

Trade Mark Infringement on International Websites: Position of Australian Courts

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abstract

Over the past decades, advances in technology and e-commerce have not only fundamentally changed traditional business models, but have also brought about new challenges to traditional intellectual property laws, including trade mark law. The area of trade marks is an important part of traditional intellectual property rights and has played an increasingly important role in the creation and accumulation of business fortunes. This is particularly true in the current digital environment. The development of the digital economy and e-commerce has significantly opened market niches, and made domestic products accessible to consumers worldwide. This has also significantly facilitated and enhanced the international use of trade marks, and brings profits for trade mark owners internationally. This article provides an overview of Australia's online trade mark legislation and explores potential legal risks for foreign investors who may infringe Australian trade marks through the internet. It further provides some specific suggestions for foreign traders to avoid potential litigation on online trade mark infringement in Australia.

Introduction

Over the past decades, the rapid development of technology, and particularly digital technology, has significantly enhanced e-commerce and globalisation. As many commentators have observed, the current form of globalisation is a 'technology-based globalisation' (Toth, 2004, p. 81). Thomas Friedman, in his recent book *The World is Flat* (Friedman, 2006), summarised 10 'flatteners' that play important roles in 'flattening' the world and accelerating globalisation, and at least seven of them are technological trends (Drum, 2005). Advances in technology and e-commerce have not only fundamentally changed the rules of information distribution and traditional business models, but have also brought about new challenges to traditional IP laws, including trade mark law. Trade mark protection is an important traditional IP right and has played an increasingly important role in the creation and accumulation of business fortunes and the enhancement of economic growth. This is particularly true in the current digital environment. The development of the digital economy and e-commerce has significantly opened market niches, and made domestic

products accessible to consumers worldwide. It has also significantly facilitated and enhanced the international use of trade marks and brought profits for trade mark owners internationally.

This article provides an overview of Australia's online trade mark legislation and explores potential legal risks for foreign investors who may infringe Australian trade marks through the internet. It will particularly examine the question of whether a trade mark that appears on an international website may infringe a trade mark registered in Australia in certain circumstances. It will *first* examine the impacts of digital technology on traditional business models and traditional trade mark laws and explore some general situations in which online trade mark infringement may be found. It will *then* examine how the traditional trade mark laws and common law passing off rules address these issues. *After that*, the article will focus on the decisions of the Australian courts in *Ward Group Pty Ltd v Brodie & Stone Plc* [2005] and some relevant cases in other jurisdictions. It will examine how the UK and US courts address online trade mark infringement issues,

and how their positions/reasoning/approaches have influenced the position of Australian courts. *On this basis*, the article explores some specific circumstances in which a trade mark on an international website may be found to infringe a registered trade mark in Australia, particularly focusing on trade mark infringement through internet sales and other activities conducive to foreign traders. By so doing, we provide a guideline for foreign online traders in avoiding the potential legal risks of infringing Australian trade marks via the internet.

Advance of internet technology vs trade mark protection

Traditionally, most intellectual property litigation is domestic in nature. The disputing parties are normally from the same country and few jurisdiction issues have been involved. However, ever-improving digital technologies and the development of e-commerce have 'rendered geographical boundaries irrelevant' and 'led to new types of dispute' (Garnett, 2006, p. 213). Consequently, the number of trans-national and internet-related intellectual property disputes has increased dramatically, including disputes involving trade mark rights and internet activity.

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In the current digital environment, one of the most typical situations of current trans-national trade mark disputes is outlined below:

- Person A holds trade mark rights under the law of country X.
- Person B in country Y conducted certain actions via the internet, and A believes such acts have infringed A's trade mark rights in the territory of country X (such as providing goods or services online under a trade mark substantially similar to the trade mark A has legitimately held in country X).
- Person A then lodges a lawsuit in country X against B and claims that B has infringed A's trade mark in country X.

The courts and regulators in country X will then have to answer two questions:

1. Can person A lodge a lawsuit in country X against B?
2. How does the court in country X determine whether the claimed acts conducted by B constitute an infringement of A's trade mark rights in country X?

More specifically, question one is actually a jurisdiction question. The plaintiff A in country X wants to apply country X's laws to actions which B has conducted in country Y. However, it seems that the territorial limitation in the trade mark of country X would preclude such a course unless the court found the defendant B's conduct occurred in country X. Question two is about specific standards for determining online infringing use of trade marks (by a foreign-based website). These two questions are related to each other.

