

Full Court of the Federal Court of
Australia
District Registry: Queensland
Division: General

No. QUD85/2011

On appeal from the Federal Court

INTERNATIONAL HAIR COSMETICS LIMITED & ORS

Appellants

INTERNATIONAL HAIR COSMETICS GROUP

PTY LTD (ACN 057 921 945)

Respondent

SUBMISSIONS ON BEHALF OF INTA TO INTERVENE

A. INTRODUCTION

1. The International Trade Mark Association (**INTA**) seeks leave to intervene in this appeal pursuant to Rule 36.32 of the *Federal Court Rules* 2011.
2. INTA is one of the world's leading organisations focussed on matters of trade mark law and its development. It is a not-for-profit association (founded in 1878) of more than 5,900 members consisting of trade mark owners, trade mark professionals and academics from more than 190 countries. INTA has expertise in international and national trade mark law throughout the world and has participated as an intervener or *amicus curiae* in over 30 trade mark cases of significance across a number of jurisdictions in the last 10 years alone, including cases before superior Courts of the United States, the United Kingdom, the European Court of Justice and New Zealand.¹

¹ Drewson 23.9.11, para 16.

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3. This appeal concerns, in part, the circumstances in which the use of a registered trade mark on a website or server in one country, the United Kingdom, amounts to use of the trade mark in a second country, being Australia. The issues involved in determining whether there has been trade mark use can be complex, as the internet has no borders and the impact of recognition of use in one country but not others may have the effect of inconsistently extending the jurisdiction of some (but not all) national trade mark laws beyond their state borders.
4. The issue of whether and in what circumstances such conduct amounts to use of a trade mark has been considered by Courts in the United Kingdom, the United States and New Zealand. INTA seeks to make brief submissions directed to the law in these jurisdictions, which may assist this Court in considering the corresponding legal principles to be applied in Australia.
5. INTA does not propose to address the particular facts of the case before the Court.
6. At the time of filing these submissions, INTA has advised the Appellants and the Respondent of its intention to seek leave to intervene in this appeal but have not received a response. It may be that the parties are content for the question of intervention to be determined at the hearing of the appeal in order to make clear the scope of the contribution that might be made by INTA and the possible interference with the conduct of the appeal. See the adoption of this approach in *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285 at [146].
7. INTA's interest in these proceedings is distinct from the interests of the parties. It does not have a specific position on what constitutes trade mark use when such use occurs on the internet, and it does not have a vested interest in the outcome of the claims brought by either the Appellants or the Respondent. Its submissions may afford the Court some assistance and place emphasis on matters beyond the matter addressed by the parties.
8. INTA's intervention in this appeal will not unreasonably interfere with the ability of the parties to conduct the appeal as they wish: Rule 36.32 of the *Federal Court Rules* 2011. If the Court is minded to grant leave to supplement what follows with brief oral submissions, no more than 20 minutes would be needed.

9. INTA is in a strong position to advance useful submissions in the public interest on the proper construction and interpretation of what constitutes use of a trade mark “*in Australia*” when that use occurs on the Internet. INTA’s assistance in these proceedings will therefore be useful and different from the contribution of the parties to the appeal: Rule 36.32 of the *Federal Court Rules* 2011.
10. This Court has granted leave to intervene in similar circumstances to Australian Consumers’ Association Pty Ltd and Electronic Frontiers Australia Inc in *Sharman Networks Ltd v Universal Music Australia Pty Ltd* (2006) 155 FCR 291; and to Australian Performs Right Association Ltd, the Media Entertainment and Arts Alliance and the Screen Actors Guild in *Roadshow Films Pty Ltd v iiNet Ltd* (2011) 194 FCR 285.
11. In the event that leave is granted, INTA will make submissions on issues relating to how the Courts of United States, the United Kingdom and New Zealand have approached the issue of use of a trade mark online and its interaction with domestic trade mark rights.

