

**RECONCILING USE-BASED AND REGISTRATION-BASED RIGHTS WITHIN  
THE TRADE MARK SYSTEM: WHAT THE PROBLEMS WITH SECTION 58A OF  
THE *TRADE MARKS ACT* TELL US**

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**ABSTRACT**

Reconciling registration and use as mechanisms by which rights can be acquired in a trade mark is inherently difficult. The federal Australian registered trade mark system is built around a hybrid of a registration-based and a use-based model of protection. While it is perfectly possible to defend such a dual model, the two means of acquiring trade mark rights rest on very different logics. In the event of a conflict between a registered mark and a mark that has been used for some time the question of which should take precedence is not necessarily capable of being determined a priori. The relationship between registration and use is mediated by a number of provisions of the *Trade Marks Act 1995*. In this article we focus on one such provision, s 58A, a relatively recent addition to the legal landscape.

Through a close analysis of s 58A, focusing on court decisions and decisions of the Trade Marks Office that have applied this provision, we demonstrate that s 58A has the potential to operate in an entirely unsatisfactory manner. We then use problems with s 58A as a vehicle to explore the relationship between use-based and registration-based rights generally, suggesting a new conceptual framework that might serve to guide future discussion of how the relationship between registration and use ought to be mediated.

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## I INTRODUCTION

The federal Australian registered trade mark system and its British precursors came to be built around a hybrid of a 'registration-based' and a 'use-based' model of protection.<sup>1</sup> Under this model rights are not strictly determined either by use or by registration. Rather, use and registration interact with one another in complex ways. Reconciling registration and use as mechanisms by which rights can be acquired in a trade mark is inherently difficult. To explain, trade mark registration is intended to serve a valuable public end. Specifically, the recording of marks on a publicly available register ought to provide a valuable source of information about marks that are in use. The extensive rights conferred by registration (for example, protection that applies nationwide, irrespective of where the mark has in fact been used) should be seen as incentives for traders to register: traders get more extensive protection in return for placing information that is valuable to other traders in the public domain.<sup>2</sup> There is, however, no requirement under Australian law for traders to register their marks in order to attract protection. Nor would such a requirement make sense. It is almost inevitable that some small traders would remain ignorant of the need for registration.<sup>3</sup> Moreover, even for larger traders it can be difficult to predict how consumers will respond to a product — consumers may ascribe a source identification function to signifiers that the trader would not have thought to register or would be prevented from registering.<sup>4</sup> To require registration as a precondition of protection would therefore leave the public vulnerable to unscrupulous traders.

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<sup>1</sup> We say 'came to be built' because there was a period following the introduction of the first UK registered trade mark system in 1875 during which the relationship between use and registration was entirely uncertain. Specifically, s 1 of the *Trade Marks Registration Act 1875*, 38 & 39 Vict, c 91 provided that no action for 'infringement' could be brought after 1 July 1876 unless the mark had been registered. At first there was real uncertainty as to how this provision impacted on actions for passing off, with many commentators at the time taking the view that registration had become compulsory for any action to lie. We should perhaps add as an aside that we take the advent of the UK registration system as our starting point because although a number of the Australian colonies introduced trade mark registration before the UK the Acts in question seem to have had little bearing on the subsequent development of Anglo-Australian trade mark law.

<sup>2</sup> We do not suggest that the relationship between the incentives to register and the scope of the rights afforded to registered trade mark owners is to be accepted at face value. On the contrary, we have argued elsewhere that any suggestion that the public information produced by trade mark registration serves as 'consideration' for the scope of the registered trade mark monopoly is deeply problematic. Nevertheless this 'registration as consideration' account is the best explanation available with *justificatory* power (that is, if one leaves aside explanations grounded in public choice theory and the like aside).

<sup>3</sup> See, eg, Advisory Council on Intellectual Property, *A Review of the Relationship between Trade Marks and Business Names, Company Names and Domain Names* (March 2006) 1, 27–30 <[http://www.acip.gov.au/pdfs/ACIP\\_Final\\_Report\\_Review\\_of\\_Relationship\\_Between\\_Trade\\_Marks\\_and\\_Business\\_Names,\\_Company\\_Names\\_and\\_Domain\\_Names\\_Archived.pdf](http://www.acip.gov.au/pdfs/ACIP_Final_Report_Review_of_Relationship_Between_Trade_Marks_and_Business_Names,_Company_Names_and_Domain_Names_Archived.pdf)> (noting evidence that suggests that many small and medium sized enterprises erroneously assume that registration of a business name gives them positive rights over the name in question and insulates them from a claim for trade mark infringement).

<sup>4</sup> For example, it is possible that consumers will immediately see a trader's slogan or aspects of the shape or colour of the trader's goods as carrying a source identification function, but such trade indicia will often only be registrable on proof of acquired distinctiveness.

It is therefore perfectly possible to defend a dual registration-based and use-based system, but because these means of acquiring trade mark rights rest on very different logics the question of which should take precedence in the event of a conflict between similar marks is not necessarily capable of being determined a priori. It would be possible, for instance, to imagine a system that gave strong pre-eminence to registration, for example, by making registration an absolute defence to any action brought in reliance on an unregistered mark. Equally, however, it would be possible to imagine a system that afforded registration very little weight, such as a system where registration creates a mere evidential presumption that the owner has satisfied the tests for establishing rights in a mark. Importantly, moreover, this is not merely an intellectual exercise — existing trade mark systems around the world mediate the relationship between registration and use in very different ways, such that it cannot be said that there is any sort of consensus as to how the relationship is best managed.<sup>5</sup>

There is, however, a touchstone that ought to inform decisions as to whether a mark should be accepted for registration in circumstances where there appears to be a conflict between parties claiming use-based and registration-based rights. This is that the register ought to provide as accurate a record as possible of usable and enforceable marks. The operation of a registration system may at times lead us to modify or curtail use-based rights, but doing so only makes sense to the extent that the internal logic of registration is preserved.

One technique that is used in the Australian registered trade mark system to try to manage and accommodate use-based and registration-based rights is the doctrine of 'prior continuous use'. This is a principle that applies in various places throughout the trade mark system as a way of allowing for the co-existence of otherwise conflicting trade marks. The essence of this principle is that the party seeking to rely on it has to demonstrate that it used its mark 'first', that is, from a time both before the owner of the conflicting mark commenced use of its mark and before the owner of the conflicting mark applied to register its mark. Prior continuous use, as a device to allow for an applicant's mark to be registered, notwithstanding the presence of an earlier, conflicting mark on the Register of Trade Marks, became part of the Anglo-Australian trade mark system in 1905.<sup>6</sup> In its earliest form the exception turned solely on whether the applicant had made earlier use of its mark in the marketplace. But from 1919

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<sup>5</sup> It is widely recognised, for example, that the United States attaches much more importance to use as a source of trade mark rights than many other jurisdictions.

<sup>6</sup> *Trade Marks Act 1905*, 5 Edw 7, c 15, s 41 (as enacted). See also *Trade Marks Act 1905* (Cth) s 51A, as added by *Trade Marks Act 1912* (Cth) s 19.

there was a shift towards the dual temporal requirement just described, that is, that the applicant's use had to predate both the registered owner's first use and the registered owner's date of registration.<sup>7</sup> This dual temporal requirement is also to be seen in the defence to infringement of a registered mark that was contained in s 64(1)(c) of the *Trade Marks Act 1955* (Cth) and is now contained in s 124(1) of the *Trade Marks Act 1995* (Cth) ('TMA'). The latter provision applies where the defendant can demonstrate that its use predates the date of registration and that it had made the earlier use of its mark in the marketplace.

Despite the long lineage of the dual temporal use requirement and its preservation in s 124(1) of the TMA, the prior continuous use provisions that applied in the part of the TMA dealing with applications for registration, as initially drafted, adopted a different scheme. Specifically, under s 44(4) of the TMA an applicant for registration, facing an objection based on the presence on the Register of a conflicting trade mark, could ensure that its mark would be accepted for registration if it could demonstrate that its use of its mark predated only the priority date for the registration of the conflicting mark — there was no need to demonstrate earliest use in the marketplace. The mechanics of this are discussed in Part 2 below.<sup>8</sup> For now it is enough to note that this was recognised to be the product of a drafting oversight. Section 58A was introduced into the TMA in 2006 to address this oversight by allowing the owner of the conflicting, registered mark to establish a ground of opposition in cases where it could be shown that the conflicting mark had been used first.

Section 58A is a seemingly innocuous provision that, to date, has attracted no critical commentary. However, when the way in which s 58A has been interpreted by the Federal Court and the Trade Marks Office is scrutinised, it is clear that there are a number of serious potential deficiencies with the provision, such that it has the potential to operate harshly as against both applicants and opponents. Part of the aim of this article is to explain these previously unrecognised problems with s 58A and to suggest ways in which the section could be reinterpreted in a way that best gives effect to the intended purpose of the ground of opposition. More broadly, we take a critical look at the attitude that tribunals have taken to the interpretation of s 58A. While the drafting of the section may be far from ideal, many of the problems we identify in the article could be remedied through a purposive construction of

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<sup>7</sup> *Trade Marks Act 1905*, 5 Edw 7 c 15, s 41, as amended by *Trade Marks Act 1919*, 9 & 10 Geo 5 c 79, sch 2. The shift did not happen until much later in Australia: *Trade Marks Act 1955* (Cth) s 34(2).

<sup>8</sup> We also discuss the fact that while other grounds of opposition also mediate the relationship between use and registration, such as ss 58 and 60, these will not always be able to keep the applicant's mark off the Register.

this section. But tribunals have, for the most part, preferred to take shelter in a literal interpretation. Unfortunately, this retreat into legal formalism is not an isolated example; something similar can be seen in other areas of recent trade mark jurisprudence.<sup>9</sup> The failure to ground decisions in a more principled understanding of what we want the trade mark system to achieve is uniformly regrettable, but the failure to articulate what it is that we want s 58A to achieve and to interpret the provision accordingly is particularly unfortunate given that it is part of a suite of provisions that regulates the relationship between use and registration. As such, it goes to the core of trade mark law in Australia, and our broader aim in this article is to use s 58A as a vehicle for exploring the relationship between registration-based and use-based rights. This involves setting up a novel framework that attempts to explain how the various sections of the *TMA* that are intended to accommodate such rights should best be collectively conceptualised, so as to promote future discussion of how the relationship between registration and use ought to be mediated within the trade marks system.

