Federal Court of Australia - Full Court

Paul's ⇦ Retail Pty Ltd v Sporte Leisure Pty Ltd ⇨ [2012] ⇦ FCAFC 51 ⇨ (11 April 2012)

Last Updated: 11 April 2012

FEDERAL COURT OF AUSTRALIA

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Citation:	Paul's ⇦ **Retail Pty Ltd v Sporte Leisure Pty Ltd** ⇨ [2012] ⇦ **FCAFC 51** ⇨
Appeal from:	⇦ **Sporte Leisure Pty Ltd v** ⇨ Paul's International ⇦ **Pty Ltd** ⇨ (No 3) [2010] FCA 1162
Parties:	**PAUL'S ⇦ RETAIL PTY LTD ⇨** **ACN 114 419 242** **Appellant** **⇦ SPORTE LEISURE PTY LTD ⇨** **ACN 008 608 919** **First Respondent/Cross-Appellant** **GREAT WHITE SHARK ENTERPRISES LLC** **Second Respondent/Cross-Appellant** **LIFESTYLE BRANDS HOLDINGS LLC** **Third Respondent/Cross-Appellant** **PAUL DWYER** **Cross-Respondent**
File number(s):	NSD 378 of 2011

Judges: **JACOBSON, YATES & KATZMANN JJ**

Date of judgment: 11 APRIL 2012

Catchwords:

INTELLECTUAL PROPERTY – registered trade marks – infringement – importing and offering for sale in Australia garments to which the marks had been applied by licensee for territory of India – defence under s 123 of the *Trade Marks Act* – whether trade marks applied to the garments by licensee with the consent of the trade mark owner – whether licensee permitted to apply marks to garments manufactured for sale by it in Pakistan

TRADE PRACTICES – misleading and deceptive conduct – where website listed the licensee for the territory of India as an "international dealer"

EVIDENCE – effect of failure to give or call evidence –whether trial judge erred in not drawing any *Jones* ⇦ ***v*** ⇨ *Dunkel* inference – whether witness was in party's "camp"

Legislation:

Trade Marks Act 1995 (Cth) ss 20, 120, 123
Trade Marks Act 1955 (Cth) (repealed)
Trade Practices Act 1974 (Cth) s 52

Cases cited:

Blatch ⇦ ***v*** ⇨ *Archer* [1774] EngR ⇦ **2** ⇨; ⇦ **(1774) 1 Cowp 63** ⇨; 98 ER 969

Branir ⇦ ***Pty*** ⇨ *Limited* ⇦ ***v*** ⇨ *Owston Nominees (No* ⇦ ***2*** ⇨*)* [2001] FCA 1833; (2001) 117 FCR 424

Champagne Heidsieck et Cie Monopole Societe Anonyme ⇦ ***v*** ⇨ *Buxton* ⇦ **[1930] 1 Ch 330** ⇨

E & J Gallo Winery ⇦ ***v*** ⇨ *Lion Nathan Australia* ⇦ ***Ltd*** ⇨ ⇦ **[2009] FCAFC 27** ⇨; (2009) 175 FCR 386

E & J Gallo Winery ⇦ ***v*** ⇨ *Lion Nathan Australia* ⇦ ***Pty*** ⇨ *Limited* [2010] HCA 15; (2010) 241 CLR 144

Fabre ⇦ ***v*** ⇨ *Arenales* (1992) 27 NSWLR 437

Johnson & Johnson Aust ⇦ ***Pty*** ⇨ *Limited* ⇦ ***v*** ⇨ *Sterling Pharmaceuticals* ⇦ ***Pty*** ⇨ *Limited* [1991] FCA 310; (1991) 30 FCR 326 at 342, 347

Jones ⇦ ***v*** ⇨ *Dunkel* [1959] HCA 8; (1959) 101 CLR 298

JPQS ⇦ ***Pty Ltd v*** ⇨ *Cosmarnan Constructions* ⇦ ***Pty*** ⇨ *Limited* [2003] NSWCA 66

Pioneer Kabushiki Kaisha ⇦ ***v*** ⇨ *Registrar of Trade Marks* [1977]

HCA 56; (1977) 137 CLR 670

R & A Bailey & Co ***Ltd v*** *Boccaccio* ***Pty Ltd*** (1986) 4 NSWLR 701

Sagacious Legal ***Pty Ltd v*** *Wesfarmers General Insurance* ***Ltd*** **[2011] FCAFC 53**

State Bank of NSW ***v*** *Brown* [2001] NSWCA 223; (2001) 38 ACSR 715

Transport Tyre Sales ***Pty*** *Limited* ***v*** *Montana Tyres Rims and Tubes* ***Pty*** *Limited* [1999] FCA 329; (1999) 93 FCR 421

Wingate Marketing ***Pty*** *Limited* ***v*** *Levi Strauss & Co* [1994] FCA 1001; (1994) 49 FCR 89 at 134

Date of hearing:	11 August 2011
Place:	Sydney
Division:	GENERAL DIVISION
Category:	Catchwords
Number of paragraphs:	105
Counsel for the Appellant:	R Cobden SC with JS Cooke
Solicitor for the Appellant:	W Lawyers
Counsel for the Respondents:	RJ Webb SC with C Burgess
Solicitor for the Respondents:	James Beatty & Associates

