

REVIEW OF ENFORCEMENT OF TRADE MARKS

Submission to the Advisory Council on Intellectual Property in response to its Issues Paper on Review of Enforcement of Trade Marks

INTELLECTUAL PROPERTY RESEARCH INSTITUTE OF AUSTRALIA (IPRIA)

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INTELLECTUAL PROPERTY RESEARCH INSTITUTE OF AUSTRALIA

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1 BACKGROUND ON IPRIA

The Intellectual Property Research Institute of Australia (IPRIA) is a national centre for multi-disciplinary research on the law, economics and management of intellectual property. It is based at the University of Melbourne, and is run jointly by the Faculty of Law, the Faculty of Economics and Commerce, and the Melbourne Business School.

IPRIA was established in early 2002, after winning significant funding from IP Australia, the federal government agency that is responsible for the granting of rights in patents, trade marks and designs. IPRIA's research focuses on ways to improve the protection, management and exploitation of intellectual property by business, research institutions and other users of the IP system, and on supporting high quality policy development by government in areas relating to intellectual property. It seeks to use the outcomes of its research to create and contribute to healthy public debate on key issues relating to intellectual property.

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2 EXECUTIVE SUMMARY

IPRIA makes the following recommendations in relation to three aspects of the ACIP *Issues Paper*, namely Domain Names, Well Known Marks/Dilution, and Rectification.

1. DOMAIN NAMES

1.1. Proposed auDRP

- auDA's proposed auDRP should be given an opportunity to be implemented and for its performance to be assessed in practice.
- WIPO's ccTLD program should be supported and international efforts at establishing consistency in dispute resolution processes across ccTLDs actively encouraged.
- Arrangements for ensuring that decisions under the proposed auDRP are accessible and searchable should be encouraged.
- Decisions under ccTLD dispute resolution policies, including under the proposed auDRP, should be actively monitored and analysed.

1.2. Amendment of *Trade Marks Act 1995* to incorporate cybersquatting

- It is premature for consideration to be given to amending the *Trade Marks Act 1995* (Cth) in order to regulate 'cybersquatting' practices.
- In any case, given the need to develop legal principles in relation to the regulation of 'cybersquatting' that are distinct from the principles applicable to trade mark infringement, it is inappropriate for 'cybersquatting' practices to be dealt with under the *Trade Marks Act 1995* (Cth).
- The disjunction between the global nature of marks used on the Internet and territorially-based trade marks suggests that new principles may need to be devised in relation to appropriate remedies for trade mark infringements committed by use of marks on the Internet.
- It is premature to introduce amendments to the *Trade Marks Act 1995* (Cth) in relation to remedies for the unlawful use of marks on the Internet.
- At this stage, it is appropriate that attention be focussed on promoting the development of international legal norms in relation to the regulation of 'cybersquatting' practices and in relation to trade mark infringement by the use of marks on the Internet.
- It is important that Australia actively participate in processes relating to the developing of relevant international norms, including processes conducted under the auspices of WIPO.

1.3. Sui Generis Legislation

- It is premature for Australia to introduce *sui generis* legislation aimed at preventing 'cybersquatting' practices, in view of the lack of international consensus on the subject.
- The Australian government should work, through established international processes, at developing an international consensus on whether there is a role for national 'cybersquatting' laws and, if so, the appropriate principles to be adopted under national laws.
- Australian trade mark law should not adopt a doctrine of trade mark dilution merely because of a perceived need to deal with 'cybersquatting', or other forms of dilution resulting from the use of marks on the Internet.
- Any law reform proposals should be based on a comprehensive analysis of the overall advantages and disadvantages of introducing a law relating to trade mark dilution.

- In considering the need for the introduction of national laws relating to ‘cybersquatting’, the desirability of making *in rem* proceedings against domain names available to trade mark owners, and of establishing a cause of action under national laws for unsuccessful respondents in UDRP panel decisions, should be taken into account. Before consideration is given to the introduction of Australian laws, attempts should be made at developing an international consensus in relation to these issues.

1.4. Trade Marks and Meta Tags

- As Australian trade mark and ‘unfair competition’ laws have not yet proven inadequate to deal with the unauthorised use of marks in meta tags, legislative change appears unwarranted at this stage.
- Australian efforts should be expended, at least initially, on attempts to develop an international consensus on principles to apply to the use of marks on the Internet, including the unauthorised use of trade marks in meta tags.
- Efforts could also be usefully directed at collecting information in relation to the extent to which the unauthorised use of marks in meta tags represents a problem for trade mark owners, and whether this is inhibiting the growth of electronic commerce in Australia.

2. WELL KNOWN MARKS/DILUTION

- Sub-section 120(3) of the *Trade Marks Act 1995*, even as currently drafted, has the potential to offer significant anti-dilution protection to well known or famous trade marks.
- Sections 120(1) and (2) of the *Trade Marks Act 1995* can also be construed to offer protection against dilution (and are not restricted to well-known or famous trade marks).
- But the sub-section 120(2) proviso, risks undermining the potential for significant anti-dilution protection given its current focus on likely confusion. For dilution claims the focus would more appropriately be likely damage.
- A review should be undertaken of the benefits and costs of providing protection against trade mark dilution and of the optimal way to proceed – including whether a register of famous or well-known trade marks should be established.

3. THE EFFECT OF SUB-SECTION 88(2)(C) OF THE TRADE MARKS ACT (RECTIFICATION)

- Sub-section 88(2)(c) of the *Trade Marks Act 1995* should be amended, as a matter of some urgency, to read as follows:
 - because of circumstances arising after the date of application for registration of the trade mark and which continue to apply at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion
- The *Trade Marks Act 1995* should be amended to include a further provision for removing or amending a trade mark registration, based on circumstances arising after the date of registration of the trade mark, similar to paragraph 89(2)(d) of the *Trade Marks Act 1994*.
- There is and should be a general discretion not to grant an application for rectification.
- Repealed Trade Marks Acts should not govern whether a mark was validly registered.
- Sub-section 234(d) should be redrafted to directly achieve what is intended, as follows:
 - at the commencement of the proceedings, the use of the trade marks likely to deceive or cause confusion;
- The date of the proceedings is the appropriate date for the purposes of sub-section 234(d).
- Sub-section 234(d) should also be redrafted.

3 DOMAIN NAMES

3.1 Background on Domain Names

Domain names are the main form of Internet identifier. As such, domain names perform a number of discrete functions. The original purpose of Internet domain names was to provide a human-friendly version of numerical Internet addresses (known as IP - Internet Protocol – addresses).¹ An IP address is a 32-bit number that is conventionally presented in dotted decimal form divided into four binary octets.²

The founders of the Internet introduced the concept of domain names because alphanumeric names are easier for people to understand and remember than relatively long, meaningless IP addresses. For example, the IP address for the Faculty of Law at The University of Melbourne is 128.250.165.111. It is obviously much easier for people to deal with the address in alphanumeric form, namely <law.unimelb.edu.au>, than it is to understand, remember and use the numerical IP address. The Domain Name System (DNS), an integral part of the operation of the Internet, resolves, or maps, the domain name to numerical IP addresses. In addition to mapping to IP numbers, domain names are commonly used to assist in locating an Internet site. For example, an Internet user interested in finding a site relating to coca-cola may enter the domain name www.cocacola.com, and be directed to the appropriate site.

From the mid-1990s, the use of the Internet became more prevalent and the Internet began to be increasingly used for commercial purposes. As a result, domain names became associated with off-line entities. This development had two important implications. First, domain names began to perform a trade mark-like function of identifying the source of goods or services both on-line and, increasingly, off-line. Secondly, practices developed which involved the registration of domain names in an attempt to trade off the value of off-line identifiers, such as trade marks. These practices, which became commonly known as ‘cybersquatting’, caused considerable concern for intellectual property owners.

3.1.1 Domain Name/Intellectual Property Interface

Domain names are a new form of identifier with some overlap with traditional forms of intellectual property rights (IPRs), such as trade marks. The tension between the registration and use of domain names, on the one hand, and traditional IPRs, on the other, gives rise to two main policy issues:

- The extent to which national intellectual property laws, such as trade mark laws and ‘unfair competition’ laws (including the Anglo-Australian tort of passing off) can apply, or can be adapted to apply, to domain names that are confusingly similar to off-line identifiers, such as trade marks; and
- The extent to which other practices that are of concern to the owners of IPRs, generally known as ‘cybersquatting’, and that may not amount to trade mark infringement, should be regulated, over and above the application of traditional trade mark and ‘unfair competition’ laws.

¹ See, for example, Jon Postel and Joyce Reynolds, ‘Domain Requirements 1’, RFC 920, available at <http://www.ietf.org/rfc/>.

² See Paul Mockapetris, ‘Domain Names – Concepts and Facilities’, RFC 1034 (November 1987), available at <http://www.ietf.org/rfc/>.

3.1.2 Application of National IP Laws to Domain Names

The application of traditional national intellectual property laws to domain names is complicated by the disjunction between the trans-border nature of domain names, which give domain name registrants a global presence, and the essentially territorial nature of intellectual property laws.³ As WIPO pointed out in the report on its first Internet domain names process:

One system – the DNS – is largely privately administered and gives rise to registrations that result in a global presence, accessible from anywhere in the world. The other system – the intellectual property rights system – is publicly administered in a territorial basis and gives rise to rights that are exercisable only within the territory concerned. In this respect, the intersection of the DNS and the intellectual property system is but one example of a larger phenomenon: the intersection of a global medium in which traffic circulates without cognizance of borders with historical, territorially based systems that emanate from the sovereign authority of the territory.⁴

The global nature of the DNS makes it desirable for there to be a degree of harmonisation in the application of national intellectual property laws to domain names. Some preliminary steps have been taken in this direction.

In September/October 2001, the Assembly of the Paris Union for the Protection of Intellectual Property and the General Assembly of the World Intellectual Property Organisation (WIPO) approved a *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*.⁵ The *Joint Recommendation* is intended to clarify the application of existing trade mark and ‘unfair’ competition laws to the use of marks on the Internet. To this end, it addresses three main issues:

1. The conditions under which the use of a sign on the Internet can be considered to have taken place within a particular country;
2. Measures to enable owners of rights in identical or similar signs to use the signs concurrently on the Internet; and
3. Ways in which courts may take account of the territorial basis of industrial property rights in signs when determining remedies.

The following is a summary of the main articles of the *Joint Recommendation*:

- i. Use of the sign must have commercial effect in the member state
 - Article 2 provides that use of a sign on the Internet constitutes use in a member state only if the use has a ‘commercial effect’ in that state.
 - Article 3 lists a number of non-exclusive factors to be taken into account in determining whether the use of a sign has a ‘commercial effect’. The factors include the level and character of commercial activity by the user of the sign in the member state; the connection of an offer of

³ For an early discussion of this issue see: David R Johnson and David Post, ‘Law and Borders – The Rise of Law in Cyberspace’ (1996) 48 *Stanford Law Review* 1367.

⁴ World Intellectual Property Organization, *The Management of Internet Names and Addresses: Intellectual Property Issues*, Report of the WIPO Internet Domain Name Process, April 30, 1999, para 22, p 15.

⁵ *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, Adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) at the Thirty-Sixth Series of Meetings of the Assemblies of the Member states of WIPO, September 24 to October 3, 2001.

goods or services on the Internet with the member state; whether the user has an address, telephone number or other means of contact in the member state.

ii. Only the use of the sign in the member state is relevant

- Article 6 provides that, for the purpose of determining whether use of a sign on the Internet constitutes an infringement of an IPR or of an ‘unfair competition’ law, only use of the sign in the member state is to be taken into account.

iii. Infringements of the law

- Articles 9 and 10 deal with infringements of the law resulting from use of a sign in a member state where the user owns rights to the sign in another member state with which the user has a close connection.
- Article 9 provides that the user shall not be liable prior to receiving notification of infringement if the user has rights to the sign under the law of the other member state, if acquisition and use of the sign has not been in bad faith and if the user has provided sufficient contact details.
- Article 10 provides that the user shall not be liable following notification of infringement if the user indicates to the person sending the notification that he or she has rights to the sign under the law of the other member state, gives details of the rights or permitted use and expeditiously takes reasonable measures to avoid a commercial effect in the member state whose laws are alleged to be infringed.

iv. Disclaimers

- Under Article 12, a disclaimer that the user of the sign has no relationship with the owner of the right alleged to be infringed is taken to be a reasonable and effective measure if the user inquires whether potential customers are located in the relevant member state and refuses to deliver goods or services to customers located in that state.

v. Remedies for infringement

- Articles 14 and 15 deal with matters to be taken into account in determining remedies for infringement of territorial-based laws by use of a sign on the Internet. These provisions are intended to deal with the difficulty that an injunction to cease all use of a sign on the Internet would have an effect beyond the territory in whose laws are alleged to have been infringed.
- Article 14 provides that remedies are to impose reasonable measures designed to avoid a commercial effect in the member state or to avoid infringement of the law of that state. Reasonable measures are specified as including clear and unambiguous disclaimers, an obligation to refuse delivery of goods or services to customers in the relevant member state and gateway web pages.
- Article 15 effectively provides that, wherever possible, remedies that would have the effect of prohibiting future use of the sign on the Internet should be avoided.