## II THE BACKGROUND TO SECTION 58A

As outlined above, s 58A appears to have only a small, technical role to play in the Australian registered trade mark system. Shortly after the *TMA* commenced, it was recognised that there was a problem created by the drafting of the 'prior continuous use' provision that applied in examination and opposition proceedings under s 44. To elaborate, s 44(1) and (2) set out the prima facie rule that an applicant's mark cannot be registered if it is substantially identical with or deceptively similar to a mark with the same or an earlier priority date that has either been registered, or whose registration is being sought, in respect of similar or closely related goods or services. However, where an examiner raises an earlier mark as a reason for rejecting an application for registration under s 44(1) and/or (2), s 44(4) provides that the application may not be rejected if the examiner is satisfied that the applicant or its

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<sup>9</sup> Perhaps the most notable recent example relates to the Full Federal Court's interpretation of the 'parallel importation' defence to infringement in s 123 and its relationship with the use 'as a trade mark' requirement in s 120 in cases such as *Paul's Retail Pty Ltd v Sparte Leisure Pty Ltd* (2012) 202 FCR 286, 296 [71] (Jacobson, Yates and Katzmann JJ) and *Paul's Retail Pty Ltd v Lonsdale Australia Ltd* (2012) 294 ALR 72, 81–3 [58]–[68] (Keane CJ, Jagot and Yates JJ). In these cases the Court limited the scope of the use 'as a trade mark' requirement on the basis of a literal reading of an obiter footnote in the High Court's decision in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144, 161 [34] n 48 (French CJ, Gummow, Crennan and Bell JJ) and a literal reading of the text of the *TMA*. This approach seems to have been taken without a broader consideration of the role of the use 'as a trade mark' requirement or the consequences of making importers and retailers of genuine goods prima facie liable for infringement, subject only to the operation of s 123 defence. For discussion of how more needs to be done to clarify the operation of the 'parallel importation' provisions, see Andrew Stewart et al, *Intellectual Property in Australia* (LexisNexis Butterworths, 5<sup>th</sup> ed, 2014) 719–25; Mark Davison, 'Parallel Importing in Australia: What Is the Objective and Is It Being Achieved?' (2012) 38 *Monash University Law Review* 173; Robert Burrell and Michael Handler, *Australian Trade Mark Law* (Oxford University Press, 2010) 373–9.

predecessor in title has made prior continuous use of its mark.<sup>10</sup> In order to fall within the s 44(4) prior continuous use exception, it must be demonstrated that the applicant or the applicant's predecessor in title 1) used the mark continuously; 2) on 'similar' or 'closely related' goods or services; and 3) from a date beginning before the *priority date* for the registration of the potentially conflicting mark.<sup>11</sup> For present purposes it is the third of these conditions that is significant.

The effect of the third condition is best illustrated by way of the following example, where A is the applicant for registration and B the owner of the conflicting mark. If A started using its mark in 2010 but only applied for registration in 2013, at which time it received a s 44(1) or (2) objection based on B's registered mark with a 2011 priority date, then for the purposes of s 44(4) all A has to show is that its use predated B's 2011 priority date. This will be enough to ensure that A's application for registration is not rejected by reference to s 44(1) or (2). That B may have started using its mark many years before A's first use is irrelevant. It is worth noting that even before the introduction of s 58A, B might still have had grounds for challenging A's registration in opposition proceedings. Most importantly, if B had acquired a reputation in its mark before A's 2013 priority date, B could have relied on s 60 and/or s 42(b) of the *TMA*. Alternatively, in a more limited category of case, B might have been able to rely on s 58 of the *TMA*, which applies where the opponent can establish that the applicant is not the 'owner' of the trade mark. Importantly, 'ownership' in this context is conferred by first use, but the rights so conferred are highly circumscribed — ownership in this sense does not in and of itself confer the exclusive right to use the mark in the marketplace, rather it confers the right to prevent a later applicant from registering only a substantially identical mark,<sup>12</sup> and only for the 'same kind' of goods or services.<sup>13</sup>

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<sup>10</sup> See also *Trade Marks Regulations 1995* (Cth) reg 4.15A(5) (which provides for a 'prior continuous use' exception where the cited mark is an earlier trade mark the subject of an international registration designating Australia ('IRDA') or an earlier protected international trade mark under the Madrid Protocol. See further reg 17A.28 (on the application of s 44 of the *TMA* as a ground for rejecting an IRDA).

<sup>11</sup> 'Priority date' is defined in s 12 of the *TMA*. In most cases the relevant priority date will be the filing date of the already-registered mark or the filing date of the earlier application.

<sup>12</sup> *Carnival Cruise Lines Inc v Sitmar Cruises Ltd* (1994) 31 IPR 375, 390–1 (Gummow J).

<sup>13</sup> *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506, 512–4 [13]–[19] (Kenny J), 529–30 [87]–[89] (Allsop J). Even though what we have described in the text seems to be an orthodox reading of the relationship between s 58 and s 44(4), note the equivocal statements of the hearing officer in *Milners Pty Ltd v PI-Design AG* (2003) 59 IPR 577, 580-1 [13] n 2 that s 58 might not always prevail over s 44(4).

The original legislative scheme left a recognised lacuna.<sup>14</sup> Specifically, there were circumstances where B could not have kept A's mark off the Register even though B had used its mark first. B would not have been able to take any action against A where, despite B's prior use, it had not managed to establish a reputation in its mark before A's priority date (such that ss 60 and 42(b) would have had no application)<sup>15</sup> or where A's mark was merely deceptively similar, as opposed to substantially identical, to B's mark, or where A and B's goods or services were not the same kind of thing (such that s 58 could not apply). As will be explained in Part 6 of this article, when we consider the interaction of all of these provisions in detail, this 'gap' in B's protection was not necessarily indefensible. It did, however, create a difference from the position taken under the 1955 Act, where the applicant's use had to predate *both* the priority date and the date of first use of the cited mark for the applicant's mark to be registered on the basis of prior continuous use.<sup>16</sup> It also meant that the prior continuous use exception that applied in registration proceedings under s 44 of the *TMA* had a quite different sphere of operation from the prior continuous use defence to actions for infringement: as was noted in the Introduction, s 124(1) of the *TMA* has always been drafted in such a way as to require the defendant to satisfy the dual temporal requirement.

Importantly, moreover, the Working Party whose report preceded the introduction of the *TMA* had clearly envisaged the preservation of the dual temporal requirement for applications for registration. Specifically, the Working Party had recommended the introduction of a ground of opposition where the opponent could establish 'that its use of the mark or of a substantially identical or deceptively similar mark predates both the use by the applicant and the priority date of the application'.<sup>17</sup> The introduction of a new ground of opposition in s 58A in 2006<sup>18</sup> in order to plug the gap in the operation of s 44(4) can therefore be understood as the belated implementation of the Working Party's recommendation.

Section 58A provides as follows:

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<sup>14</sup> For an early recognition, see Tim Golder, 'Disclaimers, Associations, Honest Concurrent Use and Prior Use' (1996) 7 *Australian Intellectual Property Journal* 93, 97. See also IP Australia, *Trade Marks Legislation Review, Paper 3* (30 September 2004) 12–13 <[http://www.wipo.int/wipolex/en/text.jsp?file\\_id=179965](http://www.wipo.int/wipolex/en/text.jsp?file_id=179965)>.

<sup>15</sup> See, eg, *Sanstat Pty Ltd v Muir Electrical Co Pty Ltd* (2004) 61 IPR 614 (opponent failed to establish sufficient reputation for the purposes of s 60, despite having the earlier use).

<sup>16</sup> *Trade Marks Act 1955* (Cth) s 34(2).

<sup>17</sup> Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation* (Australian Government Publishing Service, 1992) 47, Recommendation 8A(4).

<sup>18</sup> See *Trade Marks Amendment Act 2006* (Cth) sch 1 item 29.

- (1) This section applies to a trade mark (*section 44 trade mark*) the application for registration of which has been accepted because of:
  - (a) subsection 44(4); or
  - (b) a similar provision of the regulations made for the purposes of Part 17A.
- (2) The registration of the section 44 trade mark may be opposed on the ground that the owner of the substantially identical or deceptively similar trade mark (*similar trade mark*) or the predecessor in title:
  - (a) first used the similar trade mark in respect of:
    - (i) similar goods or closely related services; or
    - (ii) similar services or closely related goods;before the owner of the section 44 trade mark or the predecessor in title in relation to the section 44 trade mark first used the section 44 trade mark; and
  - (b) has continuously used the similar trade mark in respect of those goods or services since that first use.

This section appears beguilingly straightforward and little critical attention has been paid to its drafting or how it is working in practice. In order to understand the problems with this section it is necessary to draw a distinction between a number of different scenarios. We start by considering the one Federal Court decision in which s 58A has been considered. This case is instructive in that it demonstrates some of the difficulties attached to navigating and applying the text of s 58A. In Parts 4 and 5 we consider a number of Office decisions and other plausible but yet to be litigated scenarios that reveal still other problems with the section. In Part 6 we return to more general issues of principle, drawing on the problems we have identified with s 58A to consider the broader difficulties in attempting to reconcile registration-based and use-based rights.

### III SECTION 58A IN THE FEDERAL COURT: THE *KINGSGATE* DECISION

Section 58A has been considered in a number of oppositions before hearing officers at the Trade Marks Office, but the only Federal Court case to deal with this provision in any detail is *Millennium & Copthorne International Ltd v Kingsgate Hotel Group Pty Ltd*.<sup>19</sup> The background to this case is that Millennium & Copthorne International Ltd ('MCIL') applied

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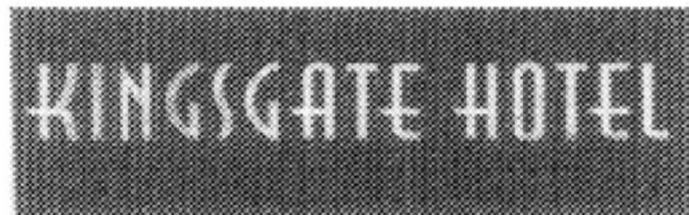
<sup>19</sup> (2012) 97 IPR 183 (*Kingsgate*).

for registration of the following device mark on 11 May 2006 for, inter alia, hotel related services in classes 35 and 43:



**KINGSGATE**

During examination, the following device mark, with a priority date of 24 March 2004, registered in relation to hotel management services in Class 43 and owned by Kingsgate Hotel Group Pty Ltd ('KHG'), was cited under s 44(2):



However, MCIL was able to convince the examiner that it had made prior continuous use of its mark from before KHG's 2004 priority date. Accordingly, MCIL's mark was accepted for registration on the basis of s 44(4). KHG (which would have been notified by the Office of the decision to accept MCIL's mark on the basis on s 44(4)<sup>20</sup>) decided to oppose MCIL's application. In so doing KHG raised a number of grounds of opposition before the Office, including s 58A (but not s 44). KHG's opposition based on s 58A was successful, on the basis that it was found to have made continuous use of its mark from at least December 2001 (with the applicant's use of its mark dating only from 11 May 2006).<sup>21</sup> MCIL appealed this decision to the Federal Court.

<sup>20</sup> IP Australia, *Trade Marks Office Manual of Practice & Procedure* (1 April 2014) pt 28.8 <[http://www.ipaustralia.gov.au/pdfs/trademarkmanual/trade\\_marks\\_examiners\\_manual.htm](http://www.ipaustralia.gov.au/pdfs/trademarkmanual/trade_marks_examiners_manual.htm)>.