B. INTERNATIONAL TREATMENT OF ONLINE USE OF TRADE MARKS

12. The potential difficulties caused by inconsistent treatment of online use of trade marks have been well documented.
13. If one country has an excessively liberal approach to recognising trade mark use when trade marks appear on the websites operated in other countries, there is the potential for serious interference with the legitimate domestic rights of trade mark owners in other jurisdictions. The latter trade mark owners would face the uncertainty of when they would be taken to infringe the trade mark rights in another country that had a more liberal approach.
14. An expansive approach to jurisdiction for online use of trade marks also has the potential to undermine the structures traditionally established to license trade marks on a territory by territory basis. Consistency in approach relating to online trade mark use has the advantage of providing certainty to traders and trade mark owners in all countries to enable them to enter into commercial arrangements with the confidence that the rights they purport to create will be efficacious.

15. Currently there is an absence of internationally agreed principles that provide consistency concerning online use. In 2001, the World Intellectual Property Organization (**WIPO**) and the Assembly of the Paris Convention adopted a Joint Recommendation concerning Provisions on the Protection of Marks and Other Industrial Property Rights in Signs, on the Internet (the **Joint Recommendation**). The Joint Recommendation provides that online use of a mark shall constitute use in a Member State for the purposes of the Joint Recommendation *only if the use has a commercial effect in that Member State as described therein* (emphasis added).
16. Despite the absence of internationally agreed upon direction or principles apart from the Joint Recommendation, there is a degree of consistency in the treatment by the superior Courts of a number of countries of online use of trade marks and when they constitute “use” of a trade mark under domestic law. Examples are included below.

United Kingdom

17. The Courts of the United Kingdom have considered what constitutes “use” of a trade mark online on a number of occasions with the result that under the trade mark law of the United Kingdom the principles to be applied are relatively settled.
18. The fact that a website is accessible in the United Kingdom does not mean that an advertisement or offer for sale featuring a particular sign displayed on that website constitutes use of that sign in the United Kingdom. Such an conduct only constitutes use in the United Kingdom if it is aimed or targeted at consumers in the United Kingdom: see *Euromarket Designs Inc v Peters* [2000] E.T.M.R. 1025; [2001] F.S.R. 20 at [21]–[25]; *1-800 Flowers Inc v Phonenames Ltd* [2000] E.T.M.R. 369; [2000] F.S.R. 697 at 704–706 (affirmed [2001] EWCA Civ 721, [2002] F.S.R. 191) and *Richard Dearlove v Sean Combs* [2007] EWHC 375 (Ch). The user must take an “active step”: per Buxton L.J. at [137] – [138] in *1800-FLOWERS*.
19. In a recent case in the Patents County Court, *Yell Limited v Louis Giboin & Others* [2011] EWPC 9, Judge Birss QC summarised the leading authorities as follows:

“I believe it is clear from these authorities that placing a mark on the Internet from a location outside the UK can constitute use of that mark in the UK. The Internet is now a powerful means of advertising and promoting goods and

services within the UK even though the provider himself is based abroad. The fundamental question is whether or not the average consumer of the goods or services in issue within the UK would regard the advertisement and site as being aimed and directed at him. All material circumstances must be considered and these will include the nature of the goods or services, the appearance of the website, whether it is possible to buy goods or services from the website, whether or not the advertiser has in fact sold goods or services in the UK through the website or otherwise, and any other evidence of the advertiser's intention.”

20. In *Yell*, the websites in question depicted a British flag, the default search country was that of the UK, the businesses offered services that were linked to the UK, and the services could be purchased from the UK. On that basis, Judge Birss QC found that the defendants had used the marks in the course of trade for the purposes of trade mark infringement.
21. The appearance of a mark on a foreign website will constitute use of the mark in the course of trade in the United Kingdom if, objectively speaking, the website is aimed at or intended for consumers in the United Kingdom even if the United Kingdom is only one of the intended markets: *Yell*; and *KK Sony Computer Entertainment & Anor v Pacific Game Technology (Holding) Ltd* [2006] EWHC 2509 .