Traditional grounds for trade mark infringement in Australia

In order to answer the questions above, a brief overview is necessary of how traditional common law and statutory law in Australia addresses the infringement of trade mark rights. Traditionally, there are two ways for trade mark holders to defend their rights. One is based on the traditional common law principle of passing off. The other is statutory law provisions on trade mark infringement.

Passing off

Although there is no succinct and comprehensive definition of 'passing off' that satisfies everyone, it is commonly accepted that the tort of passing-off consists of three main elements (Caenegem, 2003, p. 504):

1. reputation;
2. misrepresentation; and
3. damage.

Regarding the 'reputation' element, as Professor Caenegem stated, a plaintiff in a passing-off action must prove that a 'reputation in the relevant area with the jurisdiction' has been established. (Caenegem, 2003, pp. 213-4). One of the advantages of a registered trade mark is that the owner of the trade mark is not generally required to prove reputation.

Regarding the 'mis-representation' element, a plaintiff will normally have to prove that the defendant's conduct has resulted in a significant number of consumers being misled—either 'coming to an erroneous conclusion about, or being confused about, a connection' between the business (goods or services) of the defendant and those of other traders (Caenegem, 2003, pp. 210, 219, 220).

In terms of 'damage', the 'damage' claimed by the plaintiff in an action of passing off is mainly in relation to the loss of sales because of 'actual or apprehended diversion of custom or business' (Caenegem, 2003, p. 228). Although the passing-off action is theoretically complete once misrepresentation has been proved, damage will still need to be shown 'if more than nominal damages are to be obtained'. As Evatt CJ and Myers J stated in *Radio Corp v Henderson* (1960), in order to obtain an injunction to restrain the misleading actions, the plaintiff will have to 'show irreparable injury, that is that he has suffered injury which cannot be properly compensated by damages, or that he will probably suffer such injury'.

Trade mark infringement

Regarding the trade mark infringement issues, section 120 of the *Trade Mark Act 1995* lists various situations of infringing use of a registered trade mark. Section 120(1) of the Act provides that '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'. However, section 120(2) further expands the actionable use, in prescribed circumstances, to 'closely related services or goods of the same description'. In the case of a well-known trade mark, even use in relation to 'unrelated goods or services' could be found actionable.

More specifically, in *Moorgate Tobacco Co Limited v Philip Morris Limited* (1984) and *Malibu Boats West Inc v Cantonese* (2000), the courts further clarified that the trade mark is deemed to be used 'when the mark has been used in Australia in an advertisement or offering for sale of the goods, even prior to any actual trade or dealing in the goods under that mark'.

The existing statutory laws and common law positions discussed above are arguably good sources of laws for addressing the trade mark infringement issues in the complicated online environment, particularly trade mark infringement through internet sales.

Position of Australian courts and circumstances of trade mark infringement on the internet

Position of Australian courts

Although a number of online trade mark infringement cases have been considered by the courts in other jurisdictions (particularly the US), not too many cases can be found in Australia. One of the recent and most influential cases, which specifically addressed trade mark infringement on the internet in Australia, may be *Ward Group Pty Ltd v Brodie & Stone Plc* (Ward Case) in 2005. In that case, the Federal Court of Australia had to address questions about 'when the use of a trade mark on

the internet amounts to use in Australia', and determine whether the advertising and sale of products (under a mark identical to an Australian registered trade mark) on foreign-based websites constituted passing off or an infringing use of the trade mark in Australia (McManis, 2005).

The Ward Group is an Australian manufacturer and distributor of hair care preparations and the proprietor of the trade mark 'Restoria'. The Ward Group owns that trade mark in Australia and over 70 other countries. However, rights to use the trade mark in the UK had been assigned around 1970 and are currently held by Brodie & Stone (Butt and Kerr, 2005). Ward Group alleged that advertising and sale of Brodie & Stone's product (with 'Restoria' mark) on UK websites, which were accessible to consumers in Australia, amounted to:

- to *passing off* of the Brodie & Stone product as the products of the Ward Group; and
- to *infringing use of Ward Group's trade mark* registered in Australia.

The court found that Brodie & Stone's products were advertised on the internet under the 'Restoria' trade mark for purchases at various sites, including:

- a website with an online catalogue, which advertises 'Restoria' product with a price in British pounds and US dollars, and has a drop down country box with a list of shipping destinations including Australia; and
- an online catalogue, which lists the price in British pounds, Euros, US dollars and Australian dollar currencies (McManis, 2005).