<sup>21</sup> *Kingsgate Hotel Group Ltd v Millennium & Cophorne International Ltd* (2011) 94 IPR 277, 287 [41]. Had KHG raised a s 44 ground of objection this ground would have been established. This is because KHG's mark was considered to have been deceptively similar to MCIL's (at 286 [34]) and was registered in relation to similar services, and because the finding that MCIL had not used its mark before its *own* priority date meant that s 44(4) would have been unavailable. It is therefore interesting that the outcome of the decision turned on s 58A, a section that presupposes the correctness of the decision on s 44(4). We discuss some of the potential consequences of not raising s 44 as a ground of opposition in such circumstances in Part 4 below.

Jacobson J characterised the principal issue on appeal as whether MCIL's mark was substantially identical with or deceptively similar to KHG's mark.<sup>22</sup> His Honour held that the two marks could co-exist on the Register on the perhaps surprising basis that they were not deceptively similar.<sup>23</sup> This meant that, strictly speaking, the ensuing discussion of the remaining issues under s 58A was obiter, but it touches on an important issue relating to the nature and composition of the marks that are being compared. Specifically, the question was the extent to which the 'marks' in question should be understood strictly by reference to what appears on the Register or whether there was any space for looking beyond or behind the Register to the marks used by the parties in the marketplace. Similar issues have surfaced in prior continuous use cases before and they are significant as they go directly to the relationship between registration-based and use-based rights within the trade mark system.<sup>24</sup>

Jacobson J commenced his discussion of s 58A by stating that the two issues that needed to be addressed under the section were:

- whether KHG (or MCIL), or their predecessors in title, first used the 'similar trade mark' in respect of similar or closely related services; and
- whether the first user has continuously used the similar trade mark in respect of those services since that date.<sup>25</sup>

In order to explain the potential significance of his Honour's framing of the issues this way, it is important to note that the reference to 'similar trade mark' in s 58A(2) is a reference to the registered substantially identical or deceptively similar mark that gave rise to the s 44

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<sup>22</sup> *Kingsgate* (2012) 97 IPR 183, 186 [14]. See further Part 4 below as to whether the Office is able to take a similar approach where s 44 is not raised as a ground of opposition.

<sup>23</sup> *Ibid* 189–90 [47]–[57]. While, as we explain below, we are not unsympathetic to the outcome reached in the case (namely, that the two device marks are able to co-exist on the Register), the decision on deceptively similarity is somewhat difficult to square with established legal tests. In reaching his conclusion Jacobson J relied on the Full Federal Court's statement in *Crazy Ron's Communications Pty Ltd v Mobileworld Pty Ltd* (2004) 61 IPR 212, 234 [100] (Moore, Sackville and Emmett JJ) that 'some caution needs to be exercised before characterising words in a complex composite registered trade mark as an "essential feature" of that mark in assessing the question of deceptive similarity'. However, the composite mark in question in *Crazy Ron's* was a logo featuring the words 'Crazy' and 'John' in a haphazard font, placed on either side of a large cartoon character who was sitting astride a globe featuring the letters 'M' and 'W' (see registered trade mark 656212). Such a complex mark combining elements of stylised text and detailed image is substantially different from the 'Kingsgate' and five-bar logo mark, where the word 'Kingsgate' is undeniably the essential feature of the mark. (To the extent that the simple five-bar element has much impact, it can perhaps be seen as a highly stylised crown or a gate, which only serves to reinforce the 'King' and 'Gate' elements in the word mark and thus further points towards the mark being deceptively similar to the 'Kingsgate Hotel' device mark. Compare, eg, *Starr Partners Pty Ltd v Dev Prem Pty Ltd* (2007) 71 IPR 459, 463 [28]–[29] (Lindgren, Emmett and Finkelstein JJ)). This raises a broader issue: while we accept that deceptive similarity is a highly fact-dependent enquiry, we are concerned about how uncomfortably many Australian decisions on deceptive similarity sit alongside one another: see generally Burrell and Handler, above n 9, 170.

<sup>24</sup> See, eg, *Cluett-Peabody & Co Inc v McIntyre, Hogg, Marsh and Co Ltd* [1958] RPC 335.

<sup>25</sup> *Kingsgate* (2012) 97 IPR 183, 191 [59].

objection in the first place. Read literally, therefore, this part of s 58A requires attention to be paid to the question of when the mark *that appears on the Register* was first used. In this case a literal reading would have required the court to focus on when the opponent, KHG, or its predecessor in title, first used the KINGSGATE HOTEL and dark rectangle device that appears on the Register. In contrast, Jacobson J asked when KHG or a predecessor in title made first use of the *words* 'Kingsgate Hotel' as a trade mark — that is, not KHG's registered device mark, but a similar one.

That Jacobson J was seeking to put a gloss on the operation of s 58A(2) (and, by necessary implication, s 44(4)) is not necessarily clear from the part of the judgment that is most obviously on point.<sup>26</sup> However, that this was his Honour's intention becomes apparent when one turns to look at his Honour's treatment of when the applicant, MCIL, first used its trade mark. Section 58A(2)(a) requires that attention be paid to when the applicant 'first used the section 44 trade mark'. This is clearly intended to be a reference to the mark *for which registration is being sought*; the mark accepted by virtue of s 44(4). In the case at hand this ought to have demanded consideration of when the applicant first used its KINGSGATE and five-bar device mark. In contrast, in his framing of the issue in the passage quoted above, Jacobson J said that the question depended on whether MCIL had first used a 'similar trade mark'. This allowed his Honour to focus on whether MCIL or a predecessor in title had made prior use of 'Kingsgate' (the word) as a trade mark, rather than the combination of the word KINGSGATE and the five-bar device.<sup>27</sup> After having found that a number of bookings of New Zealand hotels branded under the name 'Kingsgate' and run by MCNZ (the presumptive predecessor in title of MCIL) had been made from Australia, Jacobson J held:

The evidence does not clearly establish use [by MCNZ] of the composite five bar 'M' trade mark in Australia in respect of the bookings to which I have referred. However, I am prepared to infer that the bookings were made upon the basis of the rebranded names for the New Zealand hotels ...

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<sup>26</sup> Ibid 192 [69], [71] (noting that a company called Kildair had purchased 'the intellectual property rights ... necessary for the conduct of the business, including the business name, the domain name and the website for the Kingsgate Hotel' in May 2000 and that 'if Kildair was the predecessor in title of KHG, the date from which KHG's use of the KHG trade mark (*or a mark substantially similar to it*) commenced in [sic] May 2000' (emphasis added). It is, however, difficult to be certain that this was what his Honour intended. This is because it appears from the hearing officer's preceding decision that use of the mark *as registered* could be traced back to December 2001, but that because of a break in the chain of title KHG could only rely on use from 2004: *Kingsgate Hotel Group Ltd v Millennium & Copthorne International Ltd* (2011) 94 IPR 277, 286 [36].

<sup>27</sup> *Kingsgate* (2012) 97 IPR 183, 196-7 [113]–[126]. In these paragraphs the judge referred to the 'rebranding' of the Kingsgate Hotel by Millennium & Copthorne Hotels New Zealand Ltd (MCNZ) after a long period of non-use of 'Kingsgate'. There is, however, nothing in the judgment to indicate that the 'rebranding' also involved the adoption of the five-bar logo in conjunction with the word 'Kingsgate'.

Thus, although not without some hesitation, I am prepared to infer that there was some slight trade mark use in Australia of a similar mark to MCIL's trade mark before the priority date of KHG's trade mark.<sup>28</sup>

Having made this finding, Jacobson J then turned to consider whether MCNZ was in fact the predecessor in title of MCIL.<sup>29</sup>

To be clear, in the passage quoted immediately above Jacobson J seemed to approach s 58A on the basis that as long as MCIL's predecessor in title had in fact used a similar mark to the mark set out in MCIL's application for registration, this would have been sufficient for MCIL to have defeated the s 58A opposition. One can understand why his Honour was attracted to reinterpreting s 58A in this way. It could be argued that it would have been anomalous to have dismissed as irrelevant evidence demonstrating longstanding trade mark use of the word 'Kingsgate'. The only risk of confusion came from the common presence of this word in both marks. Prior continuous use is sufficient to render concerns about confusion irrelevant<sup>30</sup> and consequently it might be thought that a showing of prior continuous use of the potentially confusing element ought to be sufficient. The more literal interpretation of s 58A would also have meant that MCIL would have been disadvantaged by its decision to have filed for registration of a composite mark. Had it filed for the word mark KINGSGATE alone then prior continuous use of this word (perhaps in a number of different forms or in conjunction with a number of different devices) would have been sufficient. It would have been an odd result if the applicant had been disadvantaged by seeking the protection offered by a composite mark rather than the broader protection offered by a word mark, particularly since by confining the registration to the word rendered in a particular form (that is, in a particular font and size) and used in conjunction with a particular device the likelihood of confusion with a mark containing only a similar word might have been reduced.

From a policy perspective, therefore, it can be said that Jacobson J's reinterpretation of s 58A has something to recommend it. His Honour might have reached the same result by a more obvious path by giving s 7(1) of the *TMA* a broad sphere of operation. Even on a literal reading of the *TMA* it is clear that neither the opponent nor the applicant is required to

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<sup>28</sup> Ibid 197 [127] (emphasis added). For a more orthodox reading, see *Kingsgate Hotel Group Ltd v Millennium & Copthorne International Ltd* (2011) 94 IPR 277, 286 [37].

<sup>29</sup> Finding that this was not the case: *Kingsgate* (2012) 97 IPR 183, 197–8 [128]–[135], 199 [144].

<sup>30</sup> This is true as regards s 44, but is somewhat simplistic because of the problematic sphere of operation of the s 60 ground of opposition. We return to this issue in Part 6.

demonstrate that it used its mark in the exact form presented in its application, or as it appears on the Register. Section 7(1) provides that the Registrar or a court 'may decide that a person has used a trade mark if it is established that the person has used the trade mark with additions or alterations that do not substantially affect the identity of the trade mark'.<sup>31</sup> His Honour might have concluded that use of 'Kingsgate' in isolation was use with an 'alteration' that did not substantially affect the identity of the KINGSGATE and five-bar device. However, this would have run counter to established legal tests and might well have had unwelcome implications for other parts of trade mark law.<sup>32</sup>

One can therefore understand why Jacobson J took the path he did, but his Honour's reinterpretation has left the law in an uncertain position. We cannot be sure that subsequent tribunals will adopt the same approach, particularly since his Honour did not acknowledge that he was doing anything other than applying an orthodox interpretation of s 58A. This leads us back to our principal themes. In *Kingsgate*, Jacobson J clearly appreciated that the more literal reading of the Act is capable of producing anomalous outcomes. But the *Kingsgate* reinterpretation of s 58A has important implications for the relationship between use and registration and may bring problems of its own, not least by complicating the s 58A enquiry. Whether the *Kingsgate* reinterpretation is desirable can only be judged against a clear understanding of the appropriate relationship between use and registration, and this conversation cannot begin while judicial creativity around the use-registration nexus occurs without explanation or analysis.