3.2 *Cybersquatting and ICANN UDRP*

The WIPO report on its first Internet domain names process dealt with issues relating to the extent to which practices involving the registration of off-line indicia as domain names should be regulated. The WIPO report referred to the difficulties of defining practices generally known as ‘cybersquatting’:

In popular terms, “cybersquatting” is the term most frequently used to describe the deliberate, bad faith abusive registration of a domain name in violation of rights in trademarks and service marks. However, precisely because of its popular currency, the term has different meanings to different people. Some people, for example, include “warehousing” or the practice of registering a collection of domain names corresponding to trademarks with the intention of selling the registrations to the owners of the trademarks, within the notion of cybersquatting, while others distinguish between the two terms ... Because of the elastic meaning of cybersquatting in popular terminology, we have therefore chosen to use a different term – abusive registration of a domain name – in order to attribute to it a more precise meaning.⁶

The WIPO report included recommendations that led the Internet Corporation for Assigned Names and Numbers (ICANN) to adopt the Uniform Dispute Resolution Policy (UDRP). The UDRP has become the favoured means for resolving disputes between owners of off-line indicia, such as trade marks, and domain name registrants. By early April 2002, almost 5,500 complaints had been lodged under the UDRP in relation to over 9,000 domain names, and UDRP panelists had delivered over 4,500 decisions.⁷ There are reasons to believe that the UDRP has had some degree of success in curbing the most egregious forms of cybersquatting. For example, in 2001 there was an overall decline in the number of cases received by WIPO in the ‘.com’, ‘.net’ and ‘.org’ generic top level domains (gTLDs) from the number of cases filed in 2000.⁸

The scope of the UDRP is limited to deliberate, bad faith abusive registrations of trade marks or service marks. As set out in paragraph 4(a) of the UDRP, the elements of abusive registration that must be established by a complainant under the UDRP, are:

- the domain name is identical or confusingly similar to a trade mark or service mark in which the complainant has rights;
- the domain name registrant has no rights or legitimate interests in respect of the domain name; and
- the domain name has been registered and is being used in bad faith.

Although there is no formal system of precedent, UDRP panel decisions interpreting paragraph 4(a) have resulted in a distinctive form of jurisprudence in relation to abusive registration of domain names. There has, nevertheless, been a considerable degree of inconsistency in UDRP panel decisions. One source of inconsistency is an underlying uncertainty concerning the relationship between abusive registration under the UDRP and national principles of trade mark and unfair competition laws. While some practices amounting to abusive registration under the UDRP are likely to constitute infringement under national trade mark or unfair competition laws, it is by no means certain that all forms of abusive registration are invariably infringements of national laws. For example, as the Australian law of passing off requires a misrepresentation such as to damage the goodwill of the plaintiff,⁹ it would seem that not all instances of bad faith registration of domain names would inevitably constitute a passing off.¹⁰ There would therefore seem to be difficulties in the wholesale application of principles derived

⁶ WIPO (1999) *op cit* para 170, p 45.

⁷ ICANN, *Statistical Summary of Proceedings under Uniform Dispute-Resolution Policy*, available at <http://icann.org/udrp/proceedings-stat.htm> (accessed 4 April 2002).

⁸ WIPO, *WIPO Continues Efforts to Curb Cybersquatting*, Press Release PR/2002/303, February 26, 2002, available at <http://www.wipo.int/pressroom/en/releases/2002/p303.htm>.

⁹ See, for example, *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1981] 1 NSWLR 196.

¹⁰ The difficulties of establishing that mere registration of a name as a domain name satisfies the traditional elements of an action for passing off apparently led the English Court of Appeal in *British Telecommunications Plc v One in a Million* (1998) 42 IPR 289 to suggest an

from national trade mark and unfair competition laws to the elements of abusive registration under paragraph 4(a) of the UDRP. In other words, while traditional trade mark infringement is aimed at preventing confusion as to the source of goods or services, the regulation of 'cybersquatting' practices is aimed at preventing bad faith registration and/or use of a mark as a domain name.

3.2.1 Application of ICANN UDRP and auDA

The ICANN UDRP was initially applied to disputes in the three original open gTLDs, '.com', '.net' and '.org'. In November 2000, the following seven new gTLDs were approved by ICANN: '.aero', '.biz', '.coop', '.info', '.museum', '.name' and '.pro'. All of the new gTLDs are subject to the UDRP.

The UDRP does not automatically apply to disputes involving domain names registered under country code top level domains (ccTLDs). Country code TLDs consist of two-letter abbreviations of country names, such as '.au' for Australia, '.fr' for France, or '.tv' for Tuvalu. Almost all of the ccTLDs are derived from the International Organization for Standardization's ISO Standard 3166.¹¹

ICANN is responsible for administering the DNS. ICANN sub-delegates responsibility for ccTLDs. Responsibility for the '.au' namespace is delegated to the '.au' Domain Administration Limited (auDA). auDA is a not-for-profit organisation incorporated under Australian laws. In December 2000, the National Office for the Information Economy (NOIE) and the Minister for Communications, Information Technology and the Arts entered into an agreement with auDA, which designated auDA to hold administrative authority for the '.au' ccTLD. On 4 July 2001, the Minister for Communications, Information Technology and the Arts wrote to ICANN confirming the endorsement of auDA as the organisation to administer the .au ccTLD. On 3 September 2001, a ccTLD sponsorship agreement was entered into between ICANN and auDA which delegated responsibility for administering the '.au' ccTLD to auDA.¹²

From its formation, auDA has been developing policies for the administration of the '.au' namespace. In March 2001, auDA established a Dispute Resolution Working Group (DRWG) to develop a framework for handling disputes in the .au ccTLD. The DRWG presented its final report on a *Proposed .au Dispute Resolution Policy (auDRP) and Rules* to the auDA board in June 2001.¹³ The DRWG report recommended the adoption of a dispute resolution policy, to be known as the auDRP, and procedural rules, based on the UDRP and UDRP Rules. Like the UDRP, the auDRP is to apply to disputes between domain name registrants and parties with competing legal rights in '.au' domain names.

3.2.2 Differences between auDRP and UDRP

The proposed auDRP is to apply to all open second level domains (2LDs) in the .au namespace. Although the proposed auDRP is based on the UDRP, it incorporates a number of modifications. Some of the modifications are designed to reflect differences between registration of domain names in the

independent basis of liability where a defendant equips itself, or intends to equip another, with an 'instrument of fraud'. The issue has yet to arise before Australian courts.

¹¹ ISO 3166-1: *Codes for the Representation of Names and Countries and Their Subdivisions – Part 1*, available at http://www.din.de/gremien/nas/nabd/iso3166ma/codlstp1/en_listp1.html.

¹² *ccTLD Sponsorship Agreement – Australia (.au)*, 3 September 2001, available at <http://www.icann.org>.

¹³ auDA Dispute Resolution Working Group, *Proposed .au Dispute Resolution Policy (auDRP) and Rules*, Report to the auDA Board, June 2001, available at <http://www.auda.org.au>.

‘.au’ namespace and registration in the gTLDs, including the stricter eligibility requirements for registering in the ‘.au’ ccTLD. Other modifications are said to reflect ‘practical constraints’ that have become apparent as a result of experience with the UDRP.¹⁴

In relation to the elements of abusive registration of a domain name, there are two potentially significant modifications. First, whereas the final element of abusive registration under the UDRP requires the complainant to establish that the ‘domain name has been registered *and* is being used in bad faith’, the proposed auDRP requires only that the ‘domain name has been registered *or subsequently* used in bad faith’.¹⁵ In large measure, this change represents little more than a codification of the effects of UDRP panel decisions, commencing with the decision in *Telstra Corporation v Nuclear Marshmallows*.¹⁶ The majority of UDRP decisions addressing the issue have held that ‘passive warehousing’ of domain names – meaning bad faith registration without use – may satisfy the third element of abusive registration. On the other hand, the modified wording adopted by the proposed auDRP may lead to different results in disputes where there has been no bad faith registration, but the domain name has been used in bad faith. A number of UDRP decisions have held that the third element of abusive registration will not be made out where there has been a bad faith use of a domain name, but registration of the name was not in bad faith.¹⁷ The wording of the third element in the proposed auDRP suggests that bad faith could be established even if the domain name has been registered in good faith.

Secondly, paragraph 4(b) of the UDRP lists four non-exclusive circumstances that are evidence of bad faith. The first circumstance refers to registration or acquiring the domain name for the purpose of selling the name to the complainant or to a competitor of the complainant. The proposed auDRP modifies the wording of the first example of bad faith so that it applies to registration for the purpose of selling the domain name to ‘*another person*’. This modification would appear to extend the circumstances in which bad faith is presumed by the policy to registration for the purpose of selling a domain name to persons other than the complainant or competitors of the complainant including, for example, registration for the purpose of selling the name at an auction. In practice, however, the UDRP has been interpreted so that a general offer to sell a domain name will usually be treated as unequivocal evidence of bad faith.¹⁸ The modified wording adopted by the auDRP in relation to the first circumstance in which bad faith will be presumed is therefore unlikely to result in significantly different outcomes than is likely to be the case in decisions made under the UDRP.

The proposed auDRP and auDRP Rules were approved without modification by the auDA board on 13 August 2001. It is expected that the auDRP will come into operation in the first half of 2002 as other elements of the policy framework for the transition to competition in the registration of domain names in the ‘.au’ ccTLD are put in place.

3.2.3 Development of Dispute Resolution Mechanisms

Apart from developments relating to the ‘.au’ ccTLD, Australia has played an active role in promoting the development of ‘best practice’ dispute resolution in other ccTLDs. In February 2000, the

¹⁴ *Ibid.* para 2.

¹⁵ Emphasis added.

¹⁶ WIPO Case No D2000-0003 (February 18, 2000).

¹⁷ See, for example, *e-Duction, Inc v John Zuccarini* WIPO Case No D2000-1369 (February 5, 2001).

¹⁸ See, for example, *General Motors Corporation v Vette Owners* WIPO Case No D2000-0595 (October 20, 2000).

Australian government convened a working group of officials from interested governments, public authorities and international organisations to discuss issues relating to cybersquatting. Following this meeting, on 28 June 2000, the Minister for Communications, Information Technology and the Arts wrote to the Director General of WIPO on behalf 19 other WIPO members requesting WIPO's assistance in developing voluntary guidelines for practices and policies to curb abusive and bad faith registration of protected names, and to resolve related disputes.¹⁹ As a result, WIPO initiated a ccTLD Program designed to assist in the development of ccTLD dispute resolution processes. As part of its program, on 20 June 2001, WIPO published a document entitled *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*,²⁰ which provides advice on the domain name registration agreement, the collection and public availability of domain name registrant contact details, and alternative means for resolving disputes concerning domain name registrations. WIPO has provided advice to administrators of almost 50 ccTLDs and has been retained as a dispute resolution service provider by administrators of 24 ccTLDs. WIPO maintains a ccTLD database, which contains links to the Web sites of 243 ccTLDs and includes information on registration agreements, the existence of a WHOIS service and dispute resolution procedures.²¹ Of the 243 listed ccTLDs in the WIPO database, 46 (19%) have so far adopted a dispute resolution procedure. Some ccTLD dispute resolution procedures are based on the UDRP, some are variations of the UDRP and some are separate procedures with no relationship to the UDRP.

3.3 Issues Raised by Section 4.1.1.b of the ACIP Paper

The ACIP *Issues Paper* lists the following key concerns in relation to domain name dispute resolution:

- The fact that different systems operate in different countries for the registration and administration of domain names.
- The lack of a uniform dispute resolution process across all domains. While the ICAAN (*sic*) procedure for hearing cybersquatting cases in relation to the '.com', '.org' and '.net' appears to be having some effect at deterring cybersquatting, the same system is not currently available in Australia for either top level or second level domains.²²

3.3.1 Different Systems for Domain Names

In relation to the first concern, it is true that different systems for administering and registering domain names exist under different ccTLDs. For example, under the arrangements in place in relation to the .au ccTLD, there are a limited number of second-level domain names (2LDs) – such as .com.au, .net.au and .org.au - and domain name registrants must register a domain name under the relevant 2LD. In relation to other ccTLDs, for example, .ca (Canada) or .tv (Tuvalu), it is possible for a registrant to register a domain name directly under the relevant ccTLD. Furthermore, whereas the administrators of some ccTLDs have developed eligibility criteria for registering domain names under that ccTLD, registration under other ccTLDs remains unrestricted. The different policies relating to registration of domain names under different ccTLDs may well have implications for disputes between trade mark owners and domain name registrants. For example, there may be less likelihood of disputes arising under ccTLDs which impose eligibility requirements that require some connection between the

¹⁹ Letter available at <http://wipo2.wipo.int/process2/rfc/letter1.html>.

²⁰ WIPO, *ccTLD Best Practices for the Prevention and Resolution of Intellectual Property Disputes*, Version 1: June 20, 2001.

²¹ The database is available at <http://ecommerce.wipo.int/databases/ccTld/>.

²² Paragraph 4.1.1.b.

registrant and the domain name. As a practical matter, however, it is extremely unlikely that uniform registration policies will ever be adopted across all ccTLDs, even assuming that this would be desirable. The more important issue would appear to be a lack of uniformity across ccTLDs concerning the policies adopted for resolving disputes between trade mark owners and domain name registrants in relation to domain names registered under the ccTLD. This submission has focussed on that issue.

3.3.2 Availability of UDRP in Australia

The second concern (ie that the UDRP is not available in Australia) could have been expressed with greater precision.²³ The UDRP is, of course, available in relation to any domain names that are registered in the gTLDs to which the UDRP applies. It would therefore seem that the essence of the concern identified by ACIP is that the UDRP is not available for domain names registered under the .au ccTLD. As explained above, auDA proposes to introduce a version of the UDRP, the auDRP, to apply to disputes relating to all domain names registered under the .au ccTLD.