Moreover, the court found that the only products proved to have been purchased from the websites by Australian consumers were products purchased by Ward Group's solicitors in British pounds ('trap purchases').

The court eventually dismissed Ward Group's claims for both passing-off and trade mark infringement. The court held that the claim for *passing off* failed because the Ward group was not able to establish actual or probable damage. The court believes that although a representation generally made may constitute a misrepresentation in Australia, it would need to be targeted at Australian consumers. But in the Ward case it found that no representation *specifically targeted* Australian consumers (McManis, 2005; Butt and Kerr, 2005). The court found (paras 6 and 37) the Ward Group's action for *trade mark infringement* also failed. Again, the court believes that Brodie & Stone's product advertising on the internet was targeting '*potential purchasers anywhere in the world at large*' and was not '*specifically targeted or directed at...consumers in Australia*'. The court then held that the advertising of the UK Restoria

product on the UK websites was not 'use' of the *Restoria* trade mark in Australia, and accordingly did not constitute trade mark infringement. Regarding 'trap purchases' made by Ward's solicitors, the court held that, although the 'trap purchases' did constitute 'use' of the *Restoria* trade mark in Australia, such purchases did not amount to trade mark infringement because the trap purchase act itself has been taken to involve 'implicit' consent to the claimed infringing use. Therefore, by referring to the consent provisions/defence under section 123 of the *Trade Mark Act*, the court (para 54) found that the trap purchases did not constitute an infringing use of Ward's trade mark.

As some commentators have pointed out, the court decision in *Ward Case* made it clear that 'foreign-based websites must specifically target or be directed at Australian customers before the court will find liability or grant relief for claims of trade mark infringement or passing off' (Butt and Kerr, 2005).

Impacts of foreign decisions and circumstances for infringement

Impacts of decisions in UK and US courts

Comparing the *Ward Case* with a number of recent cases in other jurisdictions, particularly the UK and US, we will find that some important positions in foreign courts have been reflected in the reasoning and decisions of the Australian courts.

In quite a few cases in the UK, the court had considered the question of whether there is infringement if a person uses a UK registered trade mark on the internet. In *Euromarket Designs v Peters and Crate & Barrel* [2001] (*Euromarket Case*), in referring to section 10 of the UK *Trade Mark Act*, Jacob J held that in order to determine the infringing use of a trade mark, the court should:

- ask 'whether a reasonable trader' would consider that the use concerned was 'in the course of trade in relation to goods'; and
- ask 'whether the defendant had any trade in the UK or had any customers buying goods for consumption in the UK'.

By referring to his own decision in the *800 Flowers Trade Mark Case* [2000], Jacob J further pointed out that merely using a name on the internet itself cannot establish 'use' of trade mark throughout the world, and believed the establishment of the use of trade mark more relies on whether or not the website owner 'has actively gone out to seek worldwide trade not just by use of the name on

the internet but by advertising its business, and offering and operating a real service' of supply of goods to the jurisdiction in question (para 24). He found that the defendants in that case 'have done none of that' and, accordingly, held the infringing use of the trade mark in the UK could not be established. Jacob J's position on how to determine the 'use' of trade mark has arguably influenced the position/reasoning of the Australian court also. The position of the Australian court in *Ward* was quite similar to that of the UK, by ruling that 'something more than an offer to the "world at large" on the internet is required for Australian trade mark owners to prove claims against foreign website traders for trade mark infringement' (Butt and Kerr, 2005).

In *Toys 'R' Us, Inc v Step Two* (*Toy Case*) in 2003, the US Court of Appeals for the Third Circuit also considered the question of how to 'establish personal jurisdiction against an accused international trade mark infringer selling its goods via the internet' (Dodds, 2003). The court examined both 'non-Web business activity as well as Web transactions as evidence of "purposeful availment"', and believed that it is necessary to grant a plaintiff's request for discovery to investigate the non-Web business activity of defendants, so long as the request is 'specific, non-frivolous, and a logical follow up based on information known to the plaintiff' (Dodds, 2003). In *Ward's Case* [2005], both 'Web transaction' and 'non-Web' business activity of Brodie & Stone (such as website design, payment methods, and history of obtaining the trade mark in the UK) were examined carefully by the Australian courts.

One important undecided issue is about the 'criteria for determining when a foreign-operated website is specifically targeted at customers in Australia'.

