had a good claim to be proprietor of the trade marks; and although, or because, substantiation of this claim is a condition precedent to registration under the federal act, it is a matter of general law distinct from any federal or other issues to which it might have given rise. It is therefore submitted that the appeal to the Privy Council should have been allowed.

PETER NICHOLLS*

REGISTRAR OF TRADE MARKS v. MULLER¹

Trade Mark — Application to register — Ordinary English word apt to describe goods — Whether distinctiveness a separate requirement for Part A registration — Trade Marks Act 1955 (Cth) s. 24.

²⁶ Section 34(1), honest concurrent user, or s. 34(2), continuous use from an anterior date.

²⁷ Section 64(1)(c).

²⁸ Section 58(1).

²⁹ E.g. s. 64.

³⁰ To adapt the words of Barwick C.J. in *Breskvar v. Wall* (1972) 46 A.L.J.R. 68, 70.

³¹ E.g. the rights of enjoyment, exclusion and alienation; *Millirrup v. Nabalco* (1971) F.L.R. 141, per Blackburn J.

³² Section 61 (7 years for trade mark registrations in Part A); s. 82(5), (3 years for registration of assignments).

³³ A famous recent example of which is *Erven Warnick B.V. v. J. Townend & Sons Ltd* [1979] F.S.R. 397.

³⁴ Following *Pioneer Electric Corporation v. Registrar of Trade Marks* (1978) 17 A.L.R. 43.

* B.A., B.Sc., Patent Attorney and Law Student at the University of Melbourne.

¹ (1980) 31 A.L.R. 177.