The proposed auDRP has been developed under the authority of auDA, the organisation responsible for administering policies in relation to the management of the .au ccTLD. The proposed policy was adopted following a public process, with opportunity for stakeholders and other interested persons to make submissions. The auDRP has since been approved by the auDA board. Although the proposed auDRP incorporates modifications to the UDRP, which may result in some variation in the outcomes of decisions determined under the auDRP as opposed to decisions determined under the UDRP, the reports of the DRWG explained the reasons for the variations, and the reasoning has been accepted by the auDA board. Furthermore, given the eligibility requirements for registration in 2LDs under the .au ccTLD, it seems less likely that there will be disputes in the .au ccTLD than in TLDs that impose no eligibility requirements. It would therefore seem that a fair opportunity should be given for the proposed auDRP to be implemented, and for experience to be developed in the application of the auDRP to .au disputes, before the issues dealt with by auDA's DRWG are re-opened.

At the same time, given that domain names are global in nature, the development of significant variations in dispute resolution processes across TLDs may give rise to concerns, especially on the part of intellectual property owners. By its nature, however, this problem can only be addressed in an international context. It would seem that variations in dispute resolution policies across ccTLDs should be monitored and that support should be given to WIPO's ccTLD program. To this end, it is important that decisions under ccTLD dispute resolution procedures are made accessible and that analysis of variations in decisions made under dispute resolution policies, and of the reasons for variations, is undertaken. In relation to the '.au' ccTLD, it is important to ensure that decisions under the proposed auDRP are accessible and searchable. Furthermore, resources may need to be expended on monitoring and analysis of auDRP decisions. Such tasks would provide an essential information base for assessing the performance of the proposed dispute resolution policy.

²³ For example, the ACIP *Issues Paper* expresses the concern that the UDRP does not apply to second level domains (2LDs) in Australia. Under the policies in place for managing the .au namespace, it is not possible for individuals to register 2LDs. Accordingly, it would make no sense for the UDRP to apply to 2LDs under the .au ccTLD. The auDRP appropriately applies to domain names registered under the .au 2LDs.

Recommendations

- auDA's proposed auDRP should be given an opportunity to be implemented and for its performance to be assessed in practice.
- WIPO's ccTLD program should be supported and international efforts at establishing consistency in dispute resolution processes across ccTLDs actively encouraged.
- Arrangements for ensuring that decisions under the proposed auDRP are accessible and searchable should be encouraged.
- Decisions under ccTLD dispute resolution policies, including under the proposed auDRP, should be actively monitored and analysed.

3.4 Cybersquatting and the Trade Marks Act 1995

The extent to which 'bad faith' registration or use of a registered trade mark as a domain name may constitute a trade mark infringement has yet to come before the courts in Australia. Nevertheless, it would seem that, in certain circumstances, registration or use of a domain name may amount to an infringement under section 120 of the *Trade Marks Act 1995*. Different considerations apply depending upon whether or not the trade mark is well-known in Australia.

To constitute an infringement under section 120(1), the owner of a registered trade mark must establish that the domain name:

- is used as a trade mark;
- is used in relation to registered goods or services 'in the course of trade';²⁴ and
- is substantially identical or deceptively similar to the registered trade mark.

Where a domain name is not being used, but is merely being passively held, there may be difficulties in establishing that the mark is being used in the course of trade. Nevertheless, in *British Telecommunications Plc v One in a Million*,²⁵ the English Court of Appeal held that use in the course of a business of dealing in domain names could amount to use of the trade mark in the course of trade.²⁶ In the absence of case law, it is uncertain whether Australian courts will adopt this approach.

If a registered trade mark is well-known in Australia, it is potentially easier to establish that registration or use of a domain name infringes the trade mark. Under section 120(3), a well-known trade mark can be infringed by an identifier, such as a domain name, if the identifier is used in

²⁴ Section 17 defines a 'trade mark' as a sign used to distinguish goods or services dealt with, or provided 'in the course of trade'. Use of a trade mark 'in the course of trade' essentially means that some commercial advantage has been obtained from the goodwill derived from the registered trade mark: *Shell Co of Australia v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407.

²⁵ (1998) 42 IPR 289.

²⁶ Aldous LJ stated that the marks 'will be used in relation to the services provided by the registrant who trades in domain names': (1998) 42 IPR 289 at 307. Similarly, at first instance, J Sumption QC stated that: 'The use of a trade mark in the course of the business of a professional dealer for the purpose of making domain names more valuable and extracting money from the trade mark owner is a use in the course of trade': *Marks & Spencer v One in a Million* (1998) 42 IPR 309 at 315. These remarks were, nevertheless, made in the context of section 10(3) of the *Trade Marks Act 1994* (UK) which establishes an action for trade mark infringement for use in relation to goods or services which are not similar to those for which the mark is registered. See also the decision of the New Zealand High Court in *DB Breweries Ltd v The Domain Name Co Ltd* (Unreported, Randerson J, 15 March 2001).

connection with unrelated goods or services. Unrelated goods or services are goods or services that are not of the same description as the goods or services in relation to which the trade mark is registered, or that are not closely related to the registered goods or services. Section 120(3) is dealt with in more detail in section 4 of this submission.

3.4.1 Amendment of the *Trade Marks Act 1995*

Issue: Should the Trade Marks Act 1995 be amended to apply to ‘cybersquatting’?

An issue raised in the ACIP issues paper is whether remedies for domain name ‘cybersquatting’ and/or trade mark infringement should be addressed in the *Trade Marks Act*. Given the absence of Australian case law, the extent to which the practices generally known as ‘cybersquatting’ may infringe a registered trade mark or constitute the tort of passing off is somewhat uncertain. Upon analogy with cases dealing with the registration of company names in order to trade off the goodwill of another firm, many forms of ‘cybersquatting’ may be better dealt with under the law relating to passing off or section 52 of the *Trade Practices Act 1974*, than as trade mark infringements.²⁷ There may, nevertheless, be practices in relation to domain names that present concerns for trade mark owners that are not satisfactorily dealt with under current trade mark law, the tort of passing off or section 52. This does not necessarily mean, however, that the *Trade Marks Act 1995* should be amended to catch all conduct in relation to domain names that is of concern to trade mark owners.

There are a number of considerations that need to be taken into account in considering the extent to which current trade mark law adequately deals with ‘cybersquatting’.

3.4.1.1 Domain Names Registered Under the gTLDs

First, in relation to domain names registered under the relevant gTLDs, the UDRP appears to provide a relatively efficient, cost-effective process for resolving disputes between trade mark owners and domain name registrants. Given the different objectives of trade mark law, on the one hand, and rules aimed at preventing ‘cybersquatting’, on the other hand, the elements needed to establish abusive registration under the UDRP appear better adapted for dealing with ‘cybersquatting’ practices than conventional trade mark law. As yet, legal principles for regulating ‘cybersquatting’ practices, and the differences between such principles and the law relating to trade mark infringement, are in the early stages of development. It would seem premature to amend national trade mark laws to deal specifically with ‘cybersquatting’ until there has been more experience with the development of the appropriate legal principles to apply to ‘cybersquatting’ practices. At this stage, efforts could better be expended on supporting and improving forms of dispute resolution such as the UDRP and auDRP, than on making new national laws. For example, ICANN’s Domain Name Supporting Organization (DNSO) adopted in its 2001-2002 business plan a review and evaluation of the UDRP. A DNSO Task Force was established to conduct the review and evaluation in October 2001.²⁸ The Task Force developed a questionnaire to solicit public responses in relation to the performance of the UDRP, but has yet to report to the DNSO. To date, it appears that there has been very little Australian input into this process.

²⁷ See, for example, *Fletcher Challenge Ltd v Fletcher Challenge Pty Ltd* [1981] 1 NSWLR 196. See also *British Telecommunications Plc v One in a Million* (1998) 42 IPR 289.

²⁸ See <http://www.dnsso.org/dnsso/notes/2001.NC-tor-UDRP-Review-evaluation.html>.

3.4.1.2 Recourse to National Law

Secondly, under paragraph 4(k) of the UDRP, parties to a dispute are not prevented from submitting the dispute to a court of competent jurisdiction at any time before or after a panel decision. This means that trade mark owners that are dissatisfied with UDRP panel decisions have recourse to actions under national trade mark and unfair competition laws. As yet, it has not been demonstrated that existing Australian laws, including the *Trade Marks Act 1995* and the tort of passing off, are unable to deal with the most offensive forms of ‘cybersquatting’. If anything, the apparent absence of litigation under Australian laws would seem to suggest that any problems confronting trade mark owners are either not significant, or are being adequately dealt with under alternative processes, including the UDRP.

3.4.1.3 Stated Purpose of the Trade Marks Act

Thirdly, the *Reader’s Guide* to the *Trade Marks Act 1995* states that the Act ‘provides for the registration of trade marks, collective trade marks, certification trade marks and defensive trade marks ... and sets out and protects the rights deriving from registration’.²⁹ The purpose of the Act, as currently stated, clearly does not include the prevention of ‘cybersquatting’. Moreover, although some ‘cybersquatting’ practices may amount to trade mark infringement, there would appear to be some important differences between the legal principles appropriate for regulating ‘cybersquatting’ and those that apply in determining whether there has been a trade mark infringement. Consequently, even if it were considered desirable to introduce Australian laws specifically aimed at regulating ‘cybersquatting’, it would seem preferable for any such laws to be kept separate from the *Trade Marks Act 1995*.

Recommendations

- It is premature for consideration to be given to amending the *Trade Marks Act 1995* (Cth) in order to regulate ‘cybersquatting’ practices.
- In any case, given the need to develop legal principles in relation to the regulation of ‘cybersquatting’ that are distinct from the principles applicable to trade mark infringement, it is inappropriate for ‘cybersquatting’ practices to be dealt with under the *Trade Marks Act 1995* (Cth).
- The disjunction between the global nature of marks used on the Internet and territorially-based trade marks suggests that new principles may need to be devised in relation to appropriate remedies for trade mark infringements committed by use of marks on the Internet.

3.4.2 Introduction of New Remedies Under the Trade Marks Act 1995

Issue: Should new remedies be introduced under the Trade Marks Act 1995 to apply to the infringement of Australian trade mark law by the registration or use of registered trade marks as domain names?

The remedies available for trade mark infringement under the *Trade Marks Act 1995* include an injunction and damages, or an account of profits.³⁰ As explained above, difficulties may arise from the

²⁹ *Trade Marks Act 1995: Reader’s Guide* (2 October 2001).

³⁰ *Trade Marks Act 1995* (Cth) s 126.

disjunction between the global nature of Internet domain names and the essentially territorial nature of trade marks. This means that, although registration or use of a domain name may be a trade mark infringement under one national law, it may be perfectly lawful under other national trade mark laws. For this reason, the 2001 *Joint Recommendation* of the Assembly of the Paris Union and the General Assembly of WIPO, referred to above, proposes principles to be taken into account in determining remedies for the unlawful use of marks on the Internet. For example, as explained above, Article 14 of the *Joint Recommendation* provides that remedies are to impose ‘reasonable measures’, including disclaimers, an obligation to refuse delivery of goods or services in the relevant jurisdiction, and gateway web pages.

The *Joint Recommendation* represents the first step in the possible development of internal legal norms for dealing with the disjunction between the global nature of marks used on the Internet, including marks used as domain names, and territorially-based trade marks. Given that marks used on the Internet are accessible from anywhere, it is important that an international consensus be built in relation to the appropriate principles to apply in determining remedies for the unlawful use of marks on the Internet. Idiosyncratic attempts at addressing the issue through national legislation are unlikely to assist the process of developing international principles. In other words, at this time, it would appear premature for amendments to be made to the *Trade Marks Act 1995* (Cth) in relation to remedies available for trade mark infringement by the use of marks on the Internet. It is, nevertheless, important that the Australian government actively participates in the development of international ‘best practice’ legal principles relating to the use of marks on the Internet.

Recommendations

- It is premature to introduce amendments to the *Trade Marks Act 1995* (Cth) in relation to remedies for the unlawful use of marks on the Internet.
- At this stage, it is appropriate that attention be focussed on promoting the development of international legal norms in relation to the regulation of ‘cybersquatting’ practices and in relation to trade mark infringement by the use of marks on the Internet.
- It is important that Australia actively participate in processes relating to the developing of relevant international norms, including processes conducted under the auspices of WIPO.

3.5 *Sui Generis* Legislation for Cybersquatting

Issue: Should sui generis legislation be introduced in relation to ‘cybersquatting’?

To the extent that ‘cybersquatting’ practices that are of concern to trade mark owners cannot be adequately dealt with under existing trade mark and ‘unfair competition’ laws, it is arguable that such practices should be regulated by *sui generis* national laws. Furthermore, given the different objectives of trade mark law, on the one hand, and the regulation of ‘cybersquatting’, on the other hand, if Australian legislation aimed at dealing with ‘cybersquatting’ practices were to be considered, then a *sui generis* system would seem preferable.

3.5.1 US Legislation on Anticybersquatting

To date, the only national legislation dealing specifically with ‘cybersquatting’ is the United States’ *Anticybersquatting Consumer Protection Act (ACPA)*.³¹ The ACPA was introduced to remedy the perceived short-comings of United States’ trade mark law in dealing with ‘cybersquatting’. It came into effect in November 1999. The ACPA establishes a new cause of action that is available against cybersquatters. Under the new action, a trade mark owner may bring an action claiming both injunctive relief and damages, against a person if the following elements are made out:

- The defendant registers, traffics in or uses a domain name that:
 - in the case of a trade mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to the mark; or
 - in the case of a famous trade mark, is identical or confusingly similar to, or dilutive of the mark; and
- The defendant has a bad faith intent to profit from the registered trade mark.

