

# FOCUS

## TRADE MARKS

### Inside:

Passing off

Trade mark  
infringement

Liability of the  
UK manufacturer

### Your publication:

If you would prefer to receive  
our publications in electronic  
format, please email:  
[publications@aar.com.au](mailto:publications@aar.com.au)

[www.aar.com.au](http://www.aar.com.au)

VISIT OUR WEB SITE  
TO READ ALL FOCUS EDITIONS

## Trade mark infringement on the Internet

The Federal Court has ruled 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. Partner Philip Kerr and Senior Associate John Butt report.

### Background

The applicant in the proceedings, the Ward Group Pty Ltd (**Ward**), the Australian manufacturer and owner of anti-greying hair creams and lotions marketed under the 'Restoria' trade mark, sold the UK arm of its business in 1970. In 1996, the UK business, including the UK trade mark registration for 'Restoria', was acquired by the respondent group of companies, Brodie & Stone Plc and its related entities (**Brodie & Stone**). This meant that ownership of the Restoria trade mark was split between two independent proprietors operating in different territories.

### The case

Ward alleged that the advertising and sale of Brodie & Stone's UK Restoria product on websites operating from the UK, which were accessible in Australia, amounted to infringement of Ward's Australian trade mark and to passing off of the Brodie & Stone product as the product manufactured and distributed by Ward.<sup>1</sup>

Ward had its solicitors make a number of 'trap purchases' from UK businesses operating websites that had no connection with Brodie & Stone and commenced proceedings against both the website operators and Brodie & Stone. The trap purchases were made by selecting the product on a webpage at each site and by completing a separate online order form to complete the purchase in British pounds.

<sup>1</sup> *Ward Group Pty Ltd v Brodie & Stone Plc* [2005] FCA 471 (the authors acted for Brodie & Stone in the proceedings).

Although Ward discontinued its actions against the website operators before trial, the Federal Court had to determine:

- whether the advertising, and sale, of the Brodie & Stone Restoria products by the UK website operators constituted a passing off of those products as and for Ward's Restoria products or amounted to 'use' of the Restoria mark in Australia and therefore infringement of Ward's trade mark; and
- if the claims against the website operators were successful, whether Brodie & Stone, as the manufacturer and distributor of the UK Restoria product, was liable as a joint tortfeasor for the passing off and trade mark infringements by failing to impose restrictions on its customers to prevent sales of the UK product on the Internet to Australia.

## The decision

### Passing off

Ward's action for passing off failed because it was not able to establish actual or probable damage. This finding was due to a combination of the following:

- the only evidence of sales of the UK Restoria product to Australia were the trap purchases made by Ward;
- sales of the UK Restoria product were otherwise unlikely to occur in Australia because Ward's product was widely available from retail outlets and on Ward's websites operating in Australia;
- it would make little economic sense for Australian consumers to purchase the UK product from the UK websites because it was more expensive (given the exchange rate and higher postage costs); and
- as the UK and Australian Restoria products had a common origin and were not materially different in quality or standard, any sale of the UK Restoria products in Australia was unlikely to harm the goodwill attaching to Ward's Restoria products.

### Trade mark infringement

Ward's action for trade mark infringement also failed. The Federal Court held that:

- the advertising of the UK Restoria product on the UK websites was not 'use' of the Restoria trade mark in Australia because the offers were not specifically targeted or directed at consumers in Australia; and
- while the downloading in Australia of the 'acceptance' of the trap orders placed by Ward's solicitors, and the delivery of the UK products to

Australia, *did* constitute 'use' of the Restoria trade mark in Australia, that use *did not* amount to trade mark infringement because Ward had procured the trap purchases and, therefore, consented to the use of the trade mark in Australia.

The court concluded that the Restoria trade mark was first 'used' in Australia when the solicitors making the trap purchases downloaded the website operators' acceptance of the on-line order, not at the earlier time when the website pages containing offers of the UK product were first accessed and downloaded (because those 'offers' were to the 'world at large').

However, the particular circumstances of the case meant that the 'use' of the Restoria trade mark in Australia, by way of the trap purchases, had been authorised by Ward and did not constitute trade mark infringement:

The only occasion on which a physical manifestation of the Restoria mark occurred in Australia as a result of conduct of the website proprietors was when the Ward Group's trap order was confirmed and its trap purchase (including delivery) was made. Thus, the Ward Group procured the sole use of the infringing mark by the foreign website proprietors and, but for the trap purchases, no such use would have occurred. In those circumstances the conduct of the Ward Group is to be taken to involve an implicit, if not an explicit, consent to the infringing use.