#### **IV WHAT IS THE EFFECT OF SECTION 58A BEING RAISED WITHOUT SECTION 44 IN OPPOSITION PROCEEDINGS?**

It is important to remember that in *Kingsgate* the opponent failed because Jacobson J found that the marks were not deceptively similar. In so doing the court reached a different view

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<sup>31</sup> See, eg, *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144, 170 [69] (French CJ, Gummow, Crennan and Bell JJ) (noting that use of an image of a foot alongside the word 'Barefoot' did not substantially affect the identity of the appellant's registered BAREFOOT word mark). For consideration by hearing officers of the relevance of s 7(1) in the context of s 44(4) and s 58A, see *Fry Consulting Pty Ltd v Sports Warehouse Inc* (2009) 85 IPR 403, 411–2 [44]–[48], 413 [59]; *Deckers Outdoor Corporation Inc v Luda Production Pty Ltd* (2010) 89 IPR 561, 577 [60]–[61], 578 [66]. See also *Automotive Product Licencing Pty Ltd v Superstop Brake & Clutch Pty Ltd* [2012] ATMO 4 (23 January 2012) [34].

<sup>32</sup> For example, it might lead to a further liberalisation of the tests for determining whether the use of a mark in a form different from that which appears on the Register is sufficient to constitute 'use' of the registered mark for the purposes of ensuring the mark is not removed from the Register under Part 9 on the grounds of non-use. See Burrell and Handler, above n 9, ch 1 and 283–4, 295–6 as to the problems with an overbroad reading of use in this context.

from that reached by the hearing officer on this issue. There is, however, a question why the hearing officer had considered this issue at all.

At the opposition stage KHG had not nominated s 44 as a ground of opposition. It had no reason to do so: the examiner had already determined that the marks were deceptively similar, and as the opponent all KHG had to do was to challenge MCIL's claim to prior use. In cases where s 44 has not been raised as a ground of opposition, s 58A seems to have the following application. By virtue of s 58A(1) the ground of opposition applies where the applicant's mark was accepted at the examination stage as a result of s 44(4), which required the examiner to have made the anterior finding that the marks were substantially identical or deceptively similar. Section 58A(2) then provides that the applicant's mark may be opposed on the basis that 'the owner of *the* substantially identical or deceptively similar trade mark' made the prior use.<sup>33</sup> Read literally, the effect of this quoted phrase is that the opponent needs to demonstrate that it has made the earlier use of the mark that *was considered* at the examination stage to be substantially identical or deceptively similar to the applicant's mark. Crucially, the phrasing does not seem to allow for the issue of the resemblance of the marks to be re-opened under s 58A. Rather, it appears designed to ensure that, for the ground of opposition to succeed, the opponent need only show that it made the earlier use of *the* mark that was cited in examination under s 44 as a barrier to registration of the applicant's mark. On this reading there is no scope for the applicant to argue under s 58A that its mark is not in fact substantially identical with or deceptively similar to the opponent's mark, such that the entire issue of 'first use' does not even arise.

A closely related point is that on a literal reading of s 58A there does not seem to be any scope for the applicant to challenge the examiner's initial finding in considering s 44 that the goods or services were sufficiently similar or closely related. Section 58A(2) applies where the opponent can show that it 'first *used* the similar trade mark in respect of ... similar goods or closely related services' or 'similar services or closely related goods' to those specified by the applicant.<sup>34</sup> However, this is slightly different from what s 44(1)(a) and (2)(a) collectively ask, which is whether the goods or services *contained in the specification* of the earlier registered mark or application are similar or closely related to the goods or services specified by the applicant. If s 58A(2) is read literally, it might be possible for an opponent to establish

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<sup>33</sup> Emphasis added.

<sup>34</sup> Emphasis added.

this ground of opposition by showing, for example, that it made the earlier use of its mark in relation to goods that are similar to the applicant's specified goods, notwithstanding that the goods the opponent in fact sold differ slightly from those that are specified in the opponent's registration.<sup>35</sup> Section 58A(2) seems to prevent the applicant from making the argument that, contrary to the examiner's original finding, the opponent's goods as specified are dissimilar to the applicant's specified goods, such that s 44(1) should not have applied.

Preventing a hearing officer from considering s 44 when determining whether s 58A applies produces a number of counter-intuitive results. First, it has the potential to cause considerable hardship to the applicant. If the marks are not, in fact, in conflict, the entire premise of 58A is undercut. Secondly, and relatedly, it produces the result that the applicant would have been better off if the examiner had not accepted the application under s 44(4) at all. That way, the applicant would have been able to take the issue of the similarity of the marks or the similarity of goods/services to a hearing under s 33(4).<sup>36</sup> Thirdly, it undermines the purpose of allowing hearings before the Office. The system of hearings is designed to provide a cheap and efficient means of resolving trade mark disputes, but this system cannot work efficiently if there are certain issues that can only be addressed by the Federal Court or Federal Circuit Court. This is precisely the result that a literal reading of the relationship between s 58A and s 44 would produce: there is no question that on appeal to the court, which would hear the matter de novo, the applicant could reopen s 44.

It is therefore not surprising that the hearing officer in *Kingsgate*, in which s 44 was not raised as a ground of opposition, considered whether the two marks were deceptively similar as a preliminary matter. This interpretation of s 58A is to be welcomed. However, there was no engagement with the text of s 58A on this point. Again, therefore, we see a tribunal adopting a purposive construction but without explanation or analysis. This is hampering the development of the law as can be further illustrated by reference to the relationship between

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<sup>35</sup> By way of example, imagine that an applicant applies for registration of a mark in relation to 'repair services for wind-powered electricity generating devices' in Class 37, receives a citation objection under s 44(2) based on the existence of a similar mark for 'voltage transformers' in Class 9, but, rather than taking the point that the goods and services are not closely related, provides evidence of prior continuous use such that its mark is accepted under s 44(4). The owner of the cited mark then seeks to rely on s 58A. Because of the wording of this section, it appears that the opponent has the possibility of, in effect, expanding its sphere of protection by pointing to the earlier use of its mark in relation to 'repair services for voltage transformers' (that is, similar services to those claimed by the applicant), even though such services do not form part of the specification of its registered trade mark. It should perhaps also be emphasised that it will be enough to show isolated use in relation to similar services, such that the opponent may succeed even in circumstances where it could not rely on ss 42(b) or 60. This is a point to which we return in Part 6.

<sup>36</sup> We accept that an applicant whose mark is accepted for registration only because of s 44(4) could seek a hearing under s 33(4) to argue that its mark should be accepted without such a condition (on the basis that its mark does not conflict with the cited mark), but it would be extraordinarily rare for an applicant to do so.

the honest concurrent use exception in s 44(3)(a) and the s 58A ground of opposition, to which we now turn.

Prior continuous use only provides one of three exceptions to the normal operation of s 44(1) and (2). Even if the applicant cannot demonstrate prior continuous use it may still be able to get its mark on the Register if it can demonstrate 'honest concurrent use'.<sup>37</sup> In contrast to prior continuous use, which rests on a neat self-contained question, a finding of honest concurrent use requires consideration of a range of more indeterminate and open-ended factors. Ultimately, however, if the applicant's decision to adopt its mark was honest, there will come a point where a sufficiently long period of concurrent use will entitle the applicant to overcome the s 44 objection. Examiners have always been able to accept marks for registration on the basis of both s 44(3)(a) and s 44(4),<sup>38</sup> and there is nothing in either the language or history of s 58A to suggest that it was intended to displace the operation of honest concurrent use. In other words, even if the opponent succeeds on the basis of s 58A, it ought to be open to the applicant to be able to convince the hearing officer that the mark should nevertheless be registered by virtue of s 44(3)(a).

This is exactly what occurred in the Office decision in *Australian Broadcasting Corporation v Commercial Radio Australia Ltd*.<sup>39</sup> During examination the applicant's RADIO AUSTRALIA mark received an objection under s 44(2) based on its similarity to the opponent's identical mark, but the applicant was able to overcome this on the basis of s 44(4). The opponent nominated all grounds of opposition, but only pressed ss 43, 58A and 60. The hearing officer considered that s 58A was established because of the opponent's earlier use of its RADIO AUSTRALIA mark, but held that that the applicant's mark could nevertheless be potentially registered on the basis of honest concurrent use.<sup>40</sup> However, the hearing officer justified this approach on technical grounds, emphasising that this outcome was possible because of the fact that the opponent had chosen to nominate all grounds of opposition in its initial notice of opposition:

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<sup>37</sup> The third exception is where the Registrar is satisfied that because of 'other circumstances' it is proper to accept the application: s 44(3)(b). We do not consider this exception in detail here, because it primarily applies in situations where the applicant might be unable to show that its use, or the use by the owner of the cited mark, was continuous (such that s 44(4) and/or s 58A would not apply in any event), or where the applicant has obtained a letter of consent from the owner of the cited mark to secure registration (such that the owner would not seek to oppose the application). See further Part 5, where we discuss *Maier v Asos Plc* [2014] ATMO 7 (28 January 2014), which deals with the intersection of these provisions.

<sup>38</sup> See, eg, *Invecon Australia Pty Ltd v Sasse* (2008) 80 IPR 600.

<sup>39</sup> (2010) 88 IPR 376 ('*Commercial Radio*').

<sup>40</sup> *Ibid* 383–5 [16]–[27].

While the opponent did not press the s 44 ground at the hearing, it did nominate that ground of opposition and the applicant may be able to establish honest concurrent use in these circumstances. Accordingly, I find it appropriate to deal with [the] application under s 44(3)(a) of the Act.<sup>41</sup>

In other words, the outcome in *Commercial Radio* can be understood as being justified on the narrow, almost serendipitous, basis that the opponent had chosen to nominate s 44 as a ground of opposition. On this view an opponent who recognises the potential gap between ss 58A and 44, and who chooses *not* to nominate the latter in its notice of opposition, will arguably be able to ensure that the applicant cannot overcome the s 58A ground by relying on honest concurrent use under s 44(3)(a).<sup>42</sup>

Thus despite the fact that *Commercial Radio* produced a similar result to the hearing officer's decision in *Kingsgate*, the reasoning is arguably very different. Reconciling the two has been hampered by the failure of the hearing officer in the latter case to state clearly and unequivocally that a tribunal is always free to ask whether s 44 applies before turning to consider whether a s 58A ground of opposition has been made out — a perfectly sensible view, but one that requires a purposive construction of s 58A. In the face of such a clear statement, supporters of a purposive construction could argue that *Commercial Radio* ought to be reinterpreted as demonstrating that a tribunal is *always* entitled to bring s 44 into play when considering whether s 58A applies. Anyone of the contrary view would be provided with a clear statement to challenge. As it is, the two decisions that we have point to the preposterous conclusion that hearing officers are entitled to consider whether the marks are indeed substantially identical or deceptively similar when dealing with s 58A when s 44 has not been separately raised, but are not entitled to consider the s 44(3) exceptions unless the opponent has chosen to nominate s 44 as a ground of opposition. The biggest problem, however, is not the existence of this inconsistency. It is that there is such a paucity of principled analysis of the relationship between registration and use that this inconsistency will not even be recognised as such — it will simply become accepted amongst practitioners as just another technical idiosyncrasy of the trade mark system.