The ACPA provides the following non-exhaustive list of nine factors to be examined by the courts in determining whether a person has acted in bad faith:

- the trademark or other intellectual property rights of the person, if any, in the domain name;
- the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
- the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- the person’s intent to divert consumers from the mark owner’s online location to a site that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark;
- the person’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used the domain name in the bona fide offering of any goods or services;
- the person’s provision of material and misleading false contact information when applying for the registration of the domain name;
- the person’s registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others; and
- the extent to which the mark incorporated in the person’s domain name is or is not distinctive and famous.

A defence is available to domain name registrants if the court determines that the registrant ‘believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful’.³² Furthermore, under section 1114(2)(D)(v) of the *Lanham Act*, the ACPA specifically

³¹ Codified as 15 USC s 1125(d) (1998) (US). Although the ACPA is part of the United States Lanham Act, it is a completely separate section of that legislation and, to all intents and purposes, *sui generis*.

³² 15 USC s 1125(d)(1)(B)(i).

provides a cause of action under United States law for domain name registrants that have been unsuccessful in a proceeding under a policy such as the UDRP. Section 1114(2)(D)(v) states that:

A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this chapter. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.³³

The United States Court of Appeals for the First Circuit has held that this provision gives a cause of action to an unsuccessful respondent in a UDRP decision, even if there is no threat of an action for abusive registration by the trade mark owner under the ACPA.³⁴ In concluding that section 1114(2)(D)(v) allows for ‘review’ of UDRP decisions under United States law, the stated that:

The ability of the parties to a UDRP proceeding to seek independent resolution of the issues was part of the compromise codified in the UDRP ... Because the UDRP explicitly contemplates independent review in national courts, the cause of action ... is consistent with the UDRP’s structure.³⁵

A United States federal district court has held that, in considering whether a declaration and injunction should be awarded under section 1114(2)(D)(v), the decision of a panel under the UDRP is to be given no weight.³⁶

In addition to personal actions against a cybersquatter, the ACPA provides for trade mark owners to bring *in rem* claims directly against the domain name. The availability of an action *in rem* is designed to overcome the difficulties of proceeding against defendants who are difficult to locate or who are outside of the jurisdiction of United States’ courts. An *in rem* action is, nevertheless, available only if the plaintiff can establish that it is not possible for the court to obtain personal jurisdiction over the defendant or that the plaintiff is unable, after ‘due diligence’, to locate the defendant.

The ACPA clearly overlaps, to a certain extent, with United States trade mark law, on the one hand, and with abusive registration under the UDRP, on the other hand. Nevertheless, the ACPA differs, in important respects, from both United States trade mark law and the UDRP. The relationship between United States trade mark law, the UDRP and the ACPA, and the use of precedents under the three forms of law, is still being worked out.

³³ 15 USC s 1114(2)(D)(v).

³⁴ See *Jay D Sallen v Corinthians Licenciamentos* 273 F 3d 14 (2001).

³⁵ 273 F 3d 14, 26-7 (2001).

³⁶ *Barcelona.com, Inc v Excelentismo Ayuntamiento de Barcelona* (United States District Court for the Eastern District of Virginia, Case No 00-1412-A, February 22, 2002).

3.5.2 Adoption of ACPA by Australia

Issue: Should Australia adopt a version of the ACPA?

3.5.2.1 Enactment of the ACPA in the United States

There is evidence to suggest that the enactment of the ACPA was rushed. The legislation was introduced as part of an omnibus appropriations bill and it unanimously passed both houses of the United States Congress with little discussion. The only serious debates evidently occurred before the United States Senate Judiciary Committee, which heard evidence of the dangers posed by ‘cybersquatting’ mainly from representatives of trade mark owners.³⁷ In any case, the legislation was introduced prior to the first panel decision under the UDRP, and certainly before any reasonable assessment could be made concerning the effectiveness of measures other than national ‘anticybersquatting’ legislation.

Although the legal principles to be applied in determining whether there has been bad faith registration or use under the ACPA differ somewhat from the principles applicable in determining whether registration or use of a domain name amounts to trade mark infringement under United States law, it would seem that most cases of ‘cybersquatting’ could be effectively dealt with under existing United States trade mark law.³⁸ Trade mark infringement under United States trade mark law is considerably broader than trade mark infringement in some other jurisdictions, including Australia. The broader scope of United States trade mark law results, in large part, from the 1995 *Federal Trademark Dilution Act* (FTDA). The FTDA was introduced to protect famous marks against dilution by unauthorised use, regardless of whether the mark is used in relation to similar goods or services.³⁹ It established a new cause of action to protect famous marks against unauthorised uses that blur, tarnish, or harm the distinctiveness of such marks. It is likely that most forms of ‘cybersquatting’ would be prohibited under the United States doctrine of trade mark dilution. In fact, it is sometimes suggested that the three main forms of dilution under the law comprise ‘cybersquatting’, tarnishment and blurring.⁴⁰ To the extent that the ACPA overlaps both the FTDA and the UDRP, there would appear to be the possibility of confusion and resulting commercial uncertainty.

3.5.2.2 Differences between Australian and US Law on Cybersquatting

The differences between United States law in relation to ‘cybersquatting’ and Australian law raise a number of issues. First, given the absence of a direct Australian equivalent of the United States doctrine of trade mark dilution,⁴¹ it could be argued that there is a greater need for a ‘cybersquatting’-specific law in Australia than there is in the United States. Against this, however, it would appear that, to date, the UDRP has been relatively successful in restricting the most harmful forms of

³⁷ See *Cybersquatting and Consumer Protection: Ensuring Domain Name Integrity*, Hearings on S.1255 Before the Senate Committee on the Judiciary, 106th Congress (1999).

³⁸ See, for example, Suzanna Sherry, ‘Haste Makes Waste: Congress and the Common Law in Cyberspace’ (2002) 55 *Vanderbilt Law Review* 309.

³⁹ 15 USC ss 1125, 1127 (US).

⁴⁰ See, for example, Paul Edward Kim, ‘Preventing Dilution of the Federal Trademark Dilution Act: Why the FDTA Requires Actual Harm’ (2001) 150 *University of Pennsylvania Law Review* 719. The first United States federal circuit court decision to recognise cybersquatting as a distinct form of dilution was *Panavision International, LP v Toeppen* 141 F 3d 1316 (1998). Issues relating to trade mark dilution are dealt with at paragraph in Section 4 of this submission

⁴¹ Although, as maintained in Section 4 of this submission, the *Trade Marks Act 1995* (Cth) includes provisions that protect against trade mark dilution, at least to an extent.

‘cybersquatting’. Moreover, as explained above, the extent to which ‘cybersquatting’ practices may amount to infringements of existing Australian trade mark law or may constitute the tort of passing off is uncertain. Perhaps most importantly, the current absence of an international consensus on how to approach ‘cybersquatting’ under national laws creates the danger of a proliferation of national laws applying different, perhaps inconsistent, legal standards to Internet domain names. Already, there may be difficulties in relation to questions such as the extent to which different legal principles should be applied under the UDRP and under the ACPA. At this stage, it would seem preferable for efforts to be invested in developing an international consensus on whether there is a role for national ‘cybersquatting’ laws and, if so, the appropriate principles to be embodied in national laws.

Secondly, it could be argued that Australian trade mark law would be better equipped to deal with ‘cybersquatting’ practices if it were to adopt a version of the United States doctrine of trade mark dilution. It is incontestable that the adoption of a law directly modelled on the United States’ FTDA would make it easier for owners of such marks to bring actions against domain name registrants under trade mark law. On the other hand, as explained above, it is not clear that the most offensive ‘cybersquatting’ practices cannot be satisfactorily dealt with under existing trade mark law or the tort of passing off (or section 52), even without the introduction of a doctrine of trade mark dilution. As explained in Section 4 of this submission, the United States doctrine of trade mark dilution has generated a large academic literature, a significant amount of which is critical of the doctrine, or of the interpretation of the FTDA by the courts. This does not mean to suggest that a doctrine of trade mark dilution should not be introduced into Australian law. Rather, it means that the extent to which a law relating to trade mark dilution could be used against ‘cybersquatting’ is only one of a number of complex considerations to be taken into account in determining whether to take Australian trade mark law in this direction.⁴² As argued by this submission, we believe that proposals for prohibiting the dilution of famous marks deserve serious consideration, but that any recommendations on this matter should be made on the basis of a comprehensive analysis of the advantages and disadvantages of Australia taking this step.

Thirdly, it could be argued that, apart from the action for bad faith registration or use, there are other elements of the ACPA that could usefully be adopted in Australia. For example, the availability of an action *in rem* under the ACPA overcomes, at least in part, the difficulties trade mark owners may face in attempting to bring proceedings against defendants who are difficult to locate or who are outside the jurisdiction of domestic courts. The *in rem* action is available only if the plaintiff, after due diligence, either cannot locate the domain name registrant or is not able to obtain *in personam* jurisdiction over the defendant. The necessity for *in rem* proceedings does not arise under the UDRP, as all domain name registrants are required to submit to the UDRP as part of the agreement to register the domain name. The availability of *in rem* proceedings against domain name registrants under national laws involves complex considerations, including issues relating to whether a domain name should be regarded as a form of property and the extension of national laws to persons and activities beyond territorial borders. It would seem desirable that at least some of these issues be dealt with at an international level before consideration is given to the introduction of national laws.

⁴² For further consideration of these issues see Section 4 of this submission.

3.5.2.3 Availability of Judicial Review for Unsuccessful Respondents of UDRP Decisions

Another element of the ACPA, which currently has no analogue under Australian law, is the availability of an action for an unsuccessful respondent (domain name registrant) in a UDRP decision. As explained above, an unsuccessful respondent to a UDRP decision may apply for a declaration that there has been no violation of the ACPA and, if successful before a United States court, may be awarded an injunction preventing the enforcement of the UDRP decision. The relative absence of institutional constraints on UDRP panels, including the absence of an internal appeals mechanism, may be a contributing factor in a perceived lack of consistency in relation to some UDRP decisions.⁴³ Moreover, as explained above, UDRP panel decisions are technically non-binding on parties to a dispute. The practical ability of an unsuccessful party to a UDRP decision to initiate court proceedings in relation to the matter under dispute would, however, seem to be asymmetrical. While an unsuccessful trade mark owner may commence an action under national trade mark or 'unfair competition' laws, an unsuccessful respondent must be more creative.

An unsuccessful respondent may face considerable difficulties in seeking judicial review of a UDRP panel decision under Australian law. First, there are real difficulties in characterising the legal nature of a panel decision. Although the position is complex, it appears that if the decision is characterised as a private arbitration rather than the exercise of a power under a public duty, then the decision is not subject to judicial review.⁴⁴ Moreover, even if a panel decision is subject to review under Australian law, there are real questions concerning the competency of Australian courts to review decisions made by offshore decision-makers, such as the dispute resolution service providers under the UDRP.⁴⁵ Thus, under Australian law, an unsuccessful respondent might be forced to have recourse to unusual actions such as the economic tort of intentional interference to contractual relations or the tort of abuse of process.⁴⁶ Attempting to fit what is essentially a desire for a review of a UDRP panel decision within forms of action not designed for this purpose is unlikely to lead to satisfactory results.

If the obstacles faced by unsuccessful respondents in obtaining adequate review of UDRP decisions were thought to be significant, there would seem to be two means for addressing the issue. First, procedures could be introduced for improving the UDRP process, including giving consideration to the introduction of an internal appeals mechanism. Secondly, if it were thought that unsuccessful respondents should have recourse to an action under national laws, it would seem appropriate that this be considered in the context of proposals for introducing national laws to deal with 'cybersquatting'. As suggested above, it would seem that, at least initially, any such proposals should be developed through an international process.

⁴³ See, for example, Laurence R Helfer and Graeme B Dinwoodie, 'Designing Non-national Systems: The Case of the Uniform Domain Name Dispute Resolution Policy' (2001) 43 *William and Mary Law Review* 141.

⁴⁴ See, for example, *R v Panel on Takeovers and Mergers; Ex parte Datafin Plc*; *R v Jockey Club Disciplinary Committee; Ex parte Aga Khan* [1993] 1 WLR 909; *State of Victoria v Master Builders' Association of Victoria* [1995] 2 VR 127.

⁴⁵ ICANN has accredited four dispute resolution service providers: the WIPO Arbitration and Mediation Center, the National Arbitration Forum (NAF), the CPR Institute for Dispute Resolution (CPR) and the Asian Domain Name Dispute Resolution Centre. None of the dispute resolution service providers have a head office or main place of business located in Australia.

⁴⁶ For a discussion of these causes of action in the context of an action against a domain name registrar in relation to the reallocation of a domain name see *Pitman Training Ltd v Nominet UK* [1997] FSR 797.