United States

22. Courts in the United States look to the language of the *Lanham Act*, or *Trademark Act*, 15 U.S.C. §§1051 *et seq.*, to determine whether trade mark use, online or otherwise, infringes the rights of another. The *Lanham Act* requires that defendant's use be a “use in commerce.” To constitute infringement of a trade mark, the use must only be in “*in connection with the sale, offering for sale, distribution, or advertising of any goods*”:² Lanham Act §32(1), 15 U.S.C. §1114(1); *see also* Lanham Act §43(a)(1)(A), 15 U.S.C. §1125(a)(a)(A) (for unregistered marks).

² A “use in commerce” is defined differently in terms of proving infringement and obtaining a registration. For a registration, a higher threshold of use is required, namely, a sale or transportation of the goods. Lanham Act §45, 15 U.S.C. §1127.

23. Accordingly, advertisements alone, without any sales, may be actionable use under the *Lanham Act*: *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009) (sale or transportation of goods not required for trademark infringement). The relevant enquiry is whether the accused use is likely to cause confusion, mistake or deception with the plaintiff's mark: *Playboy Enterprises, Inc. v. Chuckleberry Pub., Inc.*, 939 F.Supp.1032 (S.D.N.Y. 1996).
24. Generally, for a finding of use of a trade mark deployed online there must be evidence that the defendant "*purposely availed*" itself of conducting activity in the forum state by directly targeting its website to that state, knowingly interacting with residents of the forum state through its website or through sufficient other related contacts: see *Toys "R" Us, Inc. v. Step Two, S.A.*, 318 F.3d 446 (3rd Cir. 2003). US Courts have held that "passive use" such as placing a product on the internet and into the stream of commerce is not sufficient to subject a defendant to jurisdiction in the United States under US trade mark law: *Zippo Manufacturing. Co. v. Zippo Dot Com Inc.*, 952 F Supp 1119 (W.D. PA 1997).
25. This can be illustrated by the decision of United States Court of Appeals for the First Circuit in *Cecil McBee v. Delica Co Ltd* 417 F 3d 107; 75 USPQ 2d 1609 (1st Cir 2 August 2005). Cecil McBee was a well known American jazz musician, and the defendant, Delica, had registered CECIL MCBEE as a trade mark in Japan, and had a website at <www.cecilmcbee.net>, on which it advertised and promoted (but did not sell) women's clothing. The site was accessible in the United States, but its text was almost entirely in Japanese. Following complaint from Mr McBee, Delica implemented a policy of not selling its goods to customers in the United States.
26. The Court found that there would only be jurisdiction over extra- territorial conduct by a foreign defendant if that conduct "*had a substantial effect on US commerce*: see [123] – [124]. That requirement had not been established given that the text was written in Japanese, that although a Google search yielded results for both Delica's site and Mr McBee's site, the sites were distinguishable as Delica's was in Japanese and there was no evidence of Americans being confused – the trap purchases were the only sales proved to have occurred.

27. The Fourth Circuit Appeals Court has one of the most liberal definitions of “use” of a trade mark. It has held that advertising in the United States combined with rendering of services to American customers in a foreign country constituted “use” for the purposes of establishing trade mark rights in the United States: *Int’l Bancorp LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003). This reasoning has not been widely adopted by other superior courts in the United States.
28. In *Zippo*, the Court applied a sliding scale or three level test for determining whether a court has jurisdiction over a website depending on whether it is a commercial website (conducting a substantial volume of business over the internet, likely to constitute use), a passive website (merely providing information unlikely to constitute use) or interactive website (permitting the exchange of information which may constitute use depending on the circumstances).
29. The principles in *Zippo* have been adopted and developed in subsequent case law in the United States and as outlined in the following cases, generally if goods or services are for sale over the internet and can be purchased online in the United States and shipped or provided in the United States, the goods and services are considered to be available there and the mark is in “use”:
 - (a) a website page that displays a product, and provides a means of ordering the product, can constitute a “*display associated with the goods*,” as long as the mark appears on the web page in a manner in which the mark is associated with the goods, and the web page provides a means for ordering the goods: *In re Sones*, 590 F.3d 1282, 93 USPQ2d 1118, (Fed. Cir. Dec. 23, 2009).
 - (b) web pages that display the trade marks in association with a picture of the goods or a sufficient description, and provide for online ordering of such goods are electronic displays associated with the goods. In *Sones*, the Federal Circuit held that although a visual depiction of the goods “*is an important consideration in determining whether a submitted specimen sufficiently associates a mark with the source of the goods*,” a picture of the goods on the web page is not mandatory: *Id.* at 590 F.3d at 1288, 93 USPQ2d at 1123;