IN THE FEDERAL COURT OF AUSTRALIA
NEW SOUTH WALES DISTRICT REGISTRY
GENERAL DIVISION **NSD 378 of 2011**

ON APPEAL FROM THE FEDERAL COURT OF AUSTRALIA

BETWEEN: **PAUL'S RETAIL PTY LTD**
ACN 114 419 242
Appellant

AND: **SPORTE LEISURE PTY LTD**
ACN 008 608 919
First Respondent/Cross-Appellant

GREAT WHITE SHARK ENTERPRISES LLC
Second Respondent/Cross-Appellant

LIFESTYLE BRANDS HOLDINGS LLC
Third Respondent/Cross-Appellant

PAUL DWYER
Cross Respondent

JUDGES: **JACOBSON, YATES & KATZMANN JJ**
DATE OF ORDER: **11 APRIL 2012**
WHERE MADE: **SYDNEY**

THE COURT ORDERS THAT:

1. The appeal be dismissed.
2. The appellant is to pay the respondents' costs.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

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JUDGES: **JACOBSON, YATES & KATZMANN JJ**
DATE: **11 APRIL 2012**
PLACE: **SYDNEY**

REASONS FOR JUDGMENT

Introduction

1. The second respondent to this appeal, Great White Shark Enterprises LLC ("GWS") is, or was at the relevant time, the owner of two registered trade marks for apparel, footwear and headwear. The first is for the words "Greg Norman", being the name of the internationally famous Australian golfer. The second is for a stylised depiction of a shark, which is Mr Norman's commonly used nickname. We will refer to the two marks collectively as "the Greg Norman marks".
2. A company called Greg Norman Collections, Inc ("GNC") held the head licence for the Greg Norman marks from GWS. GNC granted a licence to an Indian company called BTB Marketing Pvt **Ltd** ("BTB") to use the Greg Norman marks in India.
3. The primary judge (Nicholas J) found that garments which are the subject of this proceeding were manufactured by BTB for the purpose of filling a purchase order for the supply of the goods to companies outside of India. The garments were ultimately purchased from one of those companies by the appellant, Paul's **Retail Pty** Limited ("Paul's") which imported and sold the goods in Australia.
4. The respondents sued Paul's and a number of entities associated with Paul's for infringement of the Greg Norman marks under s 120 of the *Trade Marks Act 1995* (Cth) ("the Act").
5. Paul's, and its associated entities, raised a defence to the claim under s 123 of the Act, the effect of which was that they did not infringe the Greg Norman marks because BTB applied those marks to the goods with the consent of GWS through GNC as its then head licensor.
6. The primary judge rejected this defence. He said that the question of whether a mark has been applied to goods with the consent of the registered owner of the trade mark is one of fact. An important aspect of his Honour's finding is to be found at [78] as follows:

> Where a registered owner consents to another person applying the registered mark to goods on condition that the goods must not to be supplied outside a designated territory, the registered owner would not usually be regarded as having consented to the application of the mark to goods which the other person knows at the time he or she applies the mark are to be supplied by him or her outside the territory.

7. Paul's appeals against the primary judge's orders. It relies in particular upon a line of authorities which dealt with the question of infringement under the predecessor of the Act, namely the *Trade Marks Act 1955* (Cth) ("the 1955 Act"). The authorities have their inception in the judgment of Clauson J in *Champagne Heidsieck et Cie Monopole Societe Anonyme* ***v*** *Buxton* **[1930] 1 Ch 330** ("*Champagne Heidsieck*").
8. The effect of the submissions made by counsel for Paul's is that the *Champagne Heidsieck* principle applies to the operation of s 120 of the Act such that there can be no infringement of a registered trade mark in respect of the importation or supply of "genuine goods" (namely, those upon which the registered trade mark is properly used) regardless of the operation of s 123 of the Act. Alternatively, counsel submitted that the *Champagne Heidsieck* principle is reflected in s 123 of the Act which creates "a true exception" to infringement under s 120 of the Act.
9. The effect of this approach is, therefore, that the Greg Norman marks were applied to the goods with the consent, ultimately, of the registered owner of those marks, notwithstanding the territorial limitations imposed

by the licence agreement under which BTB purported to manufacture those goods.

The issues in the appeal

10. Paul's seeks to raise four issues. We use the word "seeks" because one of the proposed issues was conceded before the primary judge and the respondents object to it being raised for the first time on appeal.
11. The first issue is the contentious one. Paul's wishes to argue that s 120(**1**) of the Act was not enlivened because it did not use the Greg Norman marks as trade marks otherwise than "as a badge of origin of GWS consistent with its exclusive rights" under the Act.
12. We will consider later in our reasons whether Paul's should be given leave to raise this issue. It is sufficient to say that there is considerable overlap between this issue and the critical issue of "consent" because each turns upon the characterisation of the garments as "genuine goods" consistently with the observations of Clauson J in *Champagne Heidsieck.*
13. The second issue is whether the primary judge erred in taking into account the territorial restrictions imposed on BTB under the licence between BTB and GNC when determining whether the Greg Norman marks were applied to the goods with the consent of the registered owner of the marks in accordance with s 123 of the Act.
14. As we said earlier, this issue turns largely upon whether the goods in question are to be regarded as "genuine goods". Counsel for Paul's emphasise that the authorities state that a registered trade mark is a badge of origin, not a badge of control: see *Champagne Heidsieck* at 338-339.
15. The third issue is whether the primary judge erred in failing to apply the "rule" in *Blatch* ***v*** *Archer* **[1774] EngR 2**; **(1774) 1 Cowp 63**; 98 ER 969 or the "rule" in *Jones* ***v*** *Dunkel* [1959] HCA 8; (1959) 101 CLR 298 by reason of the failure of the respondents to call Mr Singh, an officer of BTB, to give evidence.
16. This issue arises because Paul's contends that the respondents ought to have called Mr Singh to give evidence on the question of whether GNC consented to the application of the Greg Norman marks on goods destined for sale outside India.
17. The fourth issue arises from the primary judge's rejection of a cross-claim brought by Paul's alleging that the respondents engaged in misleading and deceptive conduct by reason of advertisements placed on the website www.shark.com.

Sections 120 and 123 of the Act

18. The critical provisions of the Act upon which this appeal turns are s 120(**1**) and s 123(**1**).
19. It is apparent from the language of s 120 of the Act that infringement of a trade mark occurs only if a person uses a sign "as a trade mark" in relation to goods or services: *Transport Tyre Sales* ***Pty*** *Limited* ***v*** *Montana Tyres Rims and Tubes* ***Pty*** *Limited* [1999] FCA 329; (1999) 93 FCR 421 ("*Montana Tyres*") at [56].
20. Section 120(**1**) of the Act provides:

> A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

21. The exception afforded by s 123 of the Act only comes into play if there has been an infringement of a

registered mark under s 120: *Montana Tyres* at [81].

22. Section 123(**1**) of the Act provides:

> In spite of section 120, a person who uses a registered trade mark in relation to goods that are similar to goods in respect of which the trade mark is registered does not infringe the trade mark if the trade mark has been applied to, or in relation to, the goods by, or with the consent of, the registered owner of the trade mark.

The licence

23. The licence agreement between GNC as licensor and BTB as licensee of the Greg Norman marks was made on **1** February 2007. The recitals to the licence agreement included a statement that GNC and BTB were parties to a Distribution Agreement under which BTB was appointed by GNC as its exclusive distributor in the "TERRITORY" which was defined as "the Union of India only".
24. The recitals went on to include a statement that GNC desired to license the Greg Norman marks in connection inter alia with the manufacture and sale of casual apparel and sportswear:

> "... to be distributed and/or sold in **retail** outlets in the TERRITORY ..."

25. The licence agreement is divided into numbered "sections" rather than "clauses". However, to avoid confusion with legislative provisions we will refer to "clauses" of the licence agreement in lieu of "sections".
26. The critical clauses of the licence agreement were cl **2.1** and cl **2**.4. Under cl **2.1**, GNC granted to BTB, for the period ending on 31 December 2009, "a limited and non-exclusive licence" to use certain trade marks, which included the Greg Norman marks:

> ... in connection with the manufacture, marketing, distribution and/or sale of LICENSED PRODUCTS in the territory ...

27. The term "LICENSED PRODUCTS" was defined to mean such sports and casual apparel, bags and certain sportswear accessories as were approved in writing by GNC.
28. Clause **2.1** went on to add a proviso under which the goods and their packaging and labelling were to be approved by GNC in the manner set forth in cl 6 of the agreement.
29. Under cl **2**.4 BTB acknowledged that the licence was limited to the territory of India and agreed not to sell the licensed products to anyone other than its regular **retail** customers in India in the normal course of trading. BTB further agreed that it would not sell licensed products destined directly or indirectly for sale outside of India without the prior written approval of GNC.
30. Clause 6 contained various provisions requiring BTB to maintain quality control of the goods manufactured by it. Under cl 6.8 BTB was to ensure that all licensed products packaged by it bearing any of the Greg Norman marks conformed to the grade, quality and label requirements specified by GNC and all applicable local laws and regulations.
31. The licence was to be governed by and construed in accordance with the laws of the "The Commonwealth of New York".

The chain of supply from BTB to Paul's

32. The primary judge found that the goods which are the subject of this proceeding were supplied to Paul's through a series of transactions between BTB and certain companies operating out of Pakistan and Singapore.
33. The first step was the sale by BTB of 4,995 articles of clothing bearing the Greg Norman marks to Sunsports (BVI) **Ltd** ("Sunsports") a company operating out of Pakistan.
34. The second step was that the goods were shipped by BTB from India to Singapore where they were sold by Sunsports to PT International Corporation Pte **Ltd** ("PT International"), a company based in Singapore.
35. The third step was the on-sale by PT International of the goods to Paul's and the export of the goods by PT International in Singapore to Paul's in Australia after they were released from bond in Singapore to PT International.
36. Before making these findings, the primary judge traced the steps in the supply chain, and made his factual findings upon the basis of evidence given by Mr Imran Ahmed of Sunsports, Mr Ramesh Wadhwani of PT International and Mr Paul Dwyer of Paul's. It appears that Mr Wadhwani, through PT International, had been supplying merchandise to Mr Dwyer's companies for many years.
37. The evidence of the chain of supply to Paul's commences with the primary judge's finding at [27] that Mr Singh, the Managing Director of BTB, met with Mr Ahmed on 12 August 2008 at a hotel in New Delhi. Mr Ahmed gave evidence, which his Honour accepted, that, at the meeting, Mr Ahmed and Mr Singh discussed the possibility of Sunsports acquiring Greg Norman products for supply to the Pakistan market. His Honour said at [28]:

> He [Mr Ahmed] accepted that Sunsports was proposing to sell Greg Norman products to markets outside Pakistan but says that he never told Mr Singh this.

