



## Trade Mark Registration - Opposition on the Ground of Bad Faith

*The registration of trade marks is governed by the Trade Marks Act<sup>1</sup> (Act). Division 2 Part 5 of the Act contains grounds upon which an application to register a trade mark may be opposed.*

*Section 62A of the Act was inserted into Part 5 on 23 October 2006. It provides a ground of opposition to an application for registration of a trade mark, if the application was made in “bad faith”<sup>2</sup>.*

*This article outlines the matters to be considered in commencing an opposition under section 62A of the Act and considers the meaning of the term “bad faith” in light of two recent decisions of the Australian Trade Marks Office.*

### ▶ Section 62A

*“The registration of a trade mark may be opposed on the ground that the application was made in bad faith”<sup>3</sup>.*

The “bad faith” ground of opposition created by the section can only be relied upon in opposing applications for the registration of national trade marks accepted after 23 October 2006.

### ▶ Commencing an Opposition

Generally, any person may lodge a Notice of Objection to an Application for registration of a trade mark relying upon the grounds specified by Division 2 of Part 5 of the Act<sup>4</sup>. The Notice may specify more than one ground of objection. It must be filed within 3 months of the advertising of the intention to register the trade mark in the Official Journal of Trade Marks<sup>5</sup>.

### ▶ The ground of “bad faith”

Prior to 23 October 2006, section 92 of the Act allowed for the removal of a registered trade mark from the register, if it could be shown that at the date of the application to register the trade mark, there was no intention “in good faith” to use, authorise the use of, or to assign the trade mark<sup>6</sup>. However, until the Act was amended by the insertion of section 62A, there was no provision for opposing a trade mark registration solely on the basis that the application for registration was made in “bad faith”<sup>7</sup>.

Section 62A did not introduce the notion of “bad faith” as a factor available to be raised in an opposition to an application for registration of a trade mark. “Bad faith” had previously been raised by opponents as a factor in an opposition brought under other grounds.

1 Trade Marks Act 1995 (Cth)  
2 Above n 1 s 62A  
3 Above n 1 s 62A

4 Above n 1 s  
5 Above n 1 s  
6 IP Australia Trade Marks Office Manual of Practice and Procedure Part 46  
7 See Sumpter, “Section 62A: Pandora’s Box for Trade Mark Practitioners?” (2007) 18 AIPJ at 112 – 114 for discussion on existing grounds of opposition



In *Hugo Boss AG v Jackson International Trading Co., Kurt D Kuhl Gmbl & Co. KG*<sup>8</sup> (Hugo Boss) a case involving an opposition to registration, the opponent raised “bad faith” as a factor in its opposition brought under section 60 of the Act. The Hearing Officer in Hugo Boss observed that:

*“The decisions of the Australian Courts make it quite clear that when considering the reputation of a trade mark on the one hand and the actual or future use by another person of another person of the same trade mark on the other, the element of the use in “bad faith” is a strong factor. Bad faith goes strongly to the questions of substantial identity, deceptive similarity, and deception and confusion .....“bad faith,” where it arises, is a necessary element in consideration of issues under section 60, I can – and indeed must – consider it in relation to that section”<sup>9</sup>.*

The insertion of section 62A into the Act enables a claim of “bad faith” to be put as a separate ground of opposition and not merely as a “strong factor” in considering one of the other grounds of opposition, as was previously the case.

Section 62A was considered a necessary amendment after the Trade Marks Office had noted instances arising where trade mark applicants had deliberately set out to gain registration of trade marks, or had adopted trade marks, in “bad faith”<sup>10</sup>.

Examples include:

- *“persons who monitor new property developments, register the names of new developments as trade marks for a number of services and then threaten the property developers with trade mark infringement proceedings unless the developers licence or buy the trade marks;*
- *persons who have a history of applying for trade marks that are deliberate misspellings of other registered trade marks;*
- *persons who identify trade marks used overseas but with no Australian use as yet, who then apply to register the trade marks in Australia for the express purpose of selling them to the overseas owners”<sup>11</sup>.*

The above examples of the presence of “bad faith” suggest that the notion of “bad faith” is not limited to outright dishonesty. “Bad faith” catches a range of conduct, including any conduct considered to be sharp commercial practice or commercial activity with a deceptive or dishonest flavour.

The claim that there has been “bad faith” in the making of an application to register a trade mark is a serious matter, being in essence a claim that an applicant has behaved improperly. The matters put in opposition must be proven to the requisite standard of proof being on the balance of probabilities<sup>12</sup>.

8 (1999) 47 IPR 423  
9 Above n 7 at [13]  
10 See Explanatory Memorandum to the Trade Marks Amendment Bill 2006 (Cth) at [4.12.1] and IP Australia Trade Marks Office Manual of Practice and Procedure

11 Above n 6 at Part 46  
12 Above n 1 at [12]



Accordingly, care should be taken to establish whether there is sufficient credible evidence available to support this ground before a Notice of Opposition on this ground is filed.

Applicants have an opportunity to respond to a Notice of Opposition and to any evidence put in support of the Notice of Opposition. An applicant who fails to respond to or to deny a Notice of Opposition and any affidavit in support, risk having the matters put in opposition accepted by the Hearing Officer at the hearing<sup>13</sup>.

#### ▶ *Cases on section 62A – “bad faith”*

Section 62A has been considered in two cases determined by Hearing Officers of the Australian Trade Marks Office. The two cases are *Hard Coffee Pty Limited v Hard Coffee Main Beach Pty Limited*<sup>14</sup> (Hard Coffee) and *Bombala Council v Peter Wilkshire*<sup>15</sup> (Bombala Council).

In each case the respective Hearing Officer considered the conduct and motives of the applicants having regard to whether their conduct in the circumstances of the making of their respective applications, constituted “bad faith” under section 62A.

#### ▶ *Hard Coffee - The Facts*

Hard Coffee Pty Limited (Hard Coffee) opposed applications by Hard Coffee Main Beach

Pty Limited (Hard Coffee Main Beach) for registration of trade marks “HARDCOFFEE MAIN BEACH” and “HARDCOFFEE”, in classes 30 and 43 for coffee related beverages, coffee shop services and other catering related services<sup>16</sup>.

The evidence of Hard Coffee was that the director of Hard Coffee Main Beach was also a director of a company (M. B. Raymond & Co. Pty. Ltd) which company had in 2004, purchased a coffee shop business from Hard Coffee. A Contract of Sale of Business and Vendor Supply Agreement (the Agreements) were entered into between Hard Coffee and M. B. Raymond & Co. Pty. Ltd. The Agreements acknowledged that Hard Coffee retained the rights in the business name “Hard Coffee” and all intellectual property relating to the name<sup>17</sup>.

In 2007, Hard Coffee Main Beach lodged applications to register the trade marks “Hard Coffee” and “Hard Coffee Main Beach”<sup>18</sup>. Hard Coffee opposed the applications, seeking to rely upon the grounds provided by sections 58, 43 and 62A of the Act<sup>19</sup>.

#### ▶ *Hard Coffee - The opponent’s position*

The opponent argued that the conduct of the applicant in proceeding to apply for registration of trade marks as if it was not aware of the rights held by the opponent in respect of the trade marks, when at all times its director

13 *Hard Coffee Pty Limited v Hard Coffee Main Beach Pty Limited* [2009] ATMO 26 (1 April 2009)

14 Above n 12

15 *Bombala Council v Peter Wilkshire* [2009] ATMO 33 (26 May 2009)

16 Above n 12 at [1]

17 Above n 12 at [3-7]

18 Above n 12 at [16]

19 Above n 12 at [2]



was well aware, albeit as director of another company, that the opponent had a sound claim to the trade marks, constituted “bad faith”<sup>20</sup>.

### ▶ *Hard Coffee - The applicant’s position*

The applicant chose not to challenge or dispute the facts alleging “bad faith” on its part, choosing to remain silent. The fact that the applicant chose not to deny or respond to the opponent’s allegations was taken as strengthening the opponent’s position<sup>21</sup>.

### ▶ *Application of section 62A*

For an assessment of “bad faith” as it applies to a situation requiring a consideration of section 62A, the Hearing Officer proposed that any one of the following three elements must be present for “bad faith” to be found:

- An element of intentional dishonesty by an applicant; or
- A deliberate attempt by the applicant to mislead the Registrar in some way in the claim made by means of the application; or
- In circumstances where an applicant for trade mark registration claims that the application was not made in “bad faith”, but rather, as a result of its own ignorance or naivety, then the evidence would need to show that the circumstances were such that the ‘reasonable man’ standing in the shoes of the applicant, should be aware that he ought not to apply for trade mark registration<sup>22</sup>.

The Hearing Officer further suggested that “bad faith” is not confined to outright dishonesty or misleading conduct, but also extends to include unacceptable commercial behaviour generally noting:

*“I consider the reasonable man in the applicant’s position should have considered himself constrained from applying for the four presently opposed trade marks on the basis of the previous dealings (including the Contract of Sale of the main beach coffee shop) between the opponent and the director of the applicant company”<sup>23</sup>.*

### ▶ *The Finding*

The Hearing Officer found that the director of the applicant had obtained actual knowledge of the factual and legal position relating to the trade marks in the course of a prior dealing with the opponent, albeit as director of a separate company. The applicant could, therefore, not proceed to register the trade mark without doing so in “bad faith”.

The Hearing Officer applied section 62A and accordingly refused the applications.

The Hearing Officer went on to state that it was unnecessary to consider and decide the remaining grounds but reserved the opponent’s rights to argue the undecided grounds on appeal<sup>24</sup>.

20 Above n 12  
21 Above n 12 at [23]  
22 Above n 12 at [11]

23 Above n 12 at [23]  
24 Above n 12 at [25]



## ▶ *Bombala Council*

Bombala Council opposed applications for registration by Peter Wilkshire (Wilkshire) of trade marks, the “PLATYPUS COUNTRY SERIES” in respect of class 35 for the retailing of goods by any means. The style of the applicant’s and the opponent’s trade marks were the same, each bearing an arch and the words “PLATYPUS COUNTRY”. Each had a depiction of an identical platypus arranged in an identical position within a logo<sup>25</sup>.

