

## Article Information

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## New Trade Mark? Do Your Due Diligence - Hemmes v Establishment 203

**The defence to trade mark infringement of “good faith” has had significant commentary as of late, where the Court has clarified evidentiary requirements and what conduct it considers trade mark users must demonstrate in order to rely upon this defence.<sup>[1]</sup> The Federal Court decision of *Hemmes Trading Pty Ltd v Establishment 203 Pty Ltd*<sup>[2]</sup> further emphasises the need for prospective trade mark users to undertake honest and reasonable steps to ascertain the ability to use a trade mark.**

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### Background

The Applicant, Hemmes Trading Pty Ltd (**Hemmes**), is the owner of the Australian registered trade mark TM876753: “ESTABLISHMENT” for classes 9, 25, 41, and 42 filed on 23 May 2001. Hemmes had used the trade mark since September 2000 in respect of a multi-level restaurant, bar and hotel business located in Sydney.<sup>[3]</sup>

Establishment 203 Pty Ltd operated a restaurant by the same name in Brisbane which opened in November 2023. Establishment 203 is part of the Stanbroke group of companies which owns an abattoir that was given the establishment number 203 in 1997 “under the system in which all abattoirs certified by the Australian Government are given an establishment number which must be displayed on every meat product that leaves the country.”<sup>[4]</sup>

Both before and after the priority date, other businesses had provided restaurant services using the word ‘establishment’ in their name,<sup>[5]</sup> such as “The Establishment Restaurant and Supper Room”, “The Establishment Club Restaurant” and “The Establishment 1958”.<sup>[6]</sup>

The ESTABLISHMENT restaurant had hundreds of thousands of patrons from the time it commenced operating until the date the trade mark was filed.<sup>[7]</sup> These patrons were aware of the restaurant by the name of “ESTABLISHMENT” which was displayed on signage, coasters, pens, matches and business cards. Further, multiple newspaper articles referred to the business as “Establishment”, using the word as a proper noun and implying its use as the brand name identifying the business.<sup>[8]</sup>

### Trade Mark Infringement

Jackman J held that “ESTABLISHMENT 203” was deceptively similar to ‘ESTABLISHMENT’ under s 120(1) of the *Trade Marks Act 1995* (Cth) (**TMA**).<sup>[9]</sup>

In making this finding, his Honour determined that the word ‘establishment’ is strongly descriptive and is used by many other businesses to provide restaurant services<sup>[10]</sup> and by consumers to refer to restaurants.<sup>[11]</sup> This made the addition of “203” to ESTABLISHMENT significant but not determinative. “203” did not convey any particular meaning to the notional consumer, as the number was too high to suggest ‘a numerical sequence of restaurants’<sup>[12]</sup> (like 2 or 2.0) which would create a strong impression of association with ESTABLISHMENT. It was unlikely that consumers would know that ‘203’ was a reference to the abattoir and left open a real risk of confusion.<sup>[13]</sup>

### Defence - Good Faith

In defence of the claims, Establishment 203 relied on the defence of good faith under section 122(1)(a) of the TMA. This

was rejected by the Court<sup>[14]</sup>.

In *Flexopack SA Plastic Industry v Flexopack Australia Pty Ltd*,<sup>[15]</sup> Beach J set out various factors to establish a defence of good faith:

An honest belief at least at the time of adopting the mark that no confusion would arise by reference to the earlier trade mark and that there was no intention to divert trade is a necessary not sufficient condition for establishing good faith;

If a person does not take steps that an honest and reasonable person would take to ascertain the ability to use a trade mark and has, in effect, taken a risk, then they are not acting in good faith;

Good faith under section 122 requires reasonable diligence to determine that a chose name does not conflict with a registered trade mark; and

The failure to make proper inquiries should not place a respondent in a better position than if the inquiries had been made.<sup>[16]</sup>

The Court held that Establishment 203 had not acted in good faith when adopting the disputed trade mark because:

Establishment 203 did not conduct any trade mark searches when adopting the name ESTABLISHMENT 203;<sup>[17]</sup>

Establishment 203 did not seek legal advice from their lawyers who had assisted their corporate group with trade mark matters for decades.<sup>[18]</sup> While the director received legal advice prior to establishing the restaurant and company, the advice was not disclosed during the trial and was consequently no help to Establishment 203's defence;

Establishment 203 used the trade mark "ESTABLISHMENT 203" despite receiving a letter of demand from Hemmes' solicitors alleging trade mark infringement (which was not even read in full by Establishment 203's managing director);<sup>[19]</sup> and

The reasons for why Establishment 203's director did not consider there to be any risk of confusion were based on incorrect notions that Hemmes' trade mark was limited to a specific type of restaurant and to the city in which Hemmes' restaurant was based. While an understanding of intellectual property law was quite reasonably beyond the scope of the director's expertise, he had sought legal advice and still did not change his position.

### **Take-Aways**

The defence of good faith is likely to fail where a respondent cannot adequately demonstrate that it made appropriate inquiries to ascertain whether it could freely use a trade mark.

Prospective trade mark users should seek legal advice about the freedom to use a trade mark, potential infringement and otherwise conduct proper searches of the market and trade marks register before adopting that mark.

<sup>[1]</sup> See, for example, *FanFirm Pty Ltd v Fanatics, LLC* [2024] FCA 764.

<sup>[2]</sup> [2024] FCA 1100.

<sup>[3]</sup> Ibid [1].

<sup>[4]</sup> Ibid [2].

<sup>[5]</sup> Ibid [6]-[7].

<sup>[6]</sup> Ibid [38].

<sup>[7]</sup> Ibid [12].

<sup>[8]</sup> Ibid [13].

<sup>[9]</sup> Ibid [44].

<sup>[10]</sup> Ibid [38].

<sup>[11]</sup> Ibid [39].

[\[12\]](#) Ibid [42].

[\[13\]](#) Ibid [43].

[\[14\]](#) Ibid [67].

[\[15\]](#) (2016) 118 IPR 239.

[\[16\]](#) Ibid [108] – [118].

[\[17\]](#) *Hemmes Trading Pty Ltd v Establishment 203 Pty Ltd* [2024] FCA 1100[65].

[\[18\]](#) Ibid.

[\[19\]](#) Ibid [51].