38. Mr Wadhwani's evidence was that Mr Ahmed contacted him and told him he was able to source Greg Norman products from BTB. The effect of his Honour's finding was that the conversation between Mr Ahmed and Mr Wadhwani took place in about August 2008, around the same time as the meeting between Mr Ahmed and Mr Singh in New Delhi.
39. The primary judge accepted Mr Wadhwani's evidence that he understood that the Greg Norman products to be supplied by Sunsports to PT International would be genuine products in the sense that they would be manufactured and sold by an authorised licensee of the owner of the Greg Norman marks.
40. His Honour also accepted that in a conversation which took place between Mr Wadhwani and Mr Dwyer concerning the supply of Greg Norman products by PT International to Paul's:

> Mr Wadhwani told Mr Dwyer ... that the products were genuine goods manufactured by BTB which is a licensed supplier of Greg Norman products.

41. The primary judge also accepted that Mr Dwyer visited the website www.shark.com to satisfy himself that BTB was an authorised supplier of Greg Norman products and that the website, which was operated by or with the approval of GWS, listed BTB amongst the "international dealers". His Honour made a finding to the same effect at [33] about a catalogue published by BTB which was received by Mr Dwyer.
42. His Honour went on at [34]ff to trace the documentary evidence under which the goods were ordered, shipped and paid for. The effect of the evidence was that:
    - on 18 August 2008 Paul's issued a purchase order for 5,212 garments to be supplied by PT International;
    - on the same date, Sunsports emailed a copy of the purchase order to BTB (a copy presumably having been sent from PT International to Sunsports). At around the same time, BTB indicated that it would not produce the goods until after a letter of credit was established;
    - an irrevocable letter of credit in favour of BTB seems to have been established by or on behalf of

Sunsports through a Singapore bank on 23 September 2008;

- on 5 January 2009, BTB issued an invoice to Sunsports for 4,995 articles of clothing (the lesser number perhaps being explained by a difference in the dollar amount of the letter of credit). The invoice described the country of origin of the goods as India, their final destination as Karachi, but the
  - **0**;Port of Discharge" was shown as Singapore;
- a bill of lading issued at Mumbai on 22 January 2009 showed BTB as the shipper and Sunsports as the consignee and party to be notified;
- on 6 February 2009 the goods arrived in Singapore. Payment was made to BTB under the letter of credit on that date and the goods were then transferred to another container and shipped to Paul's in Sydney.

43. The ultimate finding made by his Honour was set out at [44] as follows:

> I find that the garments which are the subject of this proceeding were purchased by Sunsports from BTB. They were shipped from India to Singapore where, after having been sold by Sunsports to PT International, they were released to PT International before being shipped to Australia. I also find that they were manufactured by BTB after the IDC was established and specifically for the purpose of fulfilling Sunsports' purchase order.

44. His Honour went on to consider which of the relevant Paul's companies acquired the garments from PT International. He found at [47] that the garments were acquired by Paul's and at [52] that Paul's offered the garments for sale, and sold them, at various **retail** outlets operating under the name Paul's Warehouse.

The primary judge's finding on BTB's knowledge

45. The primary judge found at [63] that BTB did not know that the garments it supplied to Sunsports were intended for sale outside Pakistan.
46. His Honour based that finding largely upon his acceptance of Mr Ahmed as a witness of truth. In particular, he accepted that Mr Ahmed did not tell Mr Singh that Sunsports proposed to sell the products outside Pakistan.
47. In coming to the view that BTB did not know of the ultimate intended destination of the goods, his Honour took into account the fact that the letter of credit opened by Sunsports specifically permitted transhipment of the goods. Nevertheless, his Honour acknowledged that Mr Singh may have been able to deduce from this that the goods were destined for a country outside of Pakistan.
48. His Honour found that Mr Ahmed's evidence under cross-examination on the commercial explanation for the transhipment was "quite vague". However, his Honour's ultimate finding was based upon his acceptance of Mr Ahmed's version of the conversation with Mr Singh and the various transaction documents, all of which contemplated that the final destination of the goods would be Karachi.

The primary judge's finding that GNC did not consent to the application of the marks by BTB

49. We referred above to the primary judge's finding at [78]. This was that a registered owner would not usually be regarded as having consented to the application of its mark where the person applying it knows that the goods are to be supplied outside the authorised territory.
50. His Honour went on to say that, with the exception of assertions made by Mr Singh in certain emails and communications with GNC, that BTB's licence covered the whole of the Indian sub-continent, there was no suggestion that GNC consented to the application of its marks to the goods that BTB manufactured for Sunsports.
51. His Honour found at [80]:

> The goods supplied by BTB to Sunsports were specifically manufactured by BTB for supply by it to Sunsports outside India. This is something that was forbidden by the terms of the licence agreement. In particular, under s **2**.4 of the Licence Agreement, BTB acknowledged that the licence was limited to India and it agreed not to sell to anyone other than its regular customers in India.