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<sup>41</sup> Ibid 385 [27]. Notwithstanding the finding of honest concurrent use, the opponent was ultimately successful under s 60. As we noted in Part 2, there will, however, be occasions where an opponent will fail to demonstrate the necessary reputation for the s 60 ground to apply. More generally, we consider that further attention needs to be paid to the unsatisfactory relationship between the opposition grounds and s 44(3)(a): see Burrell and Handler, above n 9, 221–3, 244; see also IP Australia, *Trade Marks Legislation Review, Paper 3*, above n 14, 12; Brent Salter and Hilary May Black, 'Prior Reputation "Trumps" Honest Concurrent Use — Or Does It?' (2008) 74 *Intellectual Property Forum* 41.

<sup>42</sup> Thus forcing the applicant to appeal the decision to the Federal Court or Federal Circuit Court before being able to raise the issue. See, eg, *Kingsgate* (2012) 97 IPR 183, 186 [15].

## V CAN SECTION 58A APPLY IF SECTION 44 IS RAISED FOR THE FIRST TIME AS AN OPPOSITION GROUND?

In the previous Part we suggested that a literal reading of s 58A has the potential to produce outcomes that are unfair to applicants. However, the more serious problem with a literal reading of the section is that it has the potential to produce outcomes that are unfair to opponents. This is because it is unclear whether s 58A can apply *at all* where the application was not accepted by the examiner for registration under s 44(4) but where s 44 is raised as an opposition ground. A literal reading of the words 'has been accepted' in s 58A(1) suggests that s 58A cannot be raised in such circumstances. This reading of s 58A has the following effect. If an application is accepted for registration by the examiner without a s 44(1) or (2) objection being raised, and an opponent seeks to raise s 44 as an opposition ground on the basis of its similar earlier registered mark, the applicant is at liberty to raise s 44(4) in response. If, in opposition proceedings, the hearing officer finds that s 44(1) and/or (2) are prima facie applicable, but that the applicant or its predecessor in title made continuous use of its mark from before the priority date of the opponent's mark, the hearing officer cannot refuse registration of the applicant's mark, because of s 44(4).<sup>43</sup> But if s 58A only applies where the application 'has been accepted' at the examination stage on the basis of s 44(4), then the opponent cannot raise s 58A as an additional ground to try to prevent the registration of the applicant's mark. Even if it can point to the earlier use of its mark, it will not be able to prevent the registration of the applicant's mark (unless it can make out another ground of opposition, such as s 58 or s 60).

In at least ten opposition decisions up to the end of 2013, hearing officers interpreted s 58A in the literal manner just described, finding that it does not apply where s 44 is being raised for the first time in opposition proceedings. Most notably, in *Oztrademe Pty Ltd v Trade Me Ltd* the hearing officer put this point bluntly:

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<sup>43</sup> This follows from the intersection of ss 57 and 44(4). Under s 57, registration 'may be opposed on any of the grounds on which an application for the registration of a trade mark *may be rejected* under this Act' (emphasis added). Section 44(4) states that the Registrar '*may not reject* the application because of the existence of the other trade mark' if the Registrar is satisfied that the applicant has made prior continuous use of its mark (emphasis added).

Section 58A applies to a trade mark application which has been *accepted by the registrar* under section 44(4) because of so-called 'prior continuous use' ... The applied-for trade mark was not accepted under section 44(4) and so section 58A has no application to the facts of this case.<sup>44</sup>

Even in cases where s 44 was raised as an opposition ground and s 44(4) was considered by the hearing officer to be applicable, the issue of whether s 58A was able to be raised was held to turn on whether s 44(4) had previously been raised *at the examination stage*.<sup>45</sup> This has become the dominant reading in the Office as to how s 58A operates.<sup>46</sup>

Once the view is taken that s 58A is unavailable where s 44 is being raised for the first time in opposition proceedings and an applicant succeeds under s 44(4), a number of other potential avenues will also be closed off to the opponent. For a start, it cannot appeal the hearing officer's decision to the Federal Court or Federal Circuit Court under s 56 and seek to raise s 58A in those proceedings, assuming s 58A is interpreted the same way by the court. Although opponents are generally free to raise new grounds in a s 56 appeal, the fact that a qualifying condition for the application of s 58A(2) is that the application was 'accepted' for registration as a result of s 44(4) would provide a permanent bar to s 58A being raised as an opposition ground, even on appeal.<sup>47</sup> Similarly, the opponent cannot wait until the applicant's mark is registered and apply to a prescribed court to have the registration cancelled under s 88(2)(a). This is because the court can only order cancellation on 'any of the grounds on

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<sup>44</sup> [2009] ATMO 90 (9 November 2009) [16]–[17] (emphasis added). See also *Highland Heritage Estate (Sales) Pty Ltd v Le Grand Imports/Exports Pty Ltd* [2010] ATMO 4 (18 January 2010) [9] n 1; *Bradley v The Goodyear Tire & Rubber Co* (2010) 90 IPR 440, 443 [6]; *Mad Keen Pty Ltd v Jenkar Developments Pty Ltd* [2012] ATMO 99 (26 October 2012) [77]; *McIntyre v Cooley Investments Pty Ltd* [2012] ATMO 116 (27 November 2012) [70]; *Wizard Automotive Systems Pty Ltd v Smart Repair Australia Pty Ltd* [2013] ATMO 33 (24 May 2013) [20]; *MACH Systems Pty Ltd v BlueScope Steel Ltd* [2013] ATMO 40 (11 June 2013) [19]; *DNA Products Aust Pty Ltd v Botany Essentials Pty Ltd* [2013] ATMO 82 (21 October 2013) [34].

<sup>45</sup> *Commercial Radio* (2010) 88 IPR 376, 381–2 [11] ('the application of s 58A is narrow, in the sense that it is only available as a ground of opposition if the opposed trade mark has been accepted under the provisions of s 44(4) — as has occurred here. The opponent's mark RADIO AUSTRALIA was the conflicting trade mark to the opposed application at the examination stage, and the opponent must now establish that it has used this mark prior to the first use of the applicant's trade mark'). See also *Automotive Product Licencing Pty Ltd v Superstop Brake & Clutch Pty Ltd* [2012] ATMO 4 (23 January 2012) [31].

<sup>46</sup> See also IP Australia, *Trade Marks Manual*, above n 20, pt 46.4.3 (noting that as a matter of practice the examiner will contact the owner of the cited mark if an application is accepted as a result of s 44(4), and contemplating that s 58A will arise in these circumstances).

<sup>47</sup> One of our referees raised the point that, as a practical matter, it is highly unlikely that a court would adopt such an interpretation of s 58A when to do so would deprive it of the opportunity of considering a potential ground of opposition. We agree with the referee, and argue below that it would be absurd for the court to adopt such an interpretation. However, the more interesting issue for us is how the court would go about avoiding a literal reading of s 58A. Our concern is that rather than squarely addressing the policy considerations underpinning a purposive interpretation of the section, the court might seek to point to other, tangential, factors to seek to justify a broader reading. For example, the court might point to the de novo nature of the appeal under s 56, or the breadth of the jurisdiction provisions in ss 191 and 191A, as somehow giving it licence to interpret s 58A more flexibly than the Office. The problem here is that for a court to point to provisions such as ss 56 and 191/191A would simply be to assert the desired outcome, without undertaking a principled engagement with the work that s 58A is meant to do. We thank the referee for prompting us to develop this point more fully.

which the registration of the trade mark could have been opposed'. As we have just seen, such grounds will not include s 58A in these circumstances.

The dominant reading of s 58A gives this provision a strange sphere of operation. It is an interpretation that confers finality on the examiner's decision in a manner that is very unusual in the trade mark system. The closest analogues under the *TMA* are s 32, a provision that insulates decisions on the classification of goods or services from review on appeal or in other proceedings, and s 40, which provides that an application for the registration of a trade mark must be rejected if the mark cannot be represented graphically, but which by virtue of ss 57 and 88(2)(a) cannot be raised as a ground of opposition or cancellation, respectively. However, the exclusion of decisions taken by reference to these provisions from review in *ex parte* proceedings is a consequence of the bureaucratic function these provisions perform. Decisions about classification and graphic representation go to the standardisation of the Register: if the Register is to perform its public information function it is important that the records it contains are presented in a uniform and hence readily searchable fashion. As such it is important that the Registrar have the final say in matters of this type. There is no justification for treating decisions under s 44 in this way. On the contrary, the Office's dominant reading of s 44 produces an absurdity. The system has been set up to allow opponents to challenge the assessments made by examiners and s 58A was intended to expand the range of arguments available to opponents. There is simply no good reason for according finality to any aspect of the examiner's assessment under s 44, not least one that has the potential to undercut the operation of the dual temporal requirement of the 'prior continuous use' principle and, in so doing, privilege the later applicant for registration over the earlier user without a clear justification.

It is therefore important to emphasise that the question of whether s 58A is available where s 44 is being raised for the first time in opposition proceedings cannot yet be regarded as settled. A handful of Office decisions suggest that s 58A can be raised in the circumstances with which we are concerned. Nevertheless, it is striking that the default response from the majority of hearing officers has been to insist on a literal interpretation of the *TMA* even in circumstances where the undesirability of such a reading is manifest.

The clearest example of the contrary view is contained in *Maier v Asos Plc*.<sup>48</sup> The facts of this case are that in June 2010 Asos Plc applied for registration of ASOS for a wide range of goods and services in Classes 3, 18, 25 and 35. The examiner raised objections under both s 44(1) and (2) on the basis of the existence on the Register of ASSOS, registered from June 2005 for 'clothing, footwear, headgear' in Class 25 and owned by Maier. The applicant was able to persuade the examiner that notwithstanding the similarity of the marks and the proximity of the applicant's Class 25 goods and some of its Class 35 services to the goods for which ASSOS was registered, the examiner should accept the application under s 44(3)(b) on the basis of 'other circumstances'. This exception to s 44(1) and (2) was thought to apply because of a deficiency in the applicant's evidence of the use of its ASOS mark that prevented it from relying on s 44(4): although the applicant was able to show use in relation to its Class 25 goods and Class 35 services that predated the priority date of ASSOS, the evidence fell short of establishing use that continued up to the applicant's own priority date.<sup>49</sup> Maier opposed the application for registration on various grounds, including ss 44 and 58A, pointing to use of its mark going back to 1996 in relating to cycling clothing. The applicant accepted that s 44(1) and (2) were applicable, but its primary argument was that nothing in Maier's evidence showed that the application should not have been accepted for registration under s 44(3)(b). Notwithstanding this argument, the hearing officer considered that the applicant's evidence showed that it had in fact used its mark continuously from before the priority date of ASSOS up to its own priority date in June 2010, such that the mandatory s 44(4) applied. In the face of the applicant's argument that s 58A could have no application, since s 44(4) had not been raised by the examiner, the hearing officer stated, without referring to any of the contrary decisions:

I note that section 58A is said to apply if the application has been *accepted* because of subsection 44(4). In the present matter I have found that the application may be *registered* because of

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<sup>48</sup> [2014] ATMO 7 (28 January 2014) (*Maier*). Our thanks go to Sean McManis of Shelston IP, which represented Asos Plc in the opposition, for his assistance in providing us with the factual information beyond that contained in hearing officer's decision.