Recommendations

- It is premature for Australia to introduce *sui generis* legislation aimed at preventing ‘cybersquatting’ practices, in view of the lack of international consensus on the subject.
- The Australian government should work, through established international processes, such as those established under the auspices of the World Intellectual Property Organization (WIPO), at developing an international consensus on whether there is a role for national ‘cybersquatting’ laws and, if so, the appropriate principles to be adopted under national laws.
- Australian trade mark law should not adopt a doctrine of trade mark dilution merely because of a perceived need to deal with ‘cybersquatting’, or other forms of dilution resulting from the use of marks on the Internet. Although proposals for introducing laws prohibiting the dilution of famous marks merit serious attention, any law reform proposals should be based on a comprehensive analysis of the overall advantages and disadvantages of introducing a law relating to trade mark dilution.
- In considering the need for the introduction of national laws relating to ‘cybersquatting’, the desirability of making *in rem* proceedings against domain names available to trade mark owners, and of establishing a cause of action under national laws for unsuccessful respondents in UDRP panel decisions, should be taken into account. Before consideration is given to the introduction of Australian laws, attempts should be made at developing an international consensus in relation to these issues.

3.6 Trade Marks and Meta Tags

Issue: Is the use of trade marks as meta tags causing problems in Australia and, if it is, how should the problem be addressed?

3.6.1 Background Information on Meta Tags

A ‘meta tag’ may be defined as ‘a tag (that is, a coding statement) in the Hypertext Markup Language (HTML) that describes some aspect of the contents of a Web page.’⁴⁷ The information in meta tags is used by Internet search engines to index a Web page so that users will be able to locate the page by means of the search engine. Like all HTML code, meta tags are not displayed on a Web page, but unlike other HTML code, meta tags do not affect how a page is displayed. A meta tag provides information about a range of matters, including who created the page, how often it is updated, what the page is about and the keywords that represent the contents of the page.

The two most important kinds of meta tags are the ‘keywords’ meta tag and the ‘description’ meta tag.⁴⁸ As the name suggests, a ‘keywords’ meta tag lists the words or phrases that best describe the contents of a Web page. A ‘descriptions’ meta tag is a brief one or two sentence description of the Web page. Trade marks may be used in meta tags in order to attract users to a Web site. The marks may well be used by a competitor of the trade mark owner, or by a Web site that has no relationship

⁴⁷ See <http://whatis.com> (definition of ‘meta tag’).

⁴⁸ See, for example, Ira S Nathenson, ‘Internet Infoglut and Invisible Ink: Spandexing Search Engines with Meta Tags’ (1998) 12 *Harvard Journal of Law and Technology* 43.

with the trade mark, in order to divert users to that site. Trade mark owners therefore have real grounds for concern in relation to the unauthorised use of trade marks in meta tags.

3.6.2 The Use of Trade Marks in a Meta Tag in Australia

The use of a trade mark in a meta tag has been considered by the Australian Trade Marks Office in opposition proceedings under section 60 of the *Trade Marks Act 1995*. In *Playboy Enterprises Inc v Hie Holdings Pty Ltd*,⁴⁹ Playboy Enterprises Inc opposed an application for registration of the trade mark 'PLAYBABES' by Hie Holdings Pty Ltd. Section 60 provides that a trade mark may be opposed on the ground that:

- it is substantially identical with, or deceptively similar to, a trade mark that, before the priority date for the registration of the first-mentioned trade mark in respect of those goods or services, had acquired a reputation in Australia; and
- because of the reputation of that other trade mark, the use of the first-mentioned trade mark would be likely to deceive or cause confusion.

The delegate of the Registrar of Trade Marks held that the opponent had a reputation in the trade marks 'PLAYBOY' and 'PLAYMATE' in Australia, and that the use of the mark 'PLAYBABES' would be likely to deceive or cause confusion. The applicant's use of the word 'playboy' in meta tags was taken into account in determining that the trade mark 'PLAYBABES' was deceptively similar to the opponent's marks. This suggests that use of a mark in a meta tag is at least one of the factors to be taken into account in determining whether there is deceptive similarity for the purposes of trade mark infringement proceedings.

3.6.3 The Use of Trade Marks in a Meta Tag in the United States

As yet, there are no reported Australian decisions dealing with the extent to which use of a trade mark in a meta tag may amount to trade mark infringement. The issue has, nevertheless, arisen in a number of United States' decisions.⁵⁰ In *Brookfield Communications, Inc v West Coast Entertainment Corp.*,⁵¹ the plaintiff, the owner of the trade mark 'MovieBuff', brought an action alleging that registration of the domain name <moviebuff.com>, and use of the term 'MovieBuff' in meta tags, constituted trade mark infringement and breach of United States unfair competition law. The Ninth Circuit Court of Appeal pointed out that use of a trade mark in a meta tag was less likely to create confusion than use of the mark as a domain name, as entering the mark into a search engine will usually produce a list of Web sites, which will likely include the site of the trade mark owner. Nevertheless, the court held that, in this instance, use of mark was likely to cause confusion under the United States doctrine of 'initial interest confusion'. Under that doctrine, although there is no confusion as to source, trade mark infringement may be established where there is an initial confusion resulting in the defendant improperly benefiting from the goodwill in the plaintiff's mark.

⁴⁹ [1999] ATMO 68 (25 June 1999).

⁵⁰ See *Bally Total Fitness Holding Corporation v Andrew S Faber* 29 F Supp 2d 1161 (1998); *Niton Corporation v Radiation Monitoring Devices, Inc* 27 F Supp 2d 102 (1998); *SNA, Inc v Paul Array* 51 F Supp 2d 554 (1999); *Brookfield Communications, Inc v West Coast Entertainment Corp.* 174 F 3d 1036 (1999); *Ford Motor Company v 2600 Enterprises* (US District Court for the Eastern District of Michigan, Case no. 01-CV-71685-DT, December 20, 2001); *Playboy Enterprises, Inc v Terri Welles* (Ninth Circuit Court of Appeals, Case no. 00-55009, February 1, 2002).

⁵¹ 174 F 3d 1036 (1999).

As other cases make clear, however, the use of a mark in a meta tag does not invariably result in a trade mark infringement. For example, in *Playboy Enterprises, Inc v Terri Welles*,⁵² the defendant, a former ‘Playmate of the Year, used the plaintiff’s trade marks ‘PLAYBOY’ and ‘PLAYBOY PLAYMATE OF THE YEAR’ in meta tags, masthead and banner advertisements appearing on her Web page. The plaintiff argued that use of the marks in meta tags amounted to trade mark infringement, or trade mark dilution under the FTDA. The Ninth Circuit Court of Appeals found that there was no trade mark infringement or dilution as use of the mark in meta tags was a ‘permitted nominative use’. The court reached this conclusion on the basis that the use of the trade mark was necessary for the defendant to identify herself, the defendant had only used so much of the marks as was reasonably necessary to identify herself and she had done nothing to suggest sponsorship or endorsement by the trade mark owner. Similarly, in *Ford Motor Company v 2600 Enterprises*,⁵³ the federal district court for the Eastern District of Michigan held that the use of the plaintiff’s trade mark ‘FORD’ in programming code on the defendant’s Web-site did not amount to trade mark infringement or dilution. In that case, the defendants registered the domain name <fuckgeneralmotors.com> and, as an ‘artistic gesture’, included programming code on the Web-site re-directing users to the plaintiff’s <ford.com> Web-site. The court held that there was no trade mark dilution because the defendant’s were not using the mark in commerce. The court further held that there was no trade mark infringement because the defendants were not using the mark in connection with the sale, or advertising for sale, of any goods or services.

3.6.4 Meta Tags Infringing Trade Marks under the *Trade Marks Act 1995*

As explained above, it may be that the unauthorised use of a trade mark in a meta tag amounts to trade mark infringement under the *Trade Marks Act 1995*. Under Australian law, however, a plaintiff trade mark owner may have a greater likelihood of success in a cause of action alleging passing off or breach of section 52 of the *Trade Practices Act 1974* (Cth). As in cases decided under United States trade mark law, an issue may arise as to whether initial confusion generated by the use of the mark in a meta tag is later dispelled by the results displayed by a search engine. The issue bears some similarity to an issue that has arisen in the context of passing off actions, namely the significance of confusion generated by similar ‘get-up’ at the point of sale, which is later corrected before the moment of sale. The matter arose in *Cadbury Schweppes Pty Ltd v Pub Squash Pty Ltd*,⁵⁴ in which Powell J held that there was no relevant misrepresentation where there was evidence that initial confusion was dispelled before the moment of sale.

In the absence of case law, it is difficult to predict how Australian courts will deal with allegations of confusion arising from the unauthorised use of a mark in meta tags. In the past, the tort of passing off and the action for deceptive or misleading conduct under section 52 of the *Trade Practices Act 1974* (Cth) have proved flexible in adapting to new circumstances. At this stage, it may be preferable for the courts to be given an opportunity to apply existing causes of action to the use of marks in meta tags than to introduce legislation specifically designed to deal with the issue. An important consideration is the extent to which Internet location tools, such as search engines, are likely to be subject to dynamic technological change. In this context, it is possible that prescriptive legislation may be overtaken by technological developments. Moreover, as international processes have been commenced to deal with broader issues relating to the use of marks on the Internet, such as the Assembly of the Paris Union and

⁵² Ninth Circuit Court of Appeals, Case no. 00-55009, February 1, 2002.

⁵³ Federal District Court for the Eastern District of Michigan, Case no 01-CV-71685-DT, December 20, 2001.

⁵⁴ [1980] 2 NSWLR 851 (affirmed on appeal by the Privy Council (1980) 32 ALR 387).

WIPO *Joint Recommendation* referred to above, it would seem that efforts should be directed, at least initially, at developing an internationally consistent approach before consideration is given to the introduction of national laws.

Recommendations

- As Australian trade mark and ‘unfair competition’ laws have not yet proven inadequate to deal with the unauthorised use of marks in meta tags, legislative change appears unwarranted at this stage.
- Australian efforts should be expended, at least initially, on attempts to develop an international consensus on principles to apply to the use of marks on the Internet, including the unauthorised use of trade marks in meta tags.
- Efforts could also be usefully directed at collecting information in relation to the extent to which the unauthorised use of marks in meta tags represents a problem for trade mark owners, and whether this is inhibiting the growth of electronic commerce in Australia.

4 WELL KNOWN MARKS/DILUTION

4.1 Background on the Dilution of Well Known Marks

Before the *Trade Marks Act 1995* (Cth), infringement of a registered trade mark could only be claimed if the infringing trade mark was used for goods or services over which the owner's trade mark was registered. Section 120 of the *Trade Marks Act 1995* extended protection to other uses as well, following recommendations of a government appointed Working Party on trade mark law reform⁵⁵ and in order to comply with the Agreement on Trade Related Aspects of Intellectual Property (TRIPs).⁵⁶ As a result, "well-known" trade marks now enjoy *sui generis* protection, in cases where, notwithstanding the infringing trade mark is used for goods or services unrelated to the registered goods or services because of the trade mark's reputation, the use would be taken to indicate "a connection" with the registered owner adverse to the registered owner's "interests" (s 120(3)).

The question to be addressed in this part of the submission concerns the implications of this provision for owners of "famous" or "well-known" trade marks – especially when it comes to claiming protection against trade mark "dilution", classically defined as "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."⁵⁷

4.2 Issues Raised by Section 4.8.3 of the ACIP Paper

Issue: Is it true that the infringement provisions of the Trade Marks Act 1995 do not offer significant anti-dilution protection, either to well-known or famous trade marks or more generally – the protection of registered trade marks is basically limited to cases entailing likely confusion?

Issue: Is a register of famous or well known trade marks desirable or necessary?

4.2.1 Dilution under Sub-section 120(3) of the Trade Marks Act 1995

According to the full High Court in *Campomar Sociedad Ltd v Nike International Ltd*,⁵⁸ sub-section 120(3) follows the international trend in extending the infringement action to restrain the "'dilution' of ... [the] distinctive qualities" of a famous or well-known trade mark "or of its value to the owner".⁵⁹ This states:

A person infringes a registered trade mark if:

- (a) the trade mark is well known in Australia;⁶⁰ and
- (b) the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to:
 - (i) goods (unrelated goods) that are not of the same description as that of the goods in respect of which the trade mark is registered (registered goods) or are not closely

⁵⁵ *Recommended Changes to the Australian Trade Marks Legislation* (AGPS, Canberra, 1992).

⁵⁶ Agreement on Trade-Related Aspects of Intellectual Property Rights (1994) Article 16(3).

⁵⁷ Frank Schechter, "The Rational Basis of Trademark Protection" (1927) 40 *Harv L Rev* 813 at 825.

⁵⁸ (2000) 46 IPR 481.

⁵⁹ *Ibid* at 493.

⁶⁰ Section 120(4) adds that, in deciding whether a trade mark is "well known in Australia", account must be taken of "the extent to which the trade mark is known within the relevant sector of the public; whether as a result of the promotion of the trade mark or for other reasons".

- related to services in respect of which the trade mark is registered (registered services);
 or
 (ii) services (unrelated services) that are not of the same description as that of the registered services or are not closely related to registered goods; and
 (c) because the trade mark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trade mark; and
 (d) for that reason, the interests of the registered owner are likely to be adversely affected.