52. His Honour then turned to a question which was not in issue on appeal. This question was whether the goods supplied by BTB were "counterfeit" because they did not comply with labelling standards and other requirements imposed by cl 6 of the licence.
53. His Honour was not prepared to find on the basis of certain "non-conformities" in the products manufactured by BTB that they were products to which the Greg Norman marks had been applied without the consent of GNC. He went on to say at [90]:

> On the contrary, I would have found that the second applicant consented to the application of its marks to those goods but for the fact that the goods were manufactured by BTB for sale outside India.

Issue **1** – whether Paul's used the marks as trade marks

54. In the proceeding at first instance, Paul's conceded that even if the registered marks on the goods which it imported and sold were applied with the licence of the trade mark owner, Paul's nevertheless engaged in trade mark use.
55. Accordingly, the application of s 120(**1**) of the Act was conceded and the only real issue at the trial was whether Paul's (or the other entities associated with Mr Dwyer) made out the exception under s 123.
56. Paul's now wishes to withdraw the concession made at trial so as to agitate, for the first time on appeal, the question of whether s 120(**1**) was enlivened. Paul's submits it should be given leave to do so because, in its submission, the question of whether the importation and sale of goods, in circumstances such as the present, constitutes infringement was left open by the High Court in *E & J Gallo Winery* ***v*** *Lion Nathan Australia* ***Pty*** *Limited* [2010] HCA 15; (2010) 241 CLR 144 ("*Gallo*") at [53].
57. The argument that s 120(**1**) was not enlivened was put in three different ways, although the submissions made by counsel for Paul's tended at times to blur the distinctions between the different arguments.
58. The first way in which Paul's sought to put the case was that the articles which it imported and sold were "genuine goods" so that the claim was one of parallel importing which did not constitute infringement: *R & A Bailey & Co* ***Ltd v*** *Boccaccio* ***Pty Ltd*** (1986) 4 NSWLR 701.
59. The second argument was that by merely importing and dealing in the goods, Paul's did not use the Greg Norman marks as trade marks because it did not use those marks as a badge of origin to identify itself.
60. This proposition was said to be consistent with the *Champagne Heidsieck* principle but does not seem to be based upon it. Rather it was said to follow from well established authorities which explain the nature of the use by an infringer of a mark as a trade mark: see e.g. *Johnson & Johnson Aust* ***Pty*** *Limited* ***v*** *Sterling Pharmaceuticals* ***Pty*** *Limited* [1991] FCA 310; (1991) 30 FCR 326 at 342, 347; *Wingate Marketing* ***Pty*** *Limited* ***v*** *Levi Strauss & Co* [1994] FCA 1001; (1994) 49 FCR 89 at 134.
61. The third way in which the argument was put was that GWS and the other respondents to the appeal did not discharge their onus under s 120(**1**) of proving that Paul's had used the Greg Norman marks as trade

marks. On this approach, it was for GWS to prove that the goods were unlicensed.

62. It seems to us that leave should not be given to Paul's to withdraw the concession deliberately made at trial. The essential reasons for this are that no adequate explanation has been given for the application to withdraw the concession and, in any event, the propositions for which Paul's contends are not appropriate to be addressed on appeal.
63. It is fundamental to the administration of justice that substantial issues between the parties are ordinarily settled at the trial and the difficulty of assessing, hypothetically, how the conduct of the trial may have been different should not be underestimated: *Branir* ⇦ ***Pty*** ⇨ *Limited* ⇦ ***v*** ⇨ *Owston Nominees (No* ⇦ ***2*** ⇨*)* [2001] FCA 1833; (2001) 117 FCR 424 at [36]- [38] and the authorities there cited.
64. We do not consider that Paul's should be permitted to depart from its concession by relying on the remarks of the High Court in *Gallo* at [53]. The decision of the High Court was handed down on 19 May 2010, approximately seven weeks before the hearing before the primary judge concluded on 5 July 2010.
65. In any event, it is not strictly correct to say that the High Court left open the proposition which Paul's wishes to pursue. Rather, the plurality in *Gallo* did not disapprove the contrary view stated by the Full Court in *Gallo*: see *E & J Gallo Winery* ⇦ ***v*** ⇨ *Lion Nathan Australia* ⇦ ***Ltd*** ⇨ ⇦ **[2009] FCAFC 27** ⇨; (2009) 175 FCR 386 at ⇦ **[58]** ⇨.
66. The effect of what the Full Court said in *Gallo* was that an importer of goods who sells in Australia goods to which the mark has been applied overseas uses the mark as a trade mark within the meaning of s 120. Their Honours said at [58]:

> We do not accept Gallo's submission that *Champagne Heidsieck et Cie Monopole Societe Anonyme* ⇦ ***v*** ⇨ *Buxton* ⇦ **[1930] 1 Ch 330** ⇨ is authority in support of the proposition that the trade mark owner continues to use the goods wherever they end up in world trade and hence a parallel importer such as BAW does not use the mark because only the original proprietor uses the mark. As the respondent submitted, that case is not authority for that proposition. It was held that a registered proprietor could not sue for infringement a person selling goods to which the registered proprietor had applied the mark. As Branson J said in *Parfums Christian Dior (Australia)* ⇦ ***Pty*** ⇨ *Limited* ⇦ ***v*** ⇨ *Dimmeys Stores* ⇦ ***Pty*** ⇨ *Limited* (1997) 39 IPR 349 at 353-354, citing *Revlon Inc* ⇦ ***v*** ⇨ *Cripps & Lee* ⇦ ***Ltd*** ⇨ [1980] FSR 85, it is reasonably argued [sic] that the philosophical basis for the rule in *Champagne* is that the registered proprietor consents to the use of its trade mark in those circumstances. That is entirely consistent with the introduction in the 1995 Act of s 123. That section provides that a defence to infringement is that the mark was applied to the goods with the consent of the registered proprietor. That is to say, it is a statutory recognition that absent s 123 the mere sale by an importer of goods already marked would be an infringing use of the mark by the importer.

67. This approach is consistent with that stated in *Montana Tyres* at [94] and by Aickin J in *Pioneer Kabushiki Kaisha* ⇦ ***v*** ⇨ *Registrar of Trade Marks* [1977] HCA 56; (1977) 137 CLR 670 at 688.
68. The approach for which Paul's wishes to contend would require us to find that the observations made by Aickin J in *Pioneer* are wrong and ought not to be followed. It is true that his Honour was sitting at first instance. But we do not see that it is appropriate for an intermediate court of appeal to depart from the views expressed by Aickin J particularly where those views were apparently endorsed by the Full Court in *Gallo* (at [59]) and not disapproved by the High Court.
69. In any event, the short answer to Paul's contention is that the primary judge's factual findings leave no room

for the application of the *Champagne Heidsieck* principle. It was this principle which was said by Paul's to be central to its contention that it ought to be permitted to withdraw its concession that s 120 was enlivened.

70. The primary judge found at [80] that the goods supplied by BTB to Sunsports were specifically manufactured by BTB for supply by it to Sunsports outside India and that this was forbidden by the terms of the licence agreement. It follows that the goods were not "genuine goods" within the *Champagne Heidsieck* principle because they were not goods "upon which the plaintiffs' marks were properly used". In this particular circumstance BTB stood in no different position to a third party applying the Greg Norman marks who had no licence agreement with GWS or its licensees.
71. Moreover, we doubt whether the *Champagne Heidsieck* principle has any application to s 120 beyond the operation of s 123 of the Act. The High Court in *Gallo* noted (at [34]) that s 123 reflects the *Champagne Heidsieck* principle. As we have noted, Paul's embraced that proposition in its submissions. By using the prefatory phrase "In spite of section 120...", s 123 marks out an exception to what would otherwise be the operation of the infringement provisions of the Act. That being so, it is most unlikely, to say the least, that, as a matter of ordinary construction, the Act would leave open the application of the *Champagne Heidsieck* principle beyond its specific enshrinement in s 123 and its consequent operation upon s 120 by that means. However, for the reasons we have given, it is not necessary for us to express a final view on that question.

Issue **2** – section 123

72. The primary judge approached the issue of whether the exception under s 123 was made out by considering whether GWS as the registered owner of the Greg Norman marks consented to the application of those marks to the goods in accordance with the terms of the licence between GNC and BTB.
73. His Honour's finding was, in our view, unexceptional because the terms of the licence made it plain that BTB's licence was limited to use of the Greg Norman marks in India. This was clear from the grant of the licence in cl **2.1** to use the marks in "the Union of India only".
74. It was reinforced by the acknowledgment in cl **2**.4 that the licence was limited to India and by the agreement of BTB not to sell the licensed products to anyone other than its regular **retail** customers in India.
75. On any view, Pakistan is not part of the "Union of India". It seems to us therefore that nothing really turns upon whether Mr Singh of BTB knew that the goods were destined for markets outside of Pakistan.
76. The inescapable fact was that Mr Singh knew that the goods were to be supplied outside of India and this was contrary to the express terms of the licence. In those circumstances, GNC could not be said to have consented to the application of the Greg Norman marks to the goods.
77. It is not correct to describe the contractual position between BTB and GNC as one in which GNC gave conditional consent to the application of the marks so long as the goods were to be sold in the territory of India. Rather, it prohibited the application of the Greg Norman marks to goods which were destined for supply outside of India.
78. Contrary to the submissions advanced on behalf of Paul's, we do not consider that the approach taken by the primary judge permitted the trade mark owner to enforce contractual restrictions in a way that was inconsistent with trade mark law.
79. In our opinion, the approach which his Honour took was consistent with that which was accepted by the Full Court in *Montana Tyres* at [79]-[80]. That was a case of parallel importing where consent to the application of the mark was given by the registered owner. The Court accepted that it was immaterial where the application of the mark occurs. What is required is consent by the owner to the application of the mark.
80. Section 20 of the Act gives the registered owner of a mark the exclusive right to use, or to authorise others to use, the trade mark. Whilst these rights are subject to some territorial limitation, as was explained in *Montana Tyres* at [78], a sign or mark may be applied to goods anywhere in the world. If the mark is used as a trade mark in Australia, the question becomes whether its application overseas was by or with the consent of the owner.