<sup>49</sup> The reason for this is complex. In July 2005 Asos Plc had obtained an international registration for ASOS, based on a UK domestic application for the same mark, and had designated Australia as a country in which protection was sought under the Madrid Protocol. That is, the mark became an IRDA under Australian law. When the Office came to consider whether to extend protection to this IRDA in Australia, it raised an objection under s 44(1) and (2) based on Maier's earlier-registered ASSOS mark. Asos Plc provided evidence to overcome this objection under s 44(4). However, before this evidence could be considered, its international registration was cancelled because the UK domestic application was rejected, meaning that the IRDA ceased under Australian law (see *Trade Marks Regulations 1995* (Cth) reg 17A.35A). Asos Plc then applied directly to the Office for registration of ASOS as a standard trade mark, and when faced with an identical objection based on Maier's ASSOS mark, asked the Office to consider the same evidence of prior use it had put forward in relation to the IRDA for ASOS. This evidence did not prove use up to the priority date of the new application. However, it justified acceptance under s 44(3)(b).

subsection 44(4). However, nothing hangs on this. The salient fact is that subsection 44(4) is applied and whether this occurs during examination or opposition is not relevant.<sup>50</sup>

Having asserted that s 58A was potentially available, the hearing officer found that as Maier had demonstrated continuous use of its mark on cycling clothing going back to 1996, the ground of opposition was made out.<sup>51</sup>

*Maier* is not the only decision in which a hearing officer considered that s 58A is available where the mark had not been accepted for registration under s 44(4). Similar, albeit more tentatively expressed views, were put forward in *Bennett v Dr Drip Pty Ltd*<sup>52</sup> and *Rubelli SpA v Virtual Couch Industries Sdn Bhd*.<sup>53</sup> However, even if this interpretation is followed, there remains a further, procedural, question as to *how* an opponent is to be expected to raise s 58A in situations where prior continuous use only comes into play during opposition proceedings. One longstanding difficulty is that the potential importance of s 58A might be overlooked by opponents seeking to rely on s 44: they might not appreciate that the applicant might respond by seeking to rely on s 44(4). Until recent procedural reforms, a sophisticated opponent could have sidestepped this problem by always nominating s 58A alongside s 44. However, this option may no longer be available to opponents following amendments to the *Trade Marks Regulations 1995* (Cth) resulting from the *Intellectual Property Legislation Amendment (Raising the Bar) Regulation 2013* (Cth), in force from 15 April 2013. Under the new procedures a notice of opposition is taken to be filed only when a 'statement of grounds and particulars' ('SGP') has been filed.<sup>54</sup> The current approved form of SGP provided by the Trade Marks Office allows for an opponent to tick a box if s 58A is to be raised, and states:

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<sup>50</sup> *Maier* [2014] ATMO 7 (28 January 2014) [44] (emphasis in original).

<sup>51</sup> *Ibid* [45]. The hearing officer considered that if the applicant were to amend its Class 25 and 35 specifications to align with the goods and services in relation to which it had used its mark (namely, 'fashion and casual clothing, clothing accessories and footwear for men and women' and the 'online retailing of fashion and casual clothing, clothing accessories and footwear for men and women', excluding 'goods for use by cyclists' in both cases), the s 58A ground would fall away and the applicant's mark should be registered: at [51]. It is debatable whether these amendments would be sufficient to ensure that s 58A could not apply. To our mind, the better approach would have been for the applicant's mark to be registered, possibly with its original specification, on the basis of honest concurrent use under s 44(3)(a). It would have been helpful if this issue had been considered by the hearing officer: not only was it held in *Commercial Radio* (2010) 88 IPR 376 that a successful opposition under s 58A does not overcome a finding that a mark is potentially registrable under s 44(3)(a), but in *Maier* s 60 was not established, meaning that a major barrier to the potential application of s 44(3)(a) was not present.

<sup>52</sup> [2010] ATMO 89 (22 September 2010) [49].

<sup>53</sup> (2011) 91 IPR 394, 397 [12]. While we are sympathetic to the interpretation of s 58A in these three decisions, we are again concerned about the lack of engagement with the text of the section or the policy reasons for choosing to interpret the provision purposively rather than literally.

<sup>54</sup> *Trade Marks Regulations 1995* (Cth) reg 5.5. See also reg 17A.34A for oppositions to the extension of protection of trade marks the subject of an IRDA.

Particulars should include: trade mark number of the earlier trade mark on the basis of which the opposed trade mark was accepted under subsection 44(4) or sub regulation 4.15A(5), date of first use of the earlier trade mark and whether the use has been continuous.<sup>55</sup>

There are two things to note about this guidance. First, it clearly assumes that the *Maier* interpretation is incorrect and that there can be no role for s 58A other than in circumstances where the mark has been accepted by the examiner by reference to s 44(4). This is unfortunate since it carries the risk that the literal reading of s 58A will become accepted as orthodox by virtue of bureaucratic fiat rather than reasoned debate. Second, should an opponent choose to adopt the alternate view, it is unclear whether the opponent could satisfy the Registrar that its SGP is 'adequate', as required by reg 5.8.<sup>56</sup> Specifically, if s 44 were to be raised for the first time during opposition proceedings, it is unclear what an opponent would be expected to do in its SGP. The authors have seen evidence to suggest that at present the Office is refusing to allow opponents to reserve their right to amend their SGPs so as to raise s 58A at a later date. An alternative would be for the opponent not merely to reserve its right to rely on s 58A but also to specify its date of first use and provide information going to the 'continuity' of its use since that time. But to insist on this in every case where s 44 is being raised for the first time in opposition seems excessive given that there is likely to be no indication at the time the opponent is completing its SGP that 'prior use' will even be a live issue. Moreover, the Office might in any event regard such a statement as inadequate given that the Office's starting presumption appears to be that s 58A can only apply where the mark was accepted by virtue of s 44(4).

## **VI AN INITIAL FRAMEWORK FOR RECONCILING REGISTRATION AND USE**

There can be no question that the drafting of s 58A of the *TMA* leaves much to be desired, but the problems we have identified could be easily rectified through legislative amendment to s 58A and/or s 44.<sup>57</sup> Any such amendment would also inevitably force a change in Office

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<sup>55</sup> IP Australia, *Statement of Grounds and Particulars* (11 March 2014) 4 <<http://www.ipaustralia.gov.au/forms/trade-marks/tm00034-statement-grounds-particulars.pdf>>.

<sup>56</sup> See also *Trade Marks Regulations 1995* (Cth) reg 17A.34B for oppositions to the extension of protection of trade marks the subject of an IRDA.

<sup>57</sup> For example, s 58A could be amended to make clear that it can only be raised in conjunction with a s 44 ground of opposition, and that it can be raised where the examiner accepted the application on the basis of s 44(4) or where the applicant has sought to raise s 44(4) in opposition proceedings.

practice around the assessment of the adequacy of SGPs.<sup>58</sup> However, as we have tried to indicate at a number of points, our interest is not merely in pointing out previously unnoticed problems with one narrow ground of opposition. Rather, we are of the view that the cases dealing with s 58A are interesting because they serve to shed light on issues that are central to the functioning of the registered trade mark system.

Over recent years courts and hearing officers have shown a worrisome reluctance to engage in principled discussion of what we want the trade mark system to achieve. Tribunals have at times failed to explain why they have adopted a purposive construction of a particular provision, with the result that debate is impoverished. More commonly, it has meant that tribunals have adopted a literal construction, even where such a reading has the potential to produce undesirable results.<sup>59</sup>

In this respect this article is intended to function as a case study. Claims about broad trends in judicial reasoning are often difficult to substantiate. This is particularly true in circumstances where the trend under discussion is not readily susceptible to statistical analysis, as is the case here: our claim relates to the nature rather than the outcome of the judicial process. However, by providing a detailed exploration of how the courts and the Office have dealt with one narrow issue we hope to avoid the accusation that we have cherry picked from the cases: this article does not prove the trend, but it does demonstrate that it holds across one group of cases. Section 58A also provides a particularly good case study because the operation of this provision goes to the relationship between registered and unregistered marks. This relationship is central to ensuring that the trade mark system works fairly and efficiently and hence it is particularly important that the provisions that mediate this relationship are understood and interpreted in a coherent and principled manner.

As we outlined in the Introduction, the relationship between registration and use is inherently problematic. It might therefore be expected that the current legislative provisions

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<sup>58</sup> It might well be the case that if the *TMA* is amended, regs 5.8 and 5.12 of the *Trade Marks Regulations 1995* (Cth) would also need to be amended to make clear that an SGP shall not be deemed inadequate on the sole basis that the opponent has merely restated the particulars on which it is relying for the purposes of its s 44 ground of opposition in support of s 58A, and that the opponent is entitled as of right to amend its SGP to add s 58A as a ground of opposition where the applicant raises a claim of prior continuous use after opposition proceedings have been commenced.

<sup>59</sup> We have discussed this in relation to issues such as acquired distinctiveness (Burrell and Handler, above n 9, 132–4) and the date at which examination and opposition grounds ought to be assessed and removal orders should take effect (Burrell and Handler, above n 9, 265–8, 289, 298–9; Michael Handler and Robert Burrell, 'Zombie Marks? Ceased Registrations, Failed Applications and Citation Objections under s 44 of the *Trade Marks Act*' (2013) 23 *Australian Intellectual Property Journal* 206). See also Davison, above n 9, 179 (criticising the Federal Court's departure from pre-*TMA* case law on use 'as a trade mark' in the infringement context); Rob Batty, 'Parallel Importing and Trade Mark Use: A Tale of Two Uses' (2013) 25 *New Zealand Universities Law Review* 467 (criticising the High Court's decision in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 on whether a registered trade mark can be put to genuine use without the conscious resolve of the trade mark owner).

governing the relationship between the two forms of protection would have been subjected to careful scrutiny. Unfortunately, this is not the case. Consider, for example, s 230(2) of the *TMA*, which purports to provide a partial defence to a claim in damages for passing off where the defendant is using a registered trade mark. Such a defence might well be justifiable, but in its current form s 230(2) makes no sense. The provision refers only to actions in passing off — it provides no protection for a registered owner against a claim brought under the statutory consumer protection regime. Given the close relationship between passing off and actions for contravention of s 18(1) of the *Australian Consumer Law (ACL)*,<sup>60</sup> s 230(2) of the *TMA* is almost entirely useless. As such s 230(2) provides a nice illustration of the fact that the *TMA* embodies an ambiguous position as to the relationship between registration and use and does so in a way that is not entirely capable of being ironed out by the judiciary.