Bombala Council and Wilkshire had a long history of dealings regarding trade mark use and the applicant’s evidence and submissions showed that Wilkshire harboured ill will, (characterised as a “vendetta” by counsel for the opponent) towards the opponent. The history of the dealings between the parties included Federal Court proceedings. As part of a settlement of these proceedings, Wilkshire had agreed not to threaten Bombala Council or its licensee with any form of action in relation to the use of “Bombala” of its trade mark which also was comprised of the image of a platypus. Bombala Council submitted that Wilkshire had applied for registration of the “PLATYPUS COUNTRY SERIES” trade marks after agreeing to terms of settlement with the opponent regarding the opponent’s trade mark, but before the Federal Court had issued formal consent orders<sup>26</sup>.

<sup>25</sup> Above n 14  
<sup>26</sup> Above n 14

## ▶ *Application of section 62A*

In assessing whether the behaviour of the applicant, Wilkshire, constituted “bad faith” the Hearing Officer considered the United Kingdom decision of Sir William Aldous in *Harrison v Teton Valley Trading Co*<sup>27</sup> noting that:

*“No doubt an application made dishonestly will be made in bad faith, but it does not follow that if dishonesty is not established, bad faith cannot have existed”<sup>28</sup>.*

His Lordship reasoned that:

*“bad faith required knowledge by the defendant that what he was doing would be regarded as bad faith by persons adopting proper standards”<sup>29</sup>.*

Reference was also made to the decision in *William Leith New Century Marquee*<sup>30</sup>

*“bad faith will be established where someone has applied to register a mark which he has previously recognized as the property of another with whom that person has a course of dealing or some other relationship”<sup>31</sup>.*

<sup>27</sup> [2004] EWCA Civ 1028; [2005] FSR 10  
<sup>28</sup> Above n 14 at [14]  
<sup>29</sup> Above n 14 at [25]  
<sup>30</sup> (SRISO/018/00, UK Registry) p.9  
<sup>31</sup> Above n 14 at [35]



The Hearing Officer found the approaches in *Harrison v Teton Valley Trading Co*<sup>32</sup> and *William Leith New Century Marquees*<sup>33</sup> to be consistent.

### ▶ *The Finding*

The Hearing Officer concluded that having regard to the history of dealings between the parties the applicant had applied to register a mark which he had previously recognized as the property of another and was satisfied that the evidence:

*“showed that the circumstances were such that a ‘reasonable person’ standing in the shoes of the applicant, would have been aware that he/she ought not to apply for trade mark registration”<sup>34</sup>.*

The Hearing Officer was not prepared to conclude that the applicant had deliberately copied the opponent’s trade mark as none of the evidence in the proceedings had been tested by cross examination. Nonetheless, the Hearing Officer concluded that on the balance of probabilities it was more likely that not that the trade mark applicant had copied the opponent’s trade mark, than the reverse situation<sup>35</sup>.

With regard to evidence in trade mark opposition hearings, this case highlights how evidence in support will be considered by a Hearing Officer to be more reliable where it is supported by independent parties and derived from official records. Further, with regard to reliability of evidence, the apparent vendetta of the applicant was held to have affected the reliability of the applicant’s evidence.

### ▶ *Indications of the meaning of “bad faith” from Hard Coffee and Bombala Council*

These two decisions indicate that the ground of “bad faith” is likely to be made out in circumstances where an applicant elects to proceed with an application for registration of a trade mark, in circumstances where the applicant has some knowledge of the opponent’s ownership or use of the trade mark and proceeds to seek registration on a basis which while not necessarily clearly dishonest, nevertheless has a dishonest flavour when judged against the standards of a reasonable person standing in the shoes of the applicant.

The Hard Coffee decision indicates that the personal knowledge of a director pertaining to the entitlements of an opponent to a trade mark will be imputed to an applicant. Thus an applicant company which brings an application in circumstances where a director of the company has knowledge of matters which would defeat the company’s application, will do so in “bad faith”.

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32 Above n 26  
33 Above n 29  
34 Above n 14 at [37]  
35 Above n 29 at [15]



The Bombala Council decision indicates that where an application is perceived to be motivated by an alleged unacceptable ulterior purpose, then the application may be seen to have been made in “bad faith”.

Further, the Bombala Council case suggests that there may be an examination of the source of the trade mark as part of a consideration of whether the application was made in “bad faith”.

#### ▶ *Conclusion*

The insertion of section 62A into the Act makes the presence of “bad faith” on the part of an applicant a separate and distinct ground of opposition to applications for registration of trade marks brought since 23 October 2006.

As indicated above this ground of “bad faith” has successfully been put in two cases discussed herein, Hard Coffee and Bombala Council. These cases indicate that the conduct on the part of an applicant to which an opponent points as indicating the presence of “bad faith”, need not necessarily constitute dishonest conduct, but may be conduct which is generally considered unacceptable commercial behaviour when judged by the standards of a reasonable person.

#### ▶ *Madgwicks’ Intellectual Property Group*

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