81. Here, unlike the situation which existed in *Montana Tyres*, the Greg Norman marks were applied without the consent of the registered owner.

Issue 3 – The Blatch **v** Archer/Jones **v** Dunkel point

82. At trial there was a dispute about who bore the onus of proof on the question of consent. His Honour said it was unnecessary to decide the issue because, either way, he was satisfied that the trade mark owner had not given its consent. Nevertheless, he observed that, as s 123 of the Act created an exception to infringement, in accordance with ordinary principles of statutory construction, Paul's bore the onus of proof. Paul's accepted this on the appeal but argued that the respondents had an evidential onus. Paul's submitted that, in discharge of that onus, the respondents were required to call Mr Singh and their failure to do so meant that Paul's was entitled to succeed on the issue of "consent".
83. Paul's submitted that Mr Singh was "plainly" in the respondents' camp and the reasons for not calling him were not adequately explained. Paul's submitted that Mr Singh's evidence would have "directly elucidated two evidentiary matters found against [Paul's]".
84. The first was that the Greg Norman products "were specifically manufactured by BTB for supply by it to Sunsports outside India" and the only person who could have given direct evidence about this, Paul's argued, was Mr Singh. Paul's submitted that if the primary judge had applied the principles in *Blatch* ***v*** *Archer* and *Jones* ***v*** *Dunkel*, no such inference would have been drawn; the contention would not have been proved. Alternatively, Paul's submitted that the primary judge would have drawn an inference from the evidence that the Greg Norman products were not made to order, but rather as part of the common stock manufactured by BTB with the licence of GNC, where the evidence showed that BTB was in the habit of producing overruns of products bearing the Greg Norman trade marks and there was no evidence of made-to-order goods.
85. The second evidentiary matter upon which Mr Singh's evidence would have borne directly was the question of consent. Paul's submitted that his Honour appears to have based his finding upon an inference drawn from a conversation between Mr Singh and Ms Blackwell after BTB had supplied the Greg Norman products to Sunsports.
86. The principle in *Blatch* ***v*** *Archer* is that "all the evidence is to be weighed according to the proof which it was in the power of one side to have produced, and in the power of the other to have contradicted". The relevant aspect of the rule in *Jones* ***v*** *Dunkel* (which Paul's argued was an application of the principle in *Blatch* ***v*** *Archer*) is that the unexplained failure of a party to call a witness may in appropriate circumstances lead to an inference that the witness would not have assisted the party's case.
87. For the reasons that follow, the primary judge made no error in failing to draw an inference in Paul's favour from the respondents' failure to call Mr Singh.
88. First, the primary judge was not obliged to draw the *Jones* ***v*** *Dunkel* inference. As the Full Court observed in *Sagacious Legal* ***Pty Ltd v*** *Wesfarmers General Insurance* ***Ltd*** [2011] FCAFC 53 at [78]-[79], "the rule in *Jones* ***v*** *Dunkel* is one of the most invoked but least understood rules in litigation". The rule merely reflects commonsense. The inference is not mandatory and, "generally speaking, these inferences only become material where the balance of the evidentiary record is equivocal". Here, the evidentiary record was not equivocal. All the evidence was against Paul's on the question of consent.
89. Paradoxically, Paul's relied on the licence agreement. The construction it urged on the Court was that, despite the express terms of cl **2**.4, the licence enabled BTB to affix the marks to goods it made in India. Provided that it did one of the things for which the licence provided authority in India, so the argument ran, then the fact that it sold the goods outside India was not a breach of the licence, merely a breach of a condition of the licence. The condition, it submitted, did not go to the root of the licence so as to affect the question of

whether the Greg Norman marks had been applied with consent. However, whether or not the condition went to the root of the licence, on any proper reading of the agreement it provides no basis for inferring consent.

90. Paul's submitted that Mr Singh's email of 21 December 2009 contradicts the proposition that GNC did not consent to BTB supplying Greg Norman products to Pakistan. But the email does nothing of the kind. In it Mr Singh said he sold to Sri Lanka, Nepal and Pakistan because "they constituted the territory of India under the Reebok India sales charter". He did not say that he sold to Pakistan because he had GNC's consent to do so and nothing in the email gives rise to such an inference.
91. As the respondents submitted, the mere fact that BTB had overrun production of some products for other customers provided no basis to infer that the garments ordered by Sunsports were not made for the specific purpose of sale in Pakistan, where the contemporaneous documents pointed inexorably to that conclusion. An email BTB sent to Sunsports recorded that the goods would be produced only after the letter of credit was confirmed by both the Indian and the Pakistani bank and the letter of credit as well as other documents identified the port of discharge of the garments as Karachi, Pakistan.
92. The email from Mr Singh sent on 21 December 2009 included the statement (without alteration):

> In all our emails to Sunsports, its been made clear that the product is entitled for sale in Pakistan only.

