

The bad faith ground of trade mark opposition – some judicial insight¹

Registering a business name is not the same as having rights in a name.

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Once a trade mark application is accepted for registration, anyone has the opportunity to oppose registration on any of the various grounds set out in the *Trade Marks Act 1995* (TMA). Introduced to the TMA in 2006 was the ground of opposition that the trade mark application was made in bad faith. Dodds-Streton J examined this issue in detail in *Fry Consulting Pty Ltd v Sports Warehouse Inc* (No.2)[2012] FCA 81.

The facts

Since 1994 Sports Warehouse sold tennis goods, principally online, under the trade mark TENNIS WAREHOUSE, recently using the domain name www.tenniswarehouse.com. Sales to customers in the United States accounted for 80 – 85 per cent of sales but, between 1995 and 2006, US\$1.14million worth of goods were sold to Australia.

In 2004 Mr Fry commenced selling tennis goods online. He visited the Sports Warehouse website and adopted the name TENNIS WAREHOUSE and the domain name www.tenniswarehouse.com.au even though he was aware Sports Warehouse sold into Australia. He was also aware there would be confusion between the domain names and chose the name specifically. Mr Fry even copied some images from the Sports Warehouse site.

In December 2004 Sports Warehouse emailed Mr Fry claiming it had a 'worldwide trade mark on the name Tennis Warehouse' and demanding all use cease. Mr Fry asked for evidence indicating that if it was provided, he would trade under a different name. He also stated he owned the business name 'Tennis Warehouse' in Australia and:

When applying for this the Australian Business Register does a search to make sure it is not conflicting or breaching any trade marks. This name passed all checks and I was able to obtain it.

After stating they would provide the requested documentation, Sports Warehouse did not communicate further with Mr Fry for two years. Meanwhile Fry Consulting built up its business and adopted the name TENNIS WAREHOUSE AUSTRALIA.

In 2006 Fry Consulting's solicitors wrote to solicitors for Sports Warehouse demanding that Sports Warehouse cease using the name TENNIS WAREHOUSE in Australia. This provoked a corresponding demand that Fry Consulting cease using TENNIS WAREHOUSE AUSTRALIA. This prompted Fry Consulting to apply to register the trade mark TENNIS WAREHOUSE AUSTRALIA in logo form (with a stylised tennis ball), which was opposed by Sports Warehouse.

Principles for cases of bad faith

Below are the principles of law which emerge from this case for determining whether the ground of bad faith is made out.

¹ Di Trocchio L and Goldberg R, 2009, 'Trade mark registration – opposition on the ground of bad faith', *Keeping good companies*, Vol 61 No 9, pp 552 – 555

1. Whether there has been bad faith is tested at the date of the trade mark application.
2. Bad faith must relate to the making of the trade mark the subject of the application (which here was the logo rather than just the trade mark TENNIS WAREHOUSE AUSTRALIA).
3. The onus of proving bad faith lies with the trade mark opponent. It is a serious allegation that requires cogent evidence but the standard of proof is the normal civil standard of the balance of probabilities. It is not necessary to prove bad faith beyond reasonable doubt.
4. It is not necessary to establish dishonesty or fraud to prove bad faith although these will be sufficient. Bad faith is wider than these.
5. The test for bad faith is a combined test involving both subjective and objective elements. The court must decide whether the knowledge of the trade mark applicant was such that its decision to apply for registration would be regarded as in bad faith by persons adopting the proper standards – falling short of the standards of acceptable commercial behaviour observed by reasonable and experienced persons in this particular area.
6. However, Dodds-Streeton J warned against an overly literal application of the requirement of a ‘falling short of the standards of acceptable commercial behaviour’ – this may negate the importance of the applicant’s mental state.
7. Mere negligence, incompetence or a lack of prudence to reasonable and experienced standards would not, of themselves, amount to bad faith. It requires conduct of an unscrupulous, underhand or unconscious character.
8. Dodds-Streeton J rejected the argument advanced by Sports Warehouse that mere awareness that an overseas company, which owns a trade mark, is already operating or intending to operate in Australia would amount to bad faith. The correct question is whether in all the circumstances, the applicant’s knowledge was such that its decision to apply for registration at the relevant date would be regarded as in bad faith by persons adopting proper standards.