- (c) a textual description may suffice where “*the actual features or inherent characteristics of the goods are recognizable from the textual description, given that the more standard the product is, the less comprehensive the textual description need be*” Id. at 590 F.3d at 1289, 93 USPQ2d at 1124. Such web pages are not merely advertising, because in addition to showing or describing the goods, they provide a link for ordering the goods. In effect, the website is an electronic retail store, and the web page is a shelf-talker or banner which encourages the consumer to buy the product. A consumer using the link on the web page to purchase the goods is the equivalent of a consumer seeing a shelf-talker and taking the item to the cashier in a store to purchase it. The web page is, thus, a point-of-sale display by which an actual sale is made: *In re Dell Inc.*, 71 USPQ2d 1725 (TTAB 2004).
- (d) an Internet web page that merely provides information about the goods, but does not provide a means of ordering them, is viewed as promotional material, which is not acceptable to show trademark use on goods: *In re Genitope Corp.*, 78 USPQ2d 1819,1822 (TTAB 2006):

“*[T]he company name, address and phone number that appears at the end of the web page indicates only location information about applicant; it does not constitute a means to order goods through the mail or by telephone, in the way that a catalog sales form provides a means for one to fill out a sales form or call in a purchase by phone.*”

As established in *Zippo*, merely providing a link to the websites of online distributors is not sufficient (this is passive use). There must be a means of ordering the goods directly from the applicant’s web page, such as a telephone number for placing orders or an online ordering process. *In re Osterberg* 83 USPQ2d 1220 (TTAB 2007).

New Zealand

30. While the *New Zealand Trade Marks Act 2002* does not expressly provide that ‘use’ of the trade mark must take place in New Zealand, it is well accepted and consistent with principles of trade mark law that, whether for the purposes of infringement or to defend a registration in a non-use action, the use of the mark must be in New Zealand,

and hence there must be *use in the course of trade in New Zealand*. Actual sales are not required. Preparations to enter the market, advertising goods for sale and soliciting orders can amount to trade mark use, at least where those preparatory activities culminate in actual sales in the jurisdiction.

31. The issue of whether the use of a trade mark constitutes “use” of the mark under New Zealand law has been considered in an interlocutory judgment *The Zone Corporation Limited v American Express Marketing & Development Corporation* (unreported, Dobson J, High Court, Wellington, CIV-2011-485-1274, 7 September 2011).
32. The defendant, a related business of American Express, owned and maintained an internationally accessible website, <www.ipzone.com>, from New York. While the website had not generated any business with consumers located in New Zealand at the time of the hearing, there was a possibility of business being conducted in the future. The plaintiff, a New Zealand business offering intellectual property related services under the name ZONE IP and owning registrations of the same and similar marks, sought an injunction against the defendant, to prevent it using the mark IP ZONE in New Zealand, arguing that the defendant’s use of the mark IP ZONE on its website could constitute use of the mark in New Zealand.
33. The Court held that while the maintenance alone of a website that is internationally accessible does not constitute use in New Zealand, use would be triggered by any electronic dealing or correspondence between the defendant and consumers in New Zealand via the defendant’s website. Dobson J observed (at [56]):

“[T]he maintenance of the website “www.ipzone.com” in New York does not of itself constitute the facilitating or offering to New Zealand businesses of services of the types protected by the plaintiff’s marks. However, once electronic communications are undertaken by any entities in New Zealand, