

“Contrary to Law” May Reach Beyond Australian Shores

Neumann v Sons of the Desert SL [2008] FCA 1183



A recent decision of the Federal Court appears to expand the scope of issues the Trade Marks Registrar may properly consider when deciding whether use of an opposed trade mark is “contrary to law”.

The generally accepted view has been that an opposition under the *Trade Marks Act 1995* (Cth) section 42(b) contemplates the rejection of a trade mark application on the basis that its use would breach some aspect of **Australian** law. However, in *Neumann v Sons of the Desert SL* [2008] FCA 1183 Justice Ryan expressed the view that an agreement made under Spanish law would be breached if registration in the name of one of the co-owners of the mark, to the exclusion of the other, were allowed to proceed. Consequently, although the opposition was successful on the issue of ownership under section 58, his Honour took the view that a ground for rejection under section 42(b) was also established.

In 1998 Neumann (the appellant) set up a company in Spain with two other shareholders. The three agreed that the trade marks of the company would be owned in

equal shares, commensurate with their share of ownership in the company. They also orally agreed that, if the company’s activities expanded beyond Europe, the trade mark registrations in other countries would be obtained in the names of the joint owners. As joint owners they registered several trade marks in Spain, the European Community, the United States, China and Japan.

Various changes in the co-owners occurred until only the appellant and Galdeano, one of the other original co-owners, remained. In 2002 the appellant and Galdeano made two agreements for licensing use of the co-owned trade marks to a third party. Subsequently, the relationship between the appellant and Galdeano deteriorated and Galdeano applied for registration of a new trade mark in Australia nominating himself as sole owner.

The appellant’s opposition to registration of the new mark before the Trade Marks Registrar was rejected. The Registrar’s Delegate decided the appellant’s evidence of the oral or implied agreements between the various shareholders in relation to registration of trade marks worldwide was inadmissible. In addition, he took the view that the 2002 agreements were “entire contracts” intended to govern the ownership of the trade marks by the parties and these did not extend beyond the joint ownership of the marks in Spain and the European Community.

Justice Ryan disagreed. In his opinion, the 2002 agreements were evidence of a pre-existing agreement that the trade marks would be co-owned by the appellant and Galdeano. In addition, they referred to the use of the trade marks in Spain and the European Community as well as other countries where registration might be obtained. As a result, Galdeano was not the true owner of the applied for mark so that the opposition to registration under section 58 succeeded.

Whilst not obliged to do so, his Honour went on to consider the opposition under section 42(b). Allowing the application to proceed to registration in Galdeano’s name alone would be in breach of the agreements

between the parties and thus be contrary to **Spanish** law. Thus, the opposition under section 42 (b), whereby an application for registration must be rejected if “its use would be contrary to law” was, in his Honour’s view, also established.

This case apparently broadens the scope of an opposition under the *Trade Marks Act 1995* (Cth) section 42(b) beyond possible breaches of Australian legislation and common law to a consideration of extra-territorial law, in this case, Spanish law. Theoretically, it could expand to the law of any land. It is probably significant, however, that there was no appearance on behalf of Galdeano at the hearing of the appeal. It will be interesting to see how the Australian Trade Marks Office applies this decision to similar section 42(b) opposition cases in the future, at least, until the Federal Court speaks again on the issue.



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