The terms can be construed to provide protection against trade mark dilution.⁶¹ “Dilution,” defined for instance in the *Lanham Act* (US) as “the lessening of the capacity of a famous mark to identify and distinguish goods or services”, does not depend on the likelihood of confusion.⁶² But neither does sub-section 120(3). The use of a “substantially identical” trade mark (as a trade mark) should suffice, provided the infringing trade mark is taken as “indicating a connection” likely to adversely affect the “interests” of the registered owner.⁶³ Such protection exists apart from any incidental anti-dilution protection that may be available by virtue of a successful claim for use of a deceptively similar trade mark, notwithstanding the focus of “deceptive similarity” is clearly likely confusion.⁶⁴

4.2.1.1 Interpretation and Application of the Standard of “Substantially Identical”

What is important is how Australian courts interpret and apply the standards of “substantially identical”, a term also found in the other infringement provisions of the *Trade Marks Act 1995*,⁶⁵ and “indicating a connection”, a term new to sub-section 120(3).⁶⁶ (Also important is how “use as a trade mark” is interpreted and applied but this is a question, which goes beyond trade mark dilution, encompassing deceptively similar uses - as a trade mark - as well.)⁶⁷ The first was early on defined in the High Court as involving a side-by-side comparison of similarities and differences, their importance assessed having regard to “the essential features of the registered mark”, giving a “total impression of “resemblance or dissimilarity” (per Windeyer J in *Shell Company of Australia Ltd v Esso Standard Oil Ltd*).⁶⁸ But in practice courts seem to focus more on the differences than the similarities in holding trade marks not substantially identical. So, for instance, SOLAROID was held not substantially identical with POLAROID,⁶⁹ SAPIENT was assumed not to be substantially identical with SAPIENT COLLEGE,⁷⁰ the distinctive features of the Coca-Cola bottle adopted for confectionery were

⁶¹ Cf Frederick Mostert and Trevor Stevens, “The Protection of Well-known Trade Marks on Non-Competing Goods” (1996) 7 AIPJ 38 at 84 (“s 120(3) may herald the introduction of statutory protection against the dilution of well-known trade marks”).

⁶² The Lanham Act §45, 15 USC § 1125 (Federal Trade Mark Anti-dilution Act 1995) states that “[t]he term ‘dilution’ means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of - (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception”: *ibid* §1127.

⁶³ Cf (US law) *Mead Data Central Inc v Toyota Motor Sales Inc* 875 F2d 1026 (2d Cir 1989), the court at 1029 (“[w]e hold only that the marks must be ‘very’ or ‘substantially’ similar and that, absent such similarity, there can be no viable claim of dilution”) and generally *McCarthy on Trademarks and Unfair Competition* (St Paul, 1996-) Vol 3 §24.90.1. Thus LEXUS was held not to dilute LEXIS. By contrast ENJOY COCAINE was held to tarnish and dilute the plaintiff’s COCA-COLA trade mark under New York dilution law in *Coca-Cola Co v Gemini Rising Inc* 346 F Supp 1183 (First Circ, 1972). See also *Anheuser-Busch, Inc. v Andy’s Sportswear, Inc* 40 U.S.P.Q.2D (BNA) 1542 (ND Cal, 1996) (BUTTWISER found to dilute BUDWEISER).

⁶⁴ See *Trade Marks Act 1995* s 10 (definition of “deceptively similar”).

⁶⁵ Specifically ss 120(1) (use as a trade mark of a substantially identical or deceptively similar trade mark for registered goods or services) and 120(2) (use as a trade mark of a substantially identical or deceptively similar trade mark for goods or services that are of the “same description” or “closely related” and see further n 78).

⁶⁶ Although cf (defensive registration) s 185 discussed below n 96.

⁶⁷ For a general discussion of the treatment of this standard, see Megan Richardson, “Promotional Trade Marks and Trade Mark Law in Australia: Recent Cases” (2000) 11 *Ent L Rev* 188 and Megan Richardson, “Shape Trade Marks in Australian Courts” (2001)12 AIPJ 5.

⁶⁸ (1963) 109 CLR 407 at 414-5.

⁶⁹ *Polaroid Corporation v Sole N Pty Ltd* [1981] 1 NSWLR 491, Kearny J at 495.

⁷⁰ *SAP Australia Pty Ltd v Sapien Australia Pty Ltd* (1999) 48 IPR 593, full Federal Court at 604.

considered not to entail substantial identity,⁷¹ and HILL OF GOLD was assumed not to be substantially identical with HILL OF GRACE.⁷² (The last three cases, but not the first, were decided after the *Trade Marks Act 1995* came into effect.)

Similarly, although the High Court must have intended in *Campomar v Nike*⁷³ that sub-section 120(3) does not require likely confusion,⁷⁴ there is still a view that the reference to “indicating a connection” in sub-section 120(3)(c) entails some likely confusion.⁷⁵ At present, there seems to be a gap between the pronouncements of the High Court – indicating fuller protection against trade mark dilution – and the standards actually applied in cases decided at the lower court levels, which so far would seem to allow little more protection under sub-section 120(3) for famous or well-known trade marks than would be available under section 52 of the *Trade Practices Act* (Cth) or the common law doctrine of passing off. The High Court’s observation in *Campomar v Nike* that “the balancing of ... interests has been struck differently between one statute and the next as markets and trade methods and practices have changed”⁷⁶ appears to have drawn little fruit. On the other hand, it is early days. Section 52 of the *Trade Practices Act*, now an important vehicle for protecting well-known trade marks from deceptive conduct, took some 10 years to be established in that role. Similarly, it has been observed that early decisions interpreting the US Lanham Act’s anti-dilution provisions “seemed stuck in the likelihood of confusion mode of thinking.”⁷⁷ Therefore, all that can be concluded at this stage is that there is still some uncertainty as to the protection sub-section 120(3) will be found to give against trade mark dilution.

Summary

Sub-section 120(3), even as currently drafted, has the potential to offer significant anti-dilution protection to well known or famous trade marks

4.2.2 Dilution under Sub-sections 120(1)(2) of the Trade Marks Act 1995

Section 120(3) is not the only provision of the *Trade Marks Act 1995* that can be construed as offering protection against dilution. Sections 120(1) and (2) also offer protection against the use of a substantially identical trade mark (as a trade mark) if the use is with respect to the goods or services covered by the provisions – viz (in the case of 120(1)) the registered goods or services or (in the case of

⁷¹ *Coca-Cola v All-Fect Distributors Ltd* (1999) 47 IPR 481, full Federal Court at 496 In fact there was another reason in this case why at most these trade marks should have been regarded as deceptively similar: the Coca-Cola “shape” trade mark was not in fact yet registered at the time the cause of action arose, the claim for infringement based on a drawing depicting the shape claimed to be infringed by the adoption of a similar shape for the defendant’s sweets.

⁷² *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42, full Federal Court at 60.

⁷³ Above n 58.

⁷⁴ *Ibid* at 493 referring to the *Restatement Third on Unfair Competition* (1995) §25 comm (a) (“[t]he ‘dilution’ theory of liability ‘does not require proof of a likelihood of confusion’; rather, what is protected is ‘the commercial value or ‘selling power’ of a mark by prohibiting uses that dilute the distinctiveness of the mark or tarnish the associations evoked by the mark”).

⁷⁵ See *Coca-Cola v All-Fect Distributors Ltd* (1999) 43 IPR 47, Merkel J at 61-5 (the issue not considered on appeal, above n 71). In *Nintendo Co Ltd v Care* (2001) IPR 34 Goldberg J found a serious question to be tried in an interlocutory injunction application under s 120(3) when the defendant adopted features of the plaintiff’s Da’ Super Mario character (registered as a trade mark) for his wrestling persona on the basis that “the respondents have copied the applicants’ Super Mario character” (*ibid* at 38). But since the claims for breach of s 52 and passing off were also found to be made out, it can be assumed the judge considered the similarity to be confusing.

⁷⁶ Above n 58 at 494-5.

⁷⁷ *McCarthy on Trademarks and Unfair Competition* above n 63 at §24:89.

s 120(2)) goods or services that are “same description” or “closely related”.⁷⁸ Similarly, the Lanham Act’s provisions are not restricted to the use of trade marks for non-competing goods or services.⁷⁹ Nor arguably does dilution theory require arguments about dilution to be so restricted. Frank Schechter’s classic article on “The Rational Basis for Trademark Protection”, which later became the basis of US anti-dilution law, explains that the justification for protection against dilution is in order to protect the “selling power” of a trade mark.⁸⁰ The selling power, which enables new goods and services to be readily brought to market, adds value to the trade mark beyond that of a traditional trade mark (whose function was, after a suitable period of use, to indicate the manufacturing source of goods or services). Schechter pointed to the ability of a trade mark, such as ROLLS-ROYCE or KODAK, to guarantee the quality of goods or services previously untried or tested. But in a world in which consumers may equally want to buy image, or personality, trade marks may have an even broader function – of guaranteeing the authenticity of that image.⁸¹ These trade marks reduce consumer search costs because they give reliable signals to consumers in an otherwise confusing and impersonal world of massive choice that the goods or services will suit their desires.

Further, they reduce commercialisation costs for new goods or services, making innovation a less risky adventure. Protection against blurring or tarnishment by other traders who capitalise on the trade mark’s promotional value (benefiting from the recognition factor) therefore can have advantages, both from a consumer protection perspective and from an innovation perspective. Importantly, it should be understood in addressing dilution theory that the idea of *new* goods and services does not necessarily mean *non-competing* goods or services.⁸² A use with respect to competing goods or services might equally blur or tarnish, as for instance, in the UK case *Baywatch Productions Co Ltd v Home Video Channel*⁸³ where BAYWATCH was registered for videos and BABEWATCH was used for a pornographic parody on cable television.⁸⁴ In fact, some of the strongest arguments for dilution are those involving “store brands” where the new goods or services to which the copied trade mark is applied are within the category of registered goods or services (ie fall under sub-section 120(1)) but at the lower end of the market.⁸⁵

4.2.2.1 Accommodating This Reasoning within the Trade Marks Act

There are some difficulties with fully accommodating this reasoning to the language of sub-sections 120(1) and (2) of the *Trade Marks Act*. In particular, the proviso in sub-section 120(2) that “a person is not taken to have infringed the trade mark if the person establishes that using the sign as the person did is not likely to deceive or cause confusion” superimposes a likely confusion element even in cases where the use of a substantially identical trade mark (as a trade mark) is established. Further, the qualification in sub-section 120(3) that it only applies to goods or services that are “*not* of the same

⁷⁸ Although note there is an exception to liability under s 120(2) if the use in all the circumstance is not likely to confuse: see below following n 85.

⁷⁹ See above n 62 and generally *McCarthy on Trademarks and Unfair Competition* above n 63 at §24:90.

⁸⁰ Above n 57 at 831 (“the value of the modern trademark lies in its selling power”).

⁸¹ As acknowledged by Burchett J in *Hogan v Pacific Dunlop Ltd* (1989) 14 IPR 398 at 429-30. See further Megan Richardson, “Copyright in Trade Marks? On Understanding Trade Mark Dilution” [2000] *IPQ* 66.

⁸² Although this was clearly Schechter’s particular focus: see above n 57 at 825ff.

⁸³ *Baywatch Productions Co Ltd v Home Video Channel* (1996) 37 IPR 12.

⁸⁴ The fact that infringement by dilution could not be claimed under s 10(2) of the UK Act, according to Crystal DJ adopting a technical construction, meant BABEWATCH did not infringe BAYWATCH. It should be noted the wording of s 10(2) of the UK Act is quite different from s 120(2) of the *Trade Marks Act 1995* in specifying likely confusion.

⁸⁵ See, for an industry perspective, Tom Blackett, *Trademarks* (Macmillan, Interbrand, 1998) at 107 (the “lookalike phenomenon” one of the “most vexed marketing issues to have surfaced in recent years”). An example is Sainsbury’s Classic Cola, a lookalike for Coca-Cola. Its launch meant that Coca-Cola sales in Sainsbury’s fell from 70% of Sainsbury cola sales to 20%: see further *ibid* at 107-8.

description [as] ... or closely related to” the registered goods or services (ie “unrelated” goods or services) means that claims that might be brought under sub-section 120(3), absent that qualification, fall to be determined under sub-section 120(2). The anomalous result is that the extent of anti-dilution protection available to well-known trade marks is dictated by the classification of the goods or services as “unrelated” or not.⁸⁶ Uncertainty as to the meaning to be attached to “of the same description... [or] closely related” does not provide for a clear and predictable outcome either. Courts have not yet reached the final conclusion that a central concept here is one of competitiveness, or substitutability, preferring to rely on a range of factors and tests to decide on the closeness of relationship without actually setting a precise benchmark.⁸⁷ Sweeping concessions by parties unquestioned by courts (for instance, that soft-drink is “of the same description” as confectionery)⁸⁸ have to date given a wide role to sub-section 120(2) relative to sub-section 120(3)). Nevertheless, the courts may yet resolve the issue of the relationship between sub-sections 120(2) and (3) as more dilution claims come before them, leaving the width of the sub-section 120(2) proviso as the outstanding problem.

Unlike sub-section 120(3), sub-sections 120(1) and (2) are not restricted to famous or well-known trade marks and nor do they require a connection adverse to the interests of the registered owner. But this may still be consistent with dilution theory or at least unfair competition theory. It is customary for protection against dilution to be restricted to famous or well-known trade marks and for dilution (or at least injury) to be specified.⁸⁹ Nevertheless, Schechter argued the more important thing is the trade mark’s “selling power” – its ability, even “from the very beginning,” to create in the “public consciousness an impression or symbol of the excellence of the particular product in question.”⁹⁰ Further, he suggested, the dilution – or “whittling away” of identity – was the logical corollary of its unauthorised use.⁹¹ Even if it is not accepted that trade marks that are neither famous nor well-known can be diluted by the use of a substantially identical trade mark (as a trade mark) for goods or services falling within sub-sections 120(1) or (2), the misappropriation argument is powerful.⁹² Not only the trade mark but the goods or services are closely copied. The harm lies in the owner’s own market, and the use lacks the ingenuity of application to non-competing goods or services which might support an entitlement to use.⁹³ The reasoning may suggest that, if not likely confusion, then at least injury to interests may fairly be assumed.⁹⁴ The assumption need not be absolute. For instance, a proviso to sub-section 120(2) permitting a defendant to establish that the use would not be adverse to the interests of

⁸⁶ As occurred in *Coca-Cola v ALL-Fect* above n 75, the Full Federal Court remitting the case for consideration of the s 120(2) exception after the plaintiff conceded that “confectionary was goods of the same description as the registered goods” (soft drinks): *ibid* at 497-8.