Application of these principles to the facts

The court noted Mr Fry adopted the name TENNIS WAREHOUSE knowing it operated overseas, had made sales to Australia and was aware consumers could be confused, at least in relation to the domain names. Dodds-Streeton J characterised his conduct as exploitative and designed to acquire a springboard or advantage for his fledgling business. The court considered, if Fry Consulting had attempted to register its mark in 2004 when it was first adopted, this may well have been in bad faith.

However, two years passed before Fry Consulting made its application and correspondence had passed between the parties. The court considered this correspondence changed everything. Mr Fry had been willing to cease using the trade mark if Sports Warehouse had proved its entitlement to it.

The TENNIS WAREHOUSE trade mark was not registered in Australia. (Sports Warehouse subsequently tried to register the mark and the application was opposed by Fry Consulting. In an appeal to the Federal Court, Sports Warehouse was not successful in achieving registration².)

In 2004 Sports Warehouse could have alleged that Fry Consulting was passing off its business as Sports Warehouse, based on Sports Warehouse’s existing sales to Australia, and could have also alleged misleading and deceptive conduct. However, Sports Warehouse was silent for two years, during which time Fry Consulting built up its business.

Mr Fry’s statement that ‘the Australian Business Register does a search to make sure it is not conflicting or breaching any trade marks’ is incorrect. Only a brief check is conducted to make sure the name or something virtually identical is not already registered. No search of trade marks is conducted. However,

Mr Fry believed this and this was relevant to the subjective element of the test of bad faith.

² Sports Warehouse Inc v Fry Consulting Pty Ltd (2010) 87 IPR 300

The court held that, as at December 2006 when the logo trade mark was applied for by Fry Consulting, Sports Warehouse failed to prove Fry Consulting's trade mark application was in bad faith.

Lessons to be learnt

After two oppositions and two court cases, Fry Consulting was successful. But at what cost? A number of lessons can be learnt from the case.

Copying an online trade mark

Copying an online trade mark, especially a site with online sales is fraught with danger. The traditional view is that copying an overseas trade mark that is not used in Australia is 'sharp practice' but is not prohibited by the TMA³. Nowadays, if goods are being sold over the internet under a trade mark, there may well already be sales to Australia.

If the copyist applies for trade mark registration and the online trader proves prior sales to Australia, the latter may be able to prove prior ownership in a trade mark opposition. If the online trader has a reputation in Australia, it may also be able to prove the copyist has passed off its goods and business as the online trader.

In this case, Fry Consulting was actually aware of sales by Sports Warehouse into Australia and sought to take advantage of confusion of their domain names. Had it been sued in 2004, depending on the strength of the evidence of reputation in the TENNIS WAREHOUSE trade mark, Sports Warehouse may have been able to prevent Fry Consulting from using its TENNIS WAREHOUSE AUSTRALIA logo trade mark. The motives of Mr Fry would have told against Fry Consulting. As the court considered, if Fry Consulting had applied for its trade mark at this point, an opposition would have succeeded on the grounds of bad faith.

Business Name Registration

Ownership of a business name gives no rights in the name. To gain rights in a name, one needs to register a trade mark.

Mr Fry made a very common mistake in thinking his business name registration gave him the all clear to use TENNIS WAREHOUSE in Australia. A full trade mark search is recommended when adopting a new name.

Asserting one's rights

Sports Warehouse made a fatal mistake in just letting the matter lie for two years. It had promised to justify its position and then failed to do so. To be effective, trade mark rights need to be policed.

Trade mark oppositions

Sports Warehouse and Fry Consulting engaged in oppositions of each other's trade marks. The opposition can serve as a mini trial of the issues in dispute between the two parties and the losing party may cease using its mark as a result (although this is not the legal purpose of a trade mark opposition).

To be able to oppose a trade mark application, a business must know of its acceptance. Watches are a good way of letting a business know what competitors are doing and enable it to oppose a trade mark when it is advertised for acceptance.

³ Re Registered Trade Mark "Yanx"; ex parte Amalgamated Tobacco Corporation Limited (1951) 82 CLR 199 at p 202

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