

“A lot of Kebab” The assessment of damages for *flagrant* infringement of the Halal-Certified trade mark under the new Section 126(2) of the Trade Marks Act in *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614

“Since the infringing behavior had lasted for nearly two years and since three firms were involved it followed that compensatory damages should be fixed at nothing less than \$89,020 which is a lot of kebab,” writes Perram J at paragraph nine in describing the applicant’s claim for damages for trade mark infringement.



*Halal Certification Authority Pty Limited v Scadilone Pty Limited*¹ (Halal) concerned a suit for damages, injunction, and corrective advertising by the applicant (Halal Certification Authority) in respect of infringing use of its trade mark (“the Halal Trade Mark”, see above) by the three respondents being three companies (Scadilone Pty Ltd, White Haven Pty Ltd, and Quality Kebabs Wholesalers Pty Ltd) and their respective directors. The first two companies are owners of restaurants, the third a wholesaler manufacturer of meat for kebabs.

The Halal Trade Mark is a seal used by the applicant to certify, for reward, those businesses that used halal practices in the preparation of goods and services in accordance with the Islamic faith.

The Halal Trade Mark is registered in respect of *Class 35: Personal and social services, and Class 42: scientific and technical services: issuing halal certifications to business and individuals for goods and services if religious and technical requirements are met*. The applicant alleged that the three respondents had been using the Halal Trade Mark without its permission to indicate that kebab meat products used were halal.

The Halal Trade Mark was registered as a regular trade mark as opposed to a certification trade mark which requires its own application and additional criteria. Interestingly, this raises the issue of whether the respondents’ use of the trade mark was in fact use as a trade mark – which is a requirement of proving infringement. This is because it could be argued that since the trade mark was not registered as a certification mark, but a service mark, the mere display of it on a certificate on the business premises (misleading as it may be) was not use as a trade mark for the purposes of infringement.

¹ [2014] FCA 614.

The Court did not focus on this aspect however. Instead Perram J found that there was evidence of infringement of the applicant's trade mark on the following reasoning. The third respondent, Quality Kebabs, either made or instructed the making of false certificates bearing the Halal Trade Mark and provided customers like the first and second respondents with the false certificates despite knowing that the supplied products were not halal-certified by the applicant. Therefore the Court found infringement had occurred since the kebabs, when sold under the halal certificate, were closely related services of providing halal certification for the purposes of Section 120(2) of the *Trade Marks Act 1995* (TMA), namely they were closely related to the services in respect of which the Halal Trade Mark is registered.

In considering appropriate damages, Perram J made clear distinctions between the infringements of each respondent.

In respect of the retailers, the first and second respondents, the Court noted that the kebab shops were not interested in seeking halal-certification for their premises, but were only interested in seeking halal-certification from Quality Kebabs for the kebab meat supplied. This was a significant distinction given that the applicant was relying on the licence-fee approach for assessing damages as in the copyright case of *Autodesk Australia Pty Ltd v Cheung Pty Ltd*² (*Autodesk*) where it was important that the infringer would have paid for a licence if faced with a choice between payment and not using the copyright work at all.

Thus, the damages were likely to be more in the nature of diminution in the reputation of and goodwill in the Halal Trade Mark. However, this would also require proof that the food served was not halal and that the public became aware of this. No evidence was led by the applicant to this effect and as such His Honour rejected diminution damages based on reputational harm to the Halal Trade Mark. His Honour therefore concluded that only nominal damages were payable by the first and second respondents. The sum of nominal damages awarded was \$10.

In relation to damages for the third respondent, Quality Kebabs, the applicant again did not manage to establish damages on a loss of licence fee basis. As Perram J pointed out: had Quality Kebabs not misappropriated the Halal Trade Mark, it would have simply misappropriated someone else's rather than paying a licence fee. There was no lost sale opportunity for the applicant. Again, nominal damages of \$10 were awarded.

There was however a further claim by the applicant for "additional damages" under Section 126(2) of the Trade Marks Act which provides that additional damages can be awarded for "flagrancy of the infringement" or to "deter" similar infringement by others.

Section 126(2) relevantly provides:

- (2) A court may include an additional amount in an assessment of damages for an infringement of a registered trade mark, if the court considers it appropriate to do so having regard to:
 - (a) the flagrancy of the infringement; and

² (1990) 94 ALR 472.

- (b) the need to deter similar infringements of registered trade marks; and
- (c) the conduct of the party that infringed the registered trade mark that occurred:
 - (i) after the act constituting the infringement; or
 - (ii) after that party was informed that it had allegedly infringed the registered trade mark; and
- (d) any benefit shown to have accrued to that party because of the infringement; and
- (e) all other relevant matters.

Section 126(2) is fairly recent, being incorporated into the Trade Marks Act by the 2012 “Raising the Bar” amendments. Perram J held that “additional damages,” whilst broader than exemplary damages were not compensatory in nature. Referring to the Parliament’s Second Reading Speech His Honour concluded that the damages were intended to deter from infringement. Taking into account the “arrogant attitude” of Quality Kebabs in its defence, as for example Quality Kebab’s attempt to blame a former employee, His Honour found that an award of “additional damages” was appropriate here. The quantum of damages could not equal the value of the certificate as this would equate to a “use now, pay if you get caught approach”. Thus, a 50% increase on the certification fee was imposed yielding a total of \$91,015.00 for two years of infringement.

The applicant also managed to secure an injunction restraining Quality Kebabs from using the Halal Trade Mark as well as an order for corrective advertising in leading Islamic newspapers to inform the public of the misuse.

Whilst the case provides important groundwork on the approach to the imposition of “additional damages,” it is important to remember that despite the unsatisfactory outcomes for the applicant here, the standard principles relating to the manner in which damages for trade mark infringement are determined under Section 126(1) of the Trade Marks Act 1995 have not been departed from and remain the same. That is, the assessment of damages must be commensurate to the loss suffered from the infringement in all relevant circumstances; the onus remains on applicants to evidence and particularise loss; there is no entitlement to general damages for damage to reputation or goodwill in the absence specific evidence to this effect.

The decision thus serves as an important reminder to trade mark holders seeking to litigate that, unlike injunctive relief for the protection of trade mark interests, compensation does not flow freely without particular proof of loss. Without such proof, a claim for \$89,020 might just as well be “a lot of Kebab.”

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