⁸⁷ See, for instance, *Registrar of Trade Marks v Woolworths Ltd* (1999) 45 IPR 491, French J at 423-5 (meaning of “closely related”); *McCormick & Co Inc v McCormick* (2000) 51 IPR 102, Kenny J at 107-110 (meaning of goods “of the same description”).

⁸⁸ The concession made in *Coca-Cola v All-Fect*: see above n 86.

⁸⁹ See generally Frederick Mostert, “Well-Known and Famous Marks: Is Harmony Possible in the Global Village?” (1996) 26 *Trademark Rep* 103.

⁹⁰ Schechter seemed more concerned with “uniqueness” or “singularity”, and a capacity to “from the very beginning, ... [to be] associated in the public’s mind with a particular product”, creating “in the public consciousness an impression or symbol of the excellence of the particular product in question: above n 57 at 829.

⁹¹ *Ibid* at 831 (the trade mark’s “uniqueness or singularity is ... impaired by its use ... upon ... non-related goods”).

⁹² For parasitic trading or slavish imitation as a species of “unfair competition” recognised under continental European law: see Anselm Camperman Sanders, *Unfair Competition* (Clarendon Press, 1997) ch 1.3. For some sympathy to such concerns in Australia, see *Bridge Stockbrokers Ltd v Bridges* (1984) 57 ALR 401, Lockhart J at 415; *Murray Goulburn Co-operative Co Ltd v New South Wales Dairy Corporation* (1990) 16 IPR 289, full Court at 308; *Remy Martin Amerique Inc v Carlton Wines & Spirits (Aust) Pty Ltd* (1990, unrep FC) per O’Loughlin; *Red Bull Australia Pty Ltd v Sydneywide Distributors Pty Ltd* (2001) 53 IPR 481, Conti J at 512-5.

⁹³ Cf Blackett above n 23 (store brands simply seek to benefit from labour and investment put into manufacturer’s brands, in order to draw away custom).

⁹⁴ In many of these cases it may simply be that likely confusion may fairly be assumed (taking into account that this is assessed under the deceptive similarity standard by reference to the owner’s hypothetical use for the registered goods or services, unrestricted to the particular segment of the market in which the owner actually operates): cf *United Biscuits Ltd v Asda Stores Ltd* [1997] RPC 513 (puffin trade mark used for biscuits at lower end of market only held not deceptively similar to penguin premium trade mark because registered penguin trade mark was different from the one used). But the reasoning does not extend to tarnishing uses: see *Baywatch v Home Video* above n 84.

the registered owner would serve an equivalent function to the no likely confusion proviso for claims not about dilution.

Summary

- Sections 120(1) and (2) can also be construed to offer protection against dilution (and are not restricted to well-known or famous trade marks).
- But the sub-section 120(2) proviso, risks undermining the potential for significant anti-dilution protection given its current focus on likely confusion. For dilution claims the focus would more appropriately be likely damage.

4.2.3 An Australian Register of Famous or Well-Known Trade Marks

Issue: Should Australia adopt a register of famous or well-known trade marks?

Whether Australia should adopt a register of famous or well-known trade marks cannot easily be resolved. Further investigation of the merits of this approach would be desirable. Such a register might usefully reduce one source of uncertainty in the application of anti-dilution provisions. But whether it would add *significant* certainty if dilution does not depend solely (or even necessarily) on a registered trade mark's character as famous or well-known may be questioned. Another question is the appropriate test for determining the fame or well-known character of a trade mark. The standards "famous" or "well-known" are generally considered to be different (the first more onerous than the second); therefore, the preliminary question is which should apply for any register. And, at present, there is no one internationally accepted standard for deciding whether a trade mark is famous, let alone well-known.⁹⁵

In fact, Australia already has, if not a famous or well-known trade mark register, then something that approaches it. Specifically, section 185 of the *Trade Marks Act 1995* permits defensive registration of a trade mark for goods or services other than those for which it is (or will be) used on the basis that, because of the extent to which it has been used for its registered goods or services, "it is likely that its use in relation to [the] other goods or services will be taken to indicate that there is a connection between those other goods and services and the registered owner of the trade mark". Nor is this facility new to the *Trade Marks Act 1995* – like provision was made in the *Trade Marks Act 1955*.⁹⁶ Curiously, the provision has been little used with only 18 registrations since the *1995 Act* came into force.⁹⁷ One explanation that has been offered is a restrictive approach by the Trade Marks Office to defensive registrations (requiring likelihood of confusion for a "connection", and preferring goods or services to

⁹⁵ See generally Mostert above n 89 at 120 (even within Europe standards vary – for instance 80% recognition accepted for a famous trade mark in Germany, 40% for a well-known trade mark. In France 20% recognition can suffice for a trade mark to be considered well-known). That a WIPO-appointed Committee of Experts on Well-Known Marks did not seek to conclude on a definitive level of recognition is also noteworthy: see *ibid* at 106. (For the outcome of the Committee's work see *Joint Recommendations Concerning Provisions on the Protection of Well-known Marks* adopted by the Paris Union for the Protection of Industrial Property and the General Assembly of WIPO, September, 1999.)

⁹⁶ Cf *Trade Marks Act 1955* (Cth) s 93. See also (although not exactly in the same terms) *Trade Marks Act 1938* (UK) s 27 and generally Dan Shanahan, *Australian Law of Trade Marks and Passing Off* (2nd ed Law Book Co) ch 14.

⁹⁷ Since 1 January 1996 18 defensive registrations have been recorded on the Trade Marks Office Register at <http://pericles.ipaustralia.gov.au/atm> (last visited 8 May 2002), bringing the total of defensive registrations to 285.

be at least related to the registered goods or services).⁹⁸ Another is that trade mark owners seem content to rely on the prospect of bringing a claim under sub-section 120(3) if and when a situation arises⁹⁹ – a situation not particularly assisted by the fact that the statutory factors for assessing whether a trade mark is “well-known” do not include any defensive registration.¹⁰⁰ Arguably, also, an average period of some 2 and a half years between an application and registration¹⁰¹ removes the provision’s ability to operate *defensively* (in immediate anticipation or reaction to another trader’s use) – meaning trade mark owners are required to guess what possible uses their trade marks might be put to in order to register defensively.

4.3 Summary and Conclusions

Contrary to apparent assumption, sub-section 120(3) can be construed to offer protection against trade mark dilution as indeed can sub-sections 120(1) and (2). The position might be made clearer and some reformulation of the sub-section 120(2) proviso might be desirable. Further consideration might also be given to the question of adopting a register of famous or well-known trade marks, and at the very least the relationship between the defensive trade marks register and sub-section 120(3) could be harmonised in order that the register can function properly as a defensive mechanism reducing the need to proceed under sub-section 120(3).

However, before any steps are taken to strengthen and clarify the protection available against trade mark dilution under the *Trade Marks Act 1995*, there is still a real and outstanding question to be considered: *viz should* protection against trade mark dilution be available? The discussion has proceeded on the basis that, if dilution theory is accepted as valid, protection makes sense. However a broader review of:

- (a) Whether the theory that protection against dilution leads to benefits for consumers and innovation is borne out in practice; and
- (b) Whether the costs of protection against dilution are worth the benefits would be desirable.

As to the first, there is a substantial literature questioning the desirability of protecting trade marks whose value depends on persuading consumers that participation in a culture of conspicuous consumption.¹⁰² As to the second, questions have been raised about the uncertainty that any broadly framed dilution law can raise for all trade mark owners in their commercial dealings.¹⁰³ Further, the implications of broad anti-dilution rights for freedom of speech and discussion is something the High

⁹⁸ See Brian Elkington, Michael Hall and David Kell, *Trade Mark Law in Australia* (Butterworths, 2000) at 213-4; cf Mostert and Stevens above n 61 at 84-5 – although such standards have not prevented defensive registration in recent years of TIP TOP for meat, fish and poultry, coffee and tea (reg 719217), VIAGRA for toilet and cosmetic preparations (reg 769222), and AT&T for paints and varnishes (reg 771849).

⁹⁹ See Mostert and Stevens above n 61 at 84-5 (practitioners seem meekly to accept the office’s strict approach).

¹⁰⁰ In addition to the factors specified in s 120(4) above n 60.

¹⁰¹ Of the 18 trade marks registered since 1 January 1996, the average waiting period between lodgment and sealing was 2½ years, ranging from 10 months to 4½ years.

¹⁰² See, for instance, Ralph Brown, “Advertising and the Public Interest: Legal Protection of Trade Symbols” (1948) 57 *Yale LJ* 1165; Mark Lemley, “The Modern Lanham Act and the Death of Common Sense” (1999) 108 *Yale LJ* 1687; Jennifer Litman, “Breakfast with Batman: The Public Interest in the Advertising Age” (1999) 108 *Yale LJ* 1717.

¹⁰³ See, for instance, *McCarthy on Trademarks and Unfair Competition* above n 63 §24:114 (although generally supportive of the aims). Others have pointed to the practical difficulty of proving injury by dilution: see, for instance, Jonathan Moskin, “Dilution or Delusion: The Rational Limits of Trademark Protection” (1993) 83 *TMR* 122; See also (doubting the harm of dilution) Hazel Carty, “Dilution and Passing Off: Cause for Concern?”, (1996) 112 *LQR* 632.

Court noted in *Campomar v Nike*.¹⁰⁴ While we believe these general concerns can be addressed, a broader public review of the basis of protection against trade mark dilution would be desirable.

Recommendation

- A review should be undertaken of the benefits and costs of providing protection against trade mark dilution and of the optimal way to proceed – including whether a register of famous or well-known trade marks should be established.

¹⁰⁴ Above n 58 at 494, referring to Judge Kozinsky (writing extra-judicially), "Trademarks Unplugged" (1993) 68 *NY U L Rev* 960. See also Rochelle Dreyfuss, "Expressive Genericity: Trademarks as Language in the Pepsi Generation" (1990) 65 *Notre Dame LR* 397; and Richardson above n 81 at 81.

5 EFFECT OF SUB-SECTION 88(2)(C) OF THE TRADE MARKS ACT (RECTIFICATION)

5.1 Background on Rectification Under the Trade Marks Act

Section 88 of the *Trade Marks Act 1995* allows for the rectification of the Trade Marks Register by the removal or amendment of a trade mark registration or an entry in the Register. Paragraph 88(2)(c) provides that an application for rectification of the Register may be made on the ground that:

because of the circumstances applying at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion for a reason other than one for which:

- (i) the application for the registration of the trade mark could have been rejected under section 43 or 44; or
- (ii) the registration of the trade mark could have been opposed under section 60.

5.2 Issues Raised by Section 4.8.5 of the ACIP Paper

Issue: Does the wording of sub-section 88(2)(c) of the Trade Marks Act 1995, require clarification?

ACIP raises the issue of whether the wording of this paragraph requires clarification. It is submitted that this paragraph should be amended as a matter of some urgency, to ensure that it is effective in providing a ground to remove or amend a trade mark registration or other entry in the Register when the current use of the trade mark by its registered owner is likely to deceive or cause confusion. Safeguards to ensure the establishment of such a ground will not unfairly prejudice a registered owner, are found in section 89, which is referred to below.

5.2.1 Rectification Under Section 88 of the Trade Marks Act 1995

Effectively subsection 88(1) enables an aggrieved person to apply to a prescribed court for an order that a trade mark registration or an entry in the Register be removed or amended, and subsection 88(2) exhaustively defines the grounds on which such an application can be made. In addition to the ground set out in paragraph 88(2)(c) above, subsection 88(2) provides for the following further grounds for rectification of the Register:

- (a) any of the grounds on which registration of the trade mark could have been opposed under Division 2 of Part 5;
- (b) an amendment of the application for the registration of the trade mark was obtained as a result of fraud, false suggestion or misrepresentation;
- (d) (repealed)
- (e) if the application is in respect of an entry in the Register – the entry was made, or has been amended, as a result of fraud, false suggestion or misrepresentation.

The grounds for rectification set out in paragraphs (b) and (e) deal with important but relatively narrow circumstances involving fraud, false suggestion and misrepresentation. For reasons referred to below, the grounds contained in paragraph (a) appear directed to establishing that a trade mark was wrongly

registered. Thus, while not expressly restricted to circumstances arising after the date of registration of a trade mark, paragraph (c) appears to provide the primary ground for removing or amending a trade mark registration on the basis of circumstances arising after the date of registration of the trade mark. However, as presently drafted the scope of the ground in paragraph (c) is unclear.

In order to remove or amend a trade mark registration or an entry relating to a registered trade mark on the ground provided by paragraph 88(2)(c), the applicant for rectification must establish the following two matters:

- (1) The current use of the registered trade mark is likely to deceive or cause confusion; and
- (2) The reason for this likelihood is not one for which the application for the registration of the trade mark could have been rejected under sections 43 or 44, or the registration of the trade mark could have been opposed under section 60.