93. The evidence did not give rise to any available inference against the respondents on the question of consent.
94. His Honour drew an inference that GNC did not approve of BTB supplying Greg Norman products to Pakistan from evidence given by Alexandra (known as Sasha) Blackwell, the international accounts manager of Lifestyle Brands Holdings LLC, the third respondent in this appeal. Paul's submitted that it appears likely that if Mr Singh had been called he would have said that BTB received GNC's consent to sell products outside India. It said that his evidence would have been preferred to Ms Blackwell's because the licence agreement was not terminated until five months after she first learned that BTB was supplying goods bearing the Greg Norman marks outside India. The first proposition is no more than speculation. And it does not follow from the second.
95. Thus, his Honour was faced with the lack of any evidence of actual consent and a licence agreement that prohibited sales of trade marked goods outside India. As Paul's called no evidence to prove consent, the respondents had no evidential onus. The rule in *Jones* ***v*** *Dunkel* simply did not apply here. The purpose of the rule is to enable the tribunal of fact to more readily draw an inference "fairly to be drawn from the other evidence" if a witness able to contradict that inference has not been called: *State Bank of NSW* ***v*** *Brown* [2001] NSWCA 223; (2001) 38 ACSR 715 at [17]- [18] per Spigelman CJ. Such an inference is drawn, if at all, once all the evidence in the case is in. Before that can happen, there must first be an available inference against the party on the evidence: *Manly Council* ***v*** *Byrne* [2004] NSWCA 123 per Campbell J, Beazley JA and Pearlman AJA agreeing at [54]. Here, there was none.
96. The second problem with Paul's argument is that the mere fact that Mr Singh, if called, might have given a different account, is insufficient to disturb his Honour's finding. The question here is not whether a *Jones* ***v*** *Dunkel* inference is available, but whether his Honour's finding should be set aside because he failed to draw it. In *JPQS* ***Pty Ltd v*** *Cosmarnan Constructions* ***Pty*** *Limited* [2003] NSWCA 66 Meagher JA (with whom Beazley JA and Mason P agreed) said at [24] in a passage cited with approval in *Manly Council* ***v*** *Byrne* at [74]:

> [W]hen a finding of fact has been made in a party's favour by a judge, the fact that an absent witness's evidence, if it were given, would not support that finding, cannot disturb the finding actually made.

97. The third problem for Paul's is that the circumstances did not call for the inference to be drawn. In *Fabre* ***v*** *Arenales* (1992) 27 NSWLR 437 at 449-450 Mahoney JA, with whom Priestley and Sheller JJA agreed, said:

> The significance to be attributed to the fact that a witness did not give evidence will in the end depend upon whether, in the circumstances, it is to be inferred that the reason why the witness was not called was because the party expected to call him feared to do so. But there are circumstances in which it has been recognised that such an inference is not available or, if available, is of little significance. The party may not be in a position to call the witness. He may not be sufficiently aware of what the witness would say to warrant the inference that, in the relevant sense, he feared to call him. The reason why the witness is not called may have no relevant relationship to the fact in issue: it may be related to, for example, the fact that the party simply does not know what the witness will say. A party is not, under pain of a detrimental inference, required to call a witness "blind".
>
> ... A *Jones* ***v*** *Dunkel* inference may not arise if, for example, a witness has a reason for not telling the truth or refusing to assist and the party who may call him is aware of this.

98. Here, the respondents had reason to believe that Mr Singh had been dishonest with them. Before the trial started GNC had terminated the licence and distribution agreements, the licence was not renewed or extended, and it made serious allegations of impropriety against Mr Singh. In the letter of termination it sent to Mr Singh on 17 December 2009, two months before the trial started, GNC accused Mr Singh, in effect, of deceit in his dealings with GNC. Litigation between them was a real possibility. In the result, Mr Singh was likely to be uncooperative, if not hostile.
99. In the circumstances, the notion that Mr Singh was in the respondents' camp at the time of the trial must be rejected.

Issue 4 – s 52 of the Trade Practices Act

100. In the proceeding at first instance Paul's alleged that the name and contact details of BTB in a list of international dealers on the "Shark" website gave rise to conduct on the part of GWS in contravention of s 52 of the *Trade Practices Act 1974* (Cth).
101. The effect of the cross-claim was that by listing BTB under the heading "India" in its list of international dealers, GWS represented that BTB was a proper source of authentic Greg Norman goods for supply in Australia.
102. The primary judge accepted that the evidence demonstrated that BTB was an authorised supplier of products manufactured and sold under the Greg Norman marks. However, he said it did not follow that BTB was authorised to use the trade marks on any products it manufactured or sold. His Honour went on to say at [134]:

> ...It would not be reasonable to interpret the contents of the webpages in that way. Nor would it be reasonable to infer from the contents of the webpages that BTB was authorised to apply the registered marks to goods manufactured for sale by it outside India. Whether or not BTB was so authorised is not a question addressed by the contents

of the webpages.

103. His Honour accepted that the webpages might give someone in Mr Dwyer's position an indication that the goods came from an authorised supplier. But he said it did not follow that products acquired from BTB would necessarily have been supplied with the licence of the owner of the registered marks. His Honour found at [135] that no such representation was conveyed by the webpages.
104. We can see no error in his Honour's findings or conclusion.

Conclusion

105. The appeal should be dismissed with costs.

I certify that the preceding one hundred and five (105) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justices Jacobson, Yates & Katzmann JJ.

Associate:

Dated: 11 April 2012