On this basis, the court found that the trap purchases were not an infringing use of Ward's trade mark by reason of the consent provisions under section 123 of the *Trade Marks Act 1995* (Cth).

### Liability of the UK manufacturer

As the actions in passing off and trade mark infringement failed, so too did Ward's action against Brodie & Stone as a joint tortfeasor in respect of those claims. However, the court's reasons for rejecting the joint tortfeasor allegations (had the passing off and trade mark infringement claims been successful) confirmed that:

- the sale by Brodie & Stone of its Restoria products in the lawful and ordinary course of its business in the UK could not render it liable as a joint tortfeasor merely because a purchaser may have subsequently used those goods unlawfully, by engaging in passing off or trade mark infringement on the Internet or otherwise; and
- Brodie & Stone's failure to impose resale restrictions on its customers to prevent supply of the UK Restoria products to the website operators, even

after being put on notice by Ward of the alleged website conduct, could not render Brodie & Stone liable as a joint tortfeasor as Brodie & Stone was under no legal obligation to take such steps.

***The decision shows 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.***

The outcome may have been different if Brodie & Stone had knowingly supplied or acted in concert with the website operators with the intention of manufacturing and distributing its UK product for sale in Australia. However, the court found that Brodie & Stone had no such intention.

## Implications

The decision shows 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. Clearly, the findings against the website operators may have been different if there had been evidence of a significant number of sales of the UK Restoria product to the Australian public, rather than only the trap purchases. Arguably, trade mark infringement may also have been found if the UK Restoria products were offered for sale on websites located in Australian domain space such as '.com.au'.

Although the decision does not specify the criteria for determining when a foreign-operated website

is specifically targeted or directed at customers in Australia, it suggests that Australian courts are willing to accept the principles of recent UK and US decisions that assess a number of factors, including whether:

- the website operator is actively engaged in other forms of advertising or marketing in the jurisdiction (such as television or newspaper advertising);
- the number of sales via the website to customers in the jurisdiction is not merely random or fortuitous;
- the website intentionally functions to accept purchases in the currency of the jurisdiction or is specially enabled to process and deliver orders from and to the jurisdiction; and
- other factors, such as the offer of local after-sales support, including toll-free numbers that may be readily used by residents in the jurisdiction.<sup>2</sup>

***The decision ... suggests that Australian courts are willing to accept the principles of recent UK and US decisions.***

Internet traders seeking to avoid the threat of litigation in Australia should ensure that their website operations are not structured to actively advertise, accept or process orders for delivery of goods to Australian residents if those goods are likely to be the subject of trade mark protection, unless they can demonstrate the benefit of a statutory exemption or a licence or other relevant consent from the local trade mark owner.

<sup>2</sup> See: *Euromarket Designs Inc v. Peters and Crate & Barrel Ltd* [2001] FSR 288; *Flowers Inc v. Phonenames Ltd* (2001) 52 IPR 487; *Zippo Mfr. Co. v Zippo Dot Com, Inc.* 952 Supp 1119 (WD Pa 1997); and *Toys "R" Us v Step Two, SA.* 318 F.3d 446; 2003 U.S. App. LEXIS 1355.

### For further information, please contact:

**Jim Dwyer**

Partner, Sydney  
Ph: +61 2 9230 4873  
Jim.Dwyer@aar.com.au

**Philip Kerr**

Partner, Sydney  
Ph: +61 2 9230 4937  
Philip.Kerr@aar.com.au

**Colin Oberin**

Partner of Allens Arthur Robinson  
Patent & Trade Marks Attorneys,  
Melbourne  
Ph: +61 3 9613 8883  
Colin.Oberin@aar.com.au

**Peter James**

Partner, Brisbane  
Ph: +61 7 3334 3360  
Peter.James@aar.com.au

**Steven Cole**

Partner, Perth  
Ph: +61 8 9488 3743  
Steven.Cole@aar.com.au

**Ted Marr**

Consultant, Hong Kong  
Ph: +852 2903 6210  
Ted.Marr@aar.com.au

### Have your details changed?

If your details have changed or you would like to subscribe or unsubscribe to this publication or others, please go to [www.aar.com.au/general/subscribe.htm](http://www.aar.com.au/general/subscribe.htm) or email [Publications@aar.com.au](mailto:Publications@aar.com.au).