The difficulty lies with the second requirement, which has no direct equivalent in previous Trade Marks Acts. Clearly, the effect of the second requirement is to limit the situations in which the ground for rectification is available, but the intention behind the limitation is not clear. The purpose of including section 44 in the limitation, which deals with prior conflicting applications or registrations, is also not clear. Given that sections 43, 44 and 60, in effect, mandate conditions that a trade mark must satisfy in order to be registrable for the goods or services for which registration is sought, the second requirement may be directed to avoiding the same circumstances, giving rise to reliance in rectification proceedings on both the ground provided for in paragraph 88(2)(c) and one or more of the grounds provided for in paragraph 88(2)(a). The reference in paragraph 88(2)(c) to “reason” rather than “ground” arguably supports such an interpretation,¹⁰⁵ although an easier way to avoid such duplication would be to restrict paragraph 88(2)(c) to circumstances arising after the date of registration. Wilcox J considered paragraph 88(2)(c) at first instance in *Montana Tyres Rims & Tubes Pty Ltd v Transport Tyre Sales Pty Ltd*.¹⁰⁶

5.2.1.1 *The Montana Case*

The *Montana Case* concerned the trade marks OHTSU and FALKEN, which had been registered in Australia by the Japanese company Ohtsu Tire and Rubber Co Ltd (Ohtsu) for tyres and associated products. The marks had been assigned by Ohtsu to its Australian exclusive distributor Transport Tyre Sales Pty Ltd (TTS) in order to enable TTS to take trade mark infringement actions against parallel importers of the tyres. Despite the assignment of the marks, the relationship between Ohtsu and TTS remained the same, with TTS continuing to import and distribute tyres manufactured and marked by Ohtsu. TTS had also committed itself to reassign the trade mark registrations back to Ohtsu. The issue of relevance here was whether the Register should be rectified by cancelling the entries recording the assignments of the marks to TTS on the basis of paragraph 88(2)(c). In relation to this Wilcox J held as follows:

It follows from my finding on the first issue that use of the marks OHTSU and FALKEN by TTS is likely to deceive or cause confusion. However, para (c) excludes deceit or confusion that is for a reason covered, inter alia, by s 43 of the Act. Section 43 requires the rejection of an application for the

¹⁰⁵ But see comments on paragraph 88(2)(c) made in *Big Country Developments Pty Ltd v TGI Friday's Inc and Ano* (2000) 48 IPR 513 paras 40–43.

¹⁰⁶ (1998) 41 IPR 301

registration of a trade mark in respect of particular goods or services if the use of the mark is likely to deceive or cause confusion “because of some connotation that the trade mark.... has”. That is this case. The marks OHTSU and FALKEN each have a connotation of connection with Ohtsu Co, in the sense that the mark was imposed on the tyres in order to indicate the identity of the manufacturer. The use of either of those marks to indicate an association with a particular distributor would cause confusion, at the least.

Parliament presumably excluded a reason falling within s 43 from s 88(2)(c) in order to encourage persons having a basis of objection to registration to advance their objection at the registration stage, rather than to lie by and raise the problem at a later date. Whether or not that is so, these marks are not now liable to cancellation under s 88 (2)(c).¹⁰⁷

The Full Federal Court did not consider this part of Wilcox J’s judgment in the subsequent appeal from his Honour’s decision.

The exact scope of section 43 of the Act is arguably yet to be authoritatively established, but it appears that this aspect can be put to the side for current purposes. In relation to the meaning of paragraph 88(2)(c), Wilcox J’s suggestion for the exclusion from this provision of reasons falling within sections 43, 44 and 60, does not appear to take into account situations where the circumstances giving rise to the likelihood of deception or confusion arise after the date of registration of the trade mark in issue and thus could not provide any basis on which to oppose the registration of the mark. If his Honour’s interpretation of the provision is followed, the situations when a trade mark registration or an entry in the Register can be removed or amended on the basis of circumstances arising after the date of registration or recordal of the entry appear to be very limited. In *Australian Co-Operative Foods Ltd v Norco Co-Operative Ltd* Bryson J considered paragraph 88(2)(c) applied to marks registered under the *Trade Marks Act 1955* because he was of the view that sections 43, 44 and 60 had no application to such marks, a view that appears to be wrong.¹⁰⁸ The scope of paragraph 88(2)(c) clearly has consequences in relation to regulating the parallel importation of trade marked goods, a matter discussed in paragraph 4.7.3 of ACIP’s *Issues Paper*.

5.2.2 Amendment of Sub-section 88(2)(c)

To render the ground of rectification in paragraph 88(2)(c) clear and effective, it is recommended that the provision be amended by deleting the words after the word “confusion”. The paragraph would thus read:

because of the circumstances applying at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion;

If avoiding duplication or overlap of the grounds of rectification is considered important, alternatively the paragraph could be amended to provide as follows:

because of circumstances arising after the date of application for registration of the trade mark and which continue to apply at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion...

¹⁰⁷ (1998) 41 IPR 317

¹⁰⁸ (1999) 45 IPR 228. See further 2 (d) of submission on this part of ACIP’s *Issues Paper*.

This submission presupposes that it should be possible to remove or amend a trade mark registration, on the basis that its use is likely to deceive or cause confusion due to circumstances arising after the date of registration of the trade mark. The ability to so rectify the Register is supported, even accepting the view that the 1995 Act places greater emphasis on the protection of registered owners than the protection of consumers. The registered owner's interests are safeguarded by section 89 which gives the court a discretion not to grant an application for rectification made on a ground referred to in paragraph 88(2)(c) "if the registered owner of the trade mark satisfies the court that the ground relied on by the applicant has not arisen through any act or fault of the registered owner." The downside to section 89 is the uncertainty surrounding the concepts "act or fault", and to a lesser extent the circumstances in which the court will exercise its discretion in favour of the registered owner. However, it is arguably difficult to more precisely define "act or fault" without risking imposing a fetter on the court to fully take into account the particular circumstances of individual cases.¹⁰⁹

Recommendations

- Section 88(2)(c) should be amended, as a matter of some urgency, to read as follows:

because of circumstances arising after the date of application for registration of the trade mark and which continue to apply at the time when the application for rectification is filed, the use of the trade mark is likely to deceive or cause confusion

5.3 Other Rectification Issues

It is submitted that consideration should be given to further amending the rectification provisions contained in section 88 of the Act as suggested below.

5.3.1 Further Grounds for Rectification

Issue: Should there be further grounds for removing or amending a trade mark registration based on circumstances arising after the date of registration of the trade mark?

In this respect it is assumed that the grounds for rectification contained in paragraph 88(2)(a) are directed towards establishing that a trade mark was wrongly registered and thus are only concerned with circumstances existing at the date of application to register. This appears to follow from the language of the relevant opposition provisions, and also seems to have been the intention behind the recommendation of the Working Party to list separately the grounds for rectification now contained in subsection 88(2) in order to avoid the difficulties relating to the continuing relevance of pre-acceptance tests for registrability encountered under the *Trade Marks Act 1955*.¹¹⁰

¹⁰⁹ Compare the inconclusive case law dealing with blameworthy or disintitling conduct thought to be relevant under section 28 of the *Trade Marks Act 1955*.

¹¹⁰ Report of Working Party to Review the Trade Marks Legislation, "Recommended Changes to the Australian Trade Marks Legislation", 1992, 3.2 p 94

It is particularly queried whether there should be provision for removing or amending a trade mark registration when the trade mark only qualified for registration as a factually distinctive mark under subsection 41(6) and the mark, while still in use, is no longer used to any great extent. A provision to this effect was contained in paragraph 89(2)(d) of the *Trade Marks Act 1994* which provided for the following ground of rectification:

the trade mark:

- (i) is not inherently capable of distinguishing the goods or services; and
- (ii) on the day on which the application for rectification was filed, had ceased to be used to a sufficient extent for it to be capable of distinguishing the goods or services of the registered owner from the goods or services of any other person;

This provision was not included in the *Trade Marks Act 1995*. A provision to this effect may go some distance in allaying the concerns expressed by some in relation to traders obtaining exclusive rights by obtaining registration of the new signs expressly included in the definition of “sign” in the 1995 Act, that is, aspects of packaging, shape, colour, sound and scent.’

Recommendations

- The *Trade Marks Act 1995* should be amended to include a further provision for removing or amending a trade mark registration, based on circumstances arising after the date of registration of the trade mark, similar to paragraph 89(2)(d) of the *Trade Marks Act 1994*

5.3.2 Amendment of Section 89

Issue: Should section 89 should be amended by deleting paragraph 89(1)(b)?

This paragraph applies section 89 to rectification actions based on the ground that a trade mark was wrongly registered because at its date of application, the trade mark was liable to deceive or confuse. Thus the “defence” of no “act or fault” referred to above is available to a registered owner in such rectification proceedings even though it would not have been available to defend an opposition to registration of the trade mark if such proceedings had been taken against registration of the mark. The justification for this differential treatment is not clear.

5.3.3 Court Discretion with respect to Rectification

Issue: Despite section 89, is there still a general discretion for the court not to grant an application for rectification, and if not, should there be such a general discretion?

The presence of section 89 could be argued to be inconsistent with the existence of a general discretion to refuse rectification.¹¹¹ It is submitted that there should be a general discretion not to grant an application for rectification, particularly as there is no presumption of validity of the original

¹¹¹ See *EOS Australia Pty Ltd v Expo Tomei Pty Ltd* (1999) 42 IPR 277

registration in relation to marks registered under the 1995 Act. For example, should a mark which is capable of distinguishing the registered owner's goods or services at the time the application for rectification is filed be removed from the Register on the basis that it was not so capable at the time the application for its registration was filed?

Recommendation

- There is and should be a general discretion not to grant an application for rectification

5.3.4 Transitional Provisions

Issue: Should there be specific transitional provisions dealing with applications to rectify trade marks registered under the Trade Marks Act 1955 and earlier Trade Marks Acts on the basis that those marks were wrongly registered?

Presumably paragraph 88(2)(a) set out above, and which provides for rectification on “any of the grounds on which registration of the trade mark could have been opposed under Division 2 of Part 5,” is the basis on which to attack the original registration of a trade mark registered under previous Trade Marks Acts. If so, the provision requires the application of the 1995 Act grounds of opposition to the registration of such marks. Subsection 233(1) of the 1995 Act provides that all trade marks that, immediately before 1 January 1996, were registered in Part A or Part B, or both Parts A and B, of the old register are registered trade marks for the purposes of the Act. Section 207 of the 1995 Act provides for the Registrar to enter in the new Register all particulars of registered trade marks that were on the old Register, and also provides that the particulars are taken to have been so entered on 1 January 1996. But it does not appear that the latter provision has the effect of deeming the marks to have been registered on 1 January 1996 (see subsections 72(1) and (2) of the 1995 Act). However, Bryson J in *Australian Co-operative Foods Ltd v Norco Co-Operative Ltd* considered that paragraph 88(2)(a) could not apply to marks registered under the *Trade Marks Act 1955* because such marks received automatic registration under subsection 233(1) of the 1995 Act without there being any opportunity for opposition.¹¹² But other cases have applied paragraph 88(2)(a) to marks registered under the *Trade Marks Act 1955*.¹¹³ Also if Bryson J's view is correct, section 234 of the Act which is referred to below and which grants presumptive validity to the original registration of Part A marks would seem to serve no purpose. Given the potential indefinite life of a registered trade mark, it is desirable that repealed Trade Marks Acts do not govern whether a mark was validly registered.

Recommendation

- Repealed Trade Marks Acts should not govern whether a mark was validly registered

¹¹² *ibid* para 73

¹¹³ For example, *MID Sydney Pty Ltd v Australian Tourism Co Ltd and Ors* (1999) 42 IPR 561, *Big Country Developments Pty Ltd v TGI Friday's Inc and Ano* (2000) 48 IPR 513, *Toddler Kindy Gymparoo Pty Ltd v Gymparoo Pty Ltd* (2000) AIPC 91 - 564

5.3.5 Amendment of Section 234: Presumption of Validity

Issue: Should section 234 granting a presumption of validity to old Part A marks be amended to make its scope clearer and easier to ascertain?

In broad terms this section provides that in any legal proceedings the original registration of marks registered, or accepted for registration, in Part A of the *Trade Marks Act 1955* immediately before 1 January 1996 is taken to be valid in all respects after a period of 7 years after the date of registration of the trade mark unless it is shown:

- (c) the original registration was obtained by fraud; or
- (d) the registration of the trade mark would be contrary to section 28 of the repealed Act; or
- (e) the trade mark did not, at the commencement of the proceedings, distinguish the goods or services of the registered owner in relation to which the trade mark is used from the goods or services of other persons.

Paragraph (d) of this provision is unsatisfactory as it applies section 28 of the repealed 1955 Act and this requires a knowledge and understanding of the particularly difficult and contentious section for limited purposes. It would be preferable to draft a provision to directly achieve what is intended. For example, the paragraph could be redrafted to provide:

- (d) at the commencement of the proceedings, the use of the trade marks likely to deceive or cause confusion;

Despite the most recent judicial considerations of section 28, it is submitted that the date of the proceedings is the appropriate date for the purposes of paragraph (d).

Paragraph (e) of this provision is also unsatisfactory. The reference in the paragraph to use, and its apparent requirement of use of the registered trade mark, is unprecedented and seems unjustified.¹¹⁴

Recommendations

- Sub-section 234(d) should be redrafted to directly achieve what is intended, as follows:
 - at the commencement of the proceedings, the use of the trade marks likely to deceive or cause confusion;
- The date of the proceedings is the appropriate date for the purposes of sub-section 234(d)
- Sub-section 234(d) should also be redrafted

¹¹⁴ See *Toddler Kindy Gymparoo Pty Ltd v Gymparoo Pty Ltd* (2000) AIPC 91-564