If, however, we were to develop a more coherent understanding of the relationship between registration and use, much could be achieved within the existing legislative framework, even if some problems would remain. Moreover, if a consensus about how this relationship should be managed were to emerge, this would provide a platform for future legislative intervention. Our aim in the remainder of this article is not to present a fully articulated vision of how the two sources of rights should interact. This would require a book length study and, in any event, there is plenty of scope for good faith disagreement about how to manage the relationship between use and registration. If a consensus is to emerge there will have to be a prolonged dialogue between academics, judges, legal practitioners and policy-makers. The best way of generating such a dialogue is by trying to identify some common ground on which everyone ought to be able to agree. Consequently, we confine our analysis to articulating one incontrovertible principle that ought to be guiding decisions in this area. We draw on this principle to make a number of general comments about the grounds of opposition that mediate the relationship between registration and use, before using this principle to draw conclusions for the interpretation of s 58A. In this way we hope to demonstrate both the practical value of articulating a coherent framework for interpreting the *TMA* and that there is at least one meta-principle around which it ought to be possible to build agreement.

As we indicated at the outset, decisions as to whether a mark should be *accepted for registration* must be informed by the principle that the Register ought to provide as accurate a

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<sup>60</sup> That is, *Competition and Consumer Act 2010* (Cth) sch 2 s 18(1).

record as possible of usable and enforceable marks. Consequently, while there may be plenty of scope for disagreement as to how to manage the relationship between registration and use, once it has been determined that trader B has rights in an unregistered mark that would entitle it to an injunction to prevent trader A from using its mark, there can be no justification for allowing A's mark onto the Register. As Judge Learned Hand of the US Circuit Court of Appeals put it in 1928, '[i]t would plainly be a fatuity to decree the registration of a mark whose use another could at once prevent'.<sup>61</sup> Conversely, the default position must logically be that a trader ought to be able to secure registration for any trade mark around which the law would throw some other form of protection. With this in mind it is possible to articulate the beginnings of a more coherent understanding of how the examination and opposition provisions that mediate the relationship between registration and use, including s 58A, might operate.

Given the above meta-principle, conceptually speaking the most important provision of the *TMA* that mediates the relationship between registration and use is s 42(b). This section allows for the registration of a mark to be opposed on the ground that 'its use would be contrary to law'. This provision allows an opponent to make the case that registration should be prohibited because use of the mark would constitute passing off and/or a breach of one or more provisions of the *ACL*.<sup>62</sup> To continue our example, this provides the most direct and obvious means of ensuring that B can keep A's mark off the Register in circumstances where B could prevent A from using the mark in the marketplace because A's use would constitute passing off. Section 42(b) thus has an obvious role as an opposition ground. More difficult is the question of why the *TMA* contains other opposition grounds that owners of unregistered marks can use to block attempts to register similar signs. Specifically, the *TMA* contains two other provisions, ss 58 and 60, that are routinely employed by owners of unregistered marks in this manner.<sup>63</sup> The concern is that these grounds can be used to prevent the registration of marks the use of which would *not* constitute passing off/contravention of the *ACL*. In other

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<sup>61</sup> *Yale Electric Corporation v Robertson*, 26 F 2d 972, 974 (2<sup>nd</sup> Cir, 1928).

<sup>62</sup> That s 42(b) can be used in this manner is clear from *Advantage Rent-A-Car Inc v Advantage Car Rental Pty Ltd* (2001) 52 IPR 24, 31 [26]. Although s 42(b) is also an examination ground, as a matter of practice examiners will not concern themselves with whether the use of the applied-for mark would constitute passing off or would contravene the *ACL*: see IP Australia, *Trade Marks Manual*, above n 20, pt 30.3.4.

<sup>63</sup> We acknowledge that the ground of opposition contained in s 62A (that the application was made in bad faith) might also be raised to block the registration of a similar mark. However, we leave this ground to one side here: to the extent that s 62A has independent work to do beyond the scope of s 60, it is likely that it will only be established in unusual circumstances where the applicant's conduct indicates that it is likely to engage in passing off in its use of the mark: see, eg, *DC Comics v Cheqout Pty Ltd* (2013) 212 FCR 194, 208–9 [70]–[77]. For a recent discussion of this issue in the context of EU law, see Annette Kur, 'Not Prior in Time, but Superior in Right — How Trademark Registrations Can Be Affected by Third-party Interests in a Sign' (2013) 44 *International Review of Intellectual Property and Competition Law* 790, 807–12.

words, A may be prevented from registering a mark that it is free to exploit in the marketplace and, through its use, establish a legally protectable reputation. Providing B with a mechanism that may prevent A from registering its mark in such circumstances harms the second limb of the meta-principle identified above.

Section 58 most obviously has the capacity to produce results that diverge from those that would be arrived at by relying on a passing off/*ACL* analysis under s 42(b). Section 58 provides that an application to register a mark 'may be opposed on the ground that the applicant is not the owner of the trade mark'. The language of this provision is obscure, but the key thing to appreciate is that in the case of an unregistered mark 'ownership' is established through use. More specifically, s 58 allows the first user of a mark — however obscure the use — to block the registration of a substantially identical mark for the same kind of goods or same kind of services. Clearly, s 58 can apply in circumstances where the opponent could not hope to maintain an action in passing off/under the *ACL* against the applicant for registration. The threshold for relevant use for the purposes of s 58 is low and would allow an opponent to establish 'ownership' in circumstances where the opponent could not establish a sufficient reputation in the mark to support an action in passing off or for contravention of the *ACL*.<sup>64</sup> The best explanation for this result is that s 58 provides a procedural and evidential shortcut.<sup>65</sup> It only applies in cases of 'double identity', that is, where both the marks and the goods/services are, effectively, the same.<sup>66</sup> Many countries make special provision to deal with double identity cases and such provisions often function by reducing the evidential burden on the trade mark owner.<sup>67</sup> Once s 58 is viewed in this way,

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<sup>64</sup> See, eg, *Blackadder v Good Roads Machinery Co Inc* (1926) 38 CLR 332, in which a company that imported road-grading machinery from the US bearing the mark, but which removed the mark and replaced it with another prior to sale, was considered to be the owner of the mark, even though final purchasers of the product never saw the mark; *Thunderbird Products Corporation v Thunderbird Marine Products Pty Ltd* (1974) 131 CLR 592 where the importation of one prototype power boat and use of the mark on correspondence and in brochures was sufficient use to sustain a claim to ownership. In both cases it would appear that the level of use of the mark, and the lack of consumer recognition, would have meant that the owners would not have been able to bring passing off actions.

<sup>65</sup> We acknowledge that this is an entirely ahistorical interpretation of the function of s 58. The principle of 'ownership' that underpins this provision has its origins in the idea that it is use in the marketplace, rather than registration, that establishes rights in a mark. However, as the Anglo-Australian trade mark system evolved, registration increasingly took centre stage as the source of rights, leaving s 58 with a strange (and at first sight entirely unjustifiable) sphere of operation. For a trenchant critique of the ongoing operation of the 'ownership' ground of opposition, see Rob Batty, 'The Challenges of Prior Use to New Zealand Registered Trade Mark Law' (2014) 45 *Victoria University of Wellington Law Review* (forthcoming), especially Part IV.

<sup>66</sup> We use the language of 'double identity' as shorthand here to draw a conceptual link between s 58 and other provisions that provide similar procedural and evidential shortcuts. See above nn 12–13 and Burrell and Handler, above n 9, 240–3 for a detailed explanation of the extent to which the applicant and opponent's marks and goods/services can differ for the opponent to be able to make out a s 58 ground of opposition.

<sup>67</sup> A clear illustration of this at the international level is art 16.1 of the *TRIPS Agreement (Marrakesh Agreement Establishing the World Trade Organization)*, opened for signature 15 April 1994, 1867 UNTS 3 (entered into force 1 January 1995) annex 1C). Under this article Members are obliged to afford owners of registered marks the exclusive right to prevent third parties from using in the course

this has important implications for how the provision should be interpreted. It means that tribunals should resist any temptation to expand this section's sphere of operation, for example, through an overly generous interpretation of 'substantial identity'. The harm that s 58 is intended to address is ultimately captured by the s 42(b) ground of opposition and requiring opponents to prove their case by reference to this latter section, rather than relying on the s 58 shortcut, should not be regarded as a hardship.<sup>68</sup>

The other relevant provision is s 60, a provision that allows the registration of a mark to be opposed on the ground that use of the mark would be likely to deceive or cause confusion because an earlier mark had acquired a reputation in Australia at the applicant's priority date. Much as with s 58, the concern has to be that the tests established by s 60 are *sui generis*, that is, they do not mirror the tests used to determine whether the use of an unregistered mark would constitute passing off and/or contravene the statutory prohibition on engaging in misleading or deceptive conduct. Providing a principled explanation of s 60 is not easy. The section requires the tribunal to pay attention to factors that are similar to those used when establishing whether the use of an unregistered mark would constitute passing off or contravene the *ACL*, but differences in the way the tests are ordered and framed will inevitably produce different outcomes at the margins. In particular, a key difference between s 60 and the test for passing off/under s 18 of the *ACL* is that under s 60 the opponent need only establish a likelihood of confusion, which has been held to extend to mere 'wonderment', whereas mere confusion or wonderment will be insufficient to make out a passing off or *ACL* case. Although the difference between these two standards is not nearly as clear cut as Australian courts and the Office have made it out to be,<sup>69</sup> the lower standard under s 60 indicates that this provision is also intended to perform a 'passing off plus' role. That is, it can be seen to minimise the evidential burden for opponents in establishing passing off/contravention of the *ACL*. Insofar as s 60 fails to catch cases that would be caught by s 42(b) (for example, because s 60 applies only where there is an earlier *trade mark* with a reputation, whereas the reputation required for a passing off or *ACL* action need not subsist in a trade mark) it is obviously important that s 42(b) is given its ordinary and natural sphere of

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of trade identical or similar signs for identical or similar goods or services where such use would result in a likelihood of confusion, but that '[i]n [the] case of the use of an identical sign for identical goods or services, a likelihood of confusion shall be presumed'.

<sup>68</sup> Cf *LTJ Diffusion SA v Sadas Verbaudet SA* (C-291/00) [2003] ECR I-2799, I-2833 [50] (holding that the criterion of 'identity' between marks contained in the European Trade Marks Directive must be interpreted strictly and not in a manner that extends to cover those cases intended to be dealt with under the provision of the Directive dealing with similar marks where the further requirement of 'likelihood of confusion' needs to be established).

<sup>69</sup> See generally Burrell and Handler, above n 9, 406-7 and the cases cited therein.

operation, such that any attempt to subsume s 42(b) within s 60 must be rejected. This would avoid the charge of legislative redundancy and on our reading would allow ss 58 and 60 to be conceptualised as addressing the same harms as s 42(b), albeit by way of evidential shortcuts.

Having articulated what we believe is the best available interpretation of the relationship between the core opposition grounds that mediate the relationship between use and registration, we can turn to consider how s 58A might fit within this broader framework. If trade mark rights can flow either from registration or from use, how might we understand the role of s 58A? In order to answer this question the first issue that needs to be considered is how we should proceed in a case where A has used its mark first, B then registers its mark and A then seeks to register. There are a number of ways in which the law might respond and, again, the attractiveness of these options will be determined by the view that is taken of the relative weight that should be afforded to the two modes of acquiring trade mark rights. Rights based on prior use are normally conceptualised in terms of fairness: it is said that it would be unfair to a trader who has long been using a mark to be disadvantaged by a later registration. This is unquestionably important. However, it must also be recognised that the conferral of rights through registration will inevitably have some adverse impact on owners of unregistered marks. The question is how much disadvantage we are prepared to impose in order to maintain incentives for registration. But there are cases when this does not hold. Specifically, there are cases where the logic of registration itself demands that we respect use-based rights, at least where the legal system allows the owner of an unregistered mark to bring proceedings against users of similar (registered) signs. In other words our meta-principle reveals that certain models would clearly be undesirable.

One possibility for dealing with a scenario where A has first used its mark, B then registers its mark and A then seeks to register would be to insist that A bring cancellation proceedings against B as a precondition to A getting its mark on the Register. This could be justified on the basis that it would help ensure the 'purity' of the Register by ensuring that marks that are vulnerable to cancellation are removed.<sup>70</sup> However, given the expense involved, some traders in A's position would no doubt simply choose to abandon their plans, leaving their marks unrecorded on the Register. At the other extreme one might treat B's registration as barring once and for all any attempt by A to get its mark on the Register. However, this would also make little sense, for similar reasons. It is difficult to imagine, even

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<sup>70</sup> See generally *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590.

as an intellectual exercise, any system that would require B to take action to prevent A from making further use of its mark (assuming for the purposes of this scenario that later registration trumps earlier use, such that B would in fact be entitled to restrain A's conduct). Given that the need to prevent consumer confusion means that A's rights to bring an action against third parties that do not themselves own a relevant registered mark must be preserved, then the logic of registration again demands that A's mark be allowed on to the Register, at least for as long as B refuses to act against A. More generally, so long as A and B are prepared to tolerate coexistence, the logic of registration demands that both A and B should have their marks recorded on the Register.

The desirability of letting A and B's marks onto the Register in any case where A and B do in fact coexist in the marketplace provides one explanation of why the threshold for prior continuous use in s 44(4) is low. If the evidence suggests that A and B are already coexisting, it makes sense to let A's mark proceed to acceptance and to shift the burden onto B to challenge the application. The more difficult question is the *basis* on which conflicts between A and B are to be resolved. What test should be applied if B does choose to launch opposition proceedings?<sup>71</sup> This brings us back to s 58A and the question of how this provision should be interpreted.

Section 58A must be understood as a provision that is intended to provide a means of determining competing claims grounded in use. Here it must be remembered that in cases where A has started using its mark prior to B's application for registration, A had no opportunity to identify B's rights by consulting the Register. To provide A with a fairly generous set of protections can thus be seen as bound up with the function of registration and an understanding of this helps strengthen appeals to treat traders in A's position 'fairly'. To take this idea further, we might imagine a scenario where before A starts trading it conducts a diligent search of the Register and of the signs used by local traders. These searches fail to reveal any likely conflict and so A commences use. Now (to change our scenario somewhat) it may so happen that B has earlier use of a confusingly similar mark in relation to similar goods and that B seeks to challenge A on the basis of rights it claims to have acquired by virtue of this use. If B seeks to litigate it will have to make out a case in passing off and/or under the *ACL* and as such it will be required to demonstrate that it has a reputation that extends to the geographic area in which A is using its mark and that A's actions are likely to

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<sup>71</sup> This also extends to rectification proceedings under s 88 if A's mark is already registered.

mislead consumers into believing that there is some type of commercial relationship between the two.<sup>72</sup> Similarly, if A tries to register its mark before B has done so, B in opposition proceedings will generally be forced to demonstrate that it has a legally protectable reputation for the purposes of ss 42(b)/60; the only exception being in cases where B can avail itself of the double identity evidential shortcut contained in s 58.

All this makes sense. The question is why an intervening registration by B (that is, after A commenced use but before A applied to register) should make any difference to A's legal position — after all, at the moment A's use commenced the Register provided no record of B's entitlement to the sign. Yet an intervening registration by B may have a significant impact on A. B may now choose to pursue A for registered trade mark infringement. A may seek to rely on the prior continuous use defence in s 124(1) but, as has been seen, this defence will not be available if B's use predates that of A. A may thus find itself liable for trade mark infringement even though its use may have been perfectly lawful at the time it commenced, in particular, because B's reputation did not extend to the area in which A was using the mark. B's intervening registration has the effect of retroactively transforming a local right into a national one. It is not clear that this result is to be welcomed.<sup>73</sup> Similarly, in the case of opposition proceedings it is not necessarily obvious that B should have the benefit of a provision like s 58A. Prior to the enactment of this provision, B was simply forced to fall back on the provisions that protect marks with a legally protectable reputation. Moreover, B already enjoyed the procedural advantages offered by ss 58 and 60, such that B already enjoyed 'passing off plus' protection. Perhaps, therefore, the better solution to ensuring that prior continuous use functioned in a similar way during opposition and infringement proceedings would have been to have amended s 124(1), rather than to have introduced s 58A. As it is, s 58A must be seen as performing a similar function to ss 58 and 60, in that it is a provision that confers a set of rights that are grounded in use of a mark that go beyond those rights normally afforded through passing off and the statutory prohibition on engaging in misleading and deceptive conduct.<sup>74</sup>

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<sup>72</sup> See generally Burrell and Handler, above n 9, 397–9 and the cases cited therein.

<sup>73</sup> A similar problem is created if B applies for registration after A commences use, but is able to secure a priority date that predates A's first use because it made an earlier application for the mark in a Convention country (see s 29). Once B's mark is registered, A will not be able to take advantage of the s 124(1) defence. Although A is the first user, its first use would not predate B's date of registration (which, under s 72(2), becomes the filing date in the other Convention country). We thank one of our referees for drawing this to our attention.

<sup>74</sup> Section 124(1) of the *TMA* can be understood in a similar vein. Whereas a party bringing an action in passing off must show sufficient reputation at the date the defendant commenced trading (see, eg, *Cadbury-Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1980] 2 NSWLR 851; *Thai World Import & Export Co Ltd v Shuey Shing Pty Ltd* (1989) 17 IPR 289, 302 (Gummow J)), the owner

The above analysis, which suggests that s 58A may give too much weight to 'first use' and may not in fact be desirable at all, nevertheless points us towards some significant conclusions as to how this provision should be interpreted. First, it helps underscore the point made in Part 4 of this article about the undesirability of interpreting s 58A in such a way as to prevent tribunals from reopening the question of whether the applicant's and opponent's marks are in conflict. There can be no justification for allowing a provision that is best understood as a procedural shortcut to be used to shut down enquiries as to whether the marks and the goods/services have the requisite proximity. Secondly, and relatedly, tribunals must ensure that honest concurrent use remains available to applicants facing a s 58A ground of opposition, as was found in the *Commercial Radio* decision, discussed in Part 4. In effect, these first two points require tribunals to interpret s 58A as inseparably linked to a finding under s 44(4). If s 44(4) is not at issue (for example, because the marks are dissimilar or because the applicant can also bring itself within s 44(3)(a)), then s 58A must also fall away. Thirdly, understanding s 58A as a provision that goes to reconciling competing claims arising from use provides a further reason for supporting the reinterpretation of this provision suggested by Jacobson J's decision in *Kingsgate*, as discussed in Part 3. Specifically, if s 58A ultimately goes to the nature of the rights that have been acquired in the marketplace it makes sense to approach this enquiry broadly, by reference to the signs in which the parties might have acquired a reputation through use (even though that reputation will never directly be in issue), rather than tying the enquiry more narrowly to the question of whether the parties have used their marks in the precise form that appears on the Register.

A more difficult question is how our interpretation impacts on the issue identified in Part 5 of this article, where we considered whether s 58A can apply if s 44 is raised for the first time as an opposition ground. If it can be argued that the introduction of s 58A was perhaps unnecessary, might this not, contrary to our argument in that Part, provide a reason for giving s 58A as limited a sphere of operation as possible? There is certainly something to be said for this position, but in our view it is better to give s 58A an internally consistent sphere of operation, something that can only be achieved by allowing s 58A to be raised where s 44 is raised for the first time as an opposition ground. Section 58A, interpreted purposively, does not produce results that are so obviously undesirable as to justify any and all attempts to limit

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of a registered mark need only show it had the earlier use of the mark to ensure that a defendant cannot make out a prior continuous use defence under s 124(1).

the circumstances in which it might apply. On the contrary, on our interpretation, it is part of a package of measures that, for better or worse, serve to confer in opposition proceedings 'passing off plus' protection on traders who can point to use of a mark that predates the applicant's priority date.

## VII CONCLUSION

If the trade mark system is to function in a logically coherent manner, there is a real need for greater discussion of the relationship between registration and use. At the normative level, this discussion needs to engage with the question of the relative weight we want to assign to registration and use in determining rights between competing traders: recognising that *some* disadvantage to *some* traders is inevitable, and that the question is how 'dominant' we want registration to be. As part of this, we would need to reconsider results produced by the current system that are arguably anomalous and unfair. For example, we would need to think critically about whether it is ever desirable to impose liability for registered trade mark infringement on a trader that started trading lawfully and in good faith. We have seen that the current system can produce exactly this result, as where another trader that has limited earlier use in a geographically removed part of Australia secures first registration.<sup>75</sup> Further consideration would also have to be given to the justification for providing 'passing off plus' protection at the opposition stage, enabling opponents to prevent registration even where they could not prevent use of a mark in the market. At a substantive level we would need to engage with the plethora of provisions that mediate the relationship between registration and use at the examination and opposition stage. Even if we decide, for example, that we wish to preserve 'passing off plus' protection at the opposition stage we would need to consider whether the current provisions confer such protection in the most effective manner. At a procedural level too we would need to think about how to operationalise our policy choices. What, for example, should opponents be required to plead in their SGPs when they are bringing an opposition based on their rights in an earlier unregistered mark?

Our goal in this article has been to start the discussion by focusing on what can be done within the confines of the current system. Taking s 58A of the *TMA* as a case study, we have sought to demonstrate that the interpretation of this provision without thoughtful engagement with these bigger picture questions has caused a mess, and that by interpreting this provision

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<sup>75</sup> See the discussion of the operation of s 124(1) of the *TMA* in Part 6.

purposively, with a clearer understanding of its relationship with the related grounds of rejection in ss 42(b), 44, 58 and 60, we can start to set up a more principled and coherent framework for managing registration-based and use-based rights within the trade mark registration system. Much can be achieved within the current legislative framework and we must strive to ensure that the relationship between use and registration is mediated as coherently and consistently as possible.