The above cases demonstrate that Australian courts have adopted a similar approach to courts in other jurisdictions, especially the US and UK, in determining the infringing use of trade marks on the internet. It seems that there is a tendency to harmonise digital law/international trade mark laws towards common international standards in this current digital era.

Various circumstances for infringement

Although in *Ward's Case*, the Federal Court addressed questions about when the use of a trade mark on the internet amounts to infringing use of that trade mark in

Australia, certain issues remain unresolved (McManis, 2005). One important undecided issue is about the 'criteria for determining when a foreign-operated website is specifically targeted at customers in Australia' (Butt and Kerr, 2005). Nevertheless, again, it seems that Australian courts are willing to accept some important principles/approaches in the UK and US decisions regarding this issue, such as in *Euromarket Case* (UK); *1-800 Flowers Inc v Phonenames Ltd* (UK); and *Toys Case* (US).

Philip Kerr and John Butt (associates of Allens Arthur Robinson who acted for Brodie & Stone in the proceedings), summarised some key 'factors' for assessing whether a foreign-operated website is specifically targeted at customers in the jurisdictions in question, including:

- whether the website operator is actively engaged in other forms of advertising or marketing in the jurisdiction (such as television or newspaper advertising—'non-Web' business activities);
- whether the number of online sales in the jurisdiction is not merely random;
- whether the website intentionally functions to accept purchases in the currency of the jurisdiction; and
- other factors, such as whether local after-sales support has been offered (Butt and Kerr, 2005).

The above factors/criteria arguably provide us with a sound guideline to identifying the specific circumstances where online trade mark infringement could be found. Again, we can use the Ward Case as an example and make a few assumptions.

If Brodie & Stone had promoted its Restoria products in Australia (such as through specific business promotion in Australia or advertising on Australian TV and in newspapers), or if the UK Restoria products were offered for sale on websites with an Australian URL (such as '.com.au'), the Ward Group may arguably claim that Brodie & Stone 'actively engaged in other forms of advertising or marketing' in Australia 'specifically targeted at customers in Australia', and this would constitute infringement and misrepresentation/passing off of the Ward Group's trade mark.

If it had been found that there was a significant 'number of sales' of the UK Restoria product to Australian consumers, rather than merely the trap purchases conducted by the Ward Group's solicitors, then Ward

Group could definitely claim that Australian consumers had been 'specifically targeted' and that 'damage' had been caused. Accordingly, the court may rule that the Brodie & Stone acts constituted infringement or the passing off of the Ward Group's trade mark in Australia.

If the Brodie & Stone website only accepted purchases in the Australian currency, and explicitly provided the product delivery service to Australian consumers (or had set up product delivery arrangements with Australian courier/delivery companies), it would not be difficult to prove that Brodie & Stone had been 'specifically targeting' an Australian market and the findings of the court may have been completely different.

In addition to various circumstances for infringing trade marks through internet sales, there are increasingly disputes on internet trade marks and domain names worldwide.

In addition to various circumstances for infringing trade marks through internet sales, there are increasingly disputes on internet trade marks and domain names worldwide (particularly in the US). Most court decisions are in favour of trade mark owners. For example, in *Cable News Network LP v CNNNews.com* [2001], it was found that a foreign registrant used the domain name in good faith on a foreign language website, which specifically targeted the local market, but the US court still ordered it to relinquish the domain name. The same thing may also happen in Australia. In order to reduce the risk of trade mark infringement, Australian domain name registration rules provide that a trade mark owner cannot register its trade mark as a domain name unless the trade mark is the same as its legal entity name (that is, company name) (IP Australia, 2007). Thus, even if Brodie & Stone had registered 'restoria.com.au' as the URL, the court/Australian domain name administrator may still require that they relinquish it.

Conclusion

In conclusion, although the *Ward Case* decision was in favour of foreign trade mark users, a trade mark that appears on an international website may still infringe a trade mark registered in Australia in various circumstances, particularly when the court finds that a foreign-operated website is specifically targeted at Australian customers.

As such, to avoid the potential litigation in Australia, if foreign internet traders find their goods are likely to be the subject of trade mark protection in Australia, they should ensure that 'their website operations are not structured to actively advertise, accept or process orders for delivery of goods to Australian residents', unless they have obtained a licence/consent from the Australian trade mark owner or they can demonstrate a statutory exemption (Butt and Kerr, 2005). ♦

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