

Warding off internet trade mark infringers

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The issue of whether the offer of goods on websites that are based overseas can amount to trade mark infringement in Australia has recently been addressed by the Federal Court in *Ward Group Pty Ltd v Brodie & Stone plc*.¹ The court clarified when an Australian trade mark owner can take legal action.

The facts

Ward Group had registered its trade mark RESTORIA in Australia for anti-greying hair creams and lotions. Similar products were manufactured and sold by Brodie & Stone in the United Kingdom under the same trade mark, the explanation being that the Ward Group companies had set up business in the UK in the 1960s but had later sold that business, which is now run by Brodie & Stone. Brodie & Stone supplied its products to UK retailers and wholesalers only.

Ward Group discovered, by searching the World Wide Web, that there were a number of retailers in the UK that had websites offering RESTORIA hair products for sale as part of their catalogue, and Ward Group made 'trap purchases' of those products by placing orders on those websites and taking delivery in Australia. It then wrote to Brodie & Stone to tell it what had happened, and demanded that Brodie & Stone take action to prevent its customers from selling RESTORIA products to Australian customers on their websites.

Trade mark infringement - had there been use in Australia?

The offering of goods for sale in Australia can be a use of a trade mark sufficient to found an infringement action, but the court said that an offering to the world at large on the internet did not equate to use in

Australia unless some targeting of Australians could be shown.

The court was not persuaded that the relevant websites targeted Australian customers, notwithstanding that on one of the websites 'Australia' was one of the drop-down list of countries for shipping, and on another Australian dollars were included among a list of different currencies for the product prices.

The actual sale of the RESTORIA products to Australians was a different matter, and therefore the acceptance of the order and supply of the RESTORIA products into Australia was a use of the trade mark in Australia. The Ward Group faced a problem, however, because as the owner of the Australian trade mark, the court considered that it had consented to the 'trap purchases' that it had arranged (and actions carried out with the consent of the trade mark owner cannot amount to an infringement).

This may seem like a harsh result, but the reason is that the court was not persuaded that any other sales of the RESTORIA products into Australia were likely, mainly because the RESTORIA products were significantly more expensive on the websites than locally-sourced RESTORIA products from Ward Group. Ward Group was also unable to prove that any other sales had occurred and so the court viewed the 'trap purchases' as anomalous, rather than as evidence proving a likelihood of further sales in Australia.

Liability of the supplier

Notwithstanding its finding of non-infringement, the court still considered the question of whether Brodie & Stone (which had supplied its products in the UK to wholesalers who had in turn supplied the website owners) could have been liable for trade mark

infringement as 'joint tortfeasors'. If so, Ward Group could have stopped the problem at its source.

The court found that Brodie & Stone had not encouraged the conduct of the website owners, and had no sufficient involvement in their conduct that could turn its lawful conduct in the UK into unlawful conduct.

The practical impact of the decision

If an Australian trade mark owner is concerned that goods are being offered on a website using its trade mark, or a deceptively similar trade mark, then in order to take legal action it will need to show either or both of the following:

- that the website is targeting Australian customers, for example by containing substantial references to Australia on the website, or by showing that the website has been advertised or promoted to Australians; or
- that sales are being made to Australians (either by direct evidence, or by proving on a balance of probabilities that sales are occurring). This may be difficult to show where the trade mark owner's goods are available in Australia more cheaply and conveniently. A 'trap purchase' by the trade mark owner (or its agent) may not be sufficient evidence.

Of course other significant practical considerations before taking any legal action will include what level of impact the conduct is having or is likely to have on the trade mark owner's business, and whether the website owner can be made a party to an Australian proceeding or have a court order enforced against it.

¹ [2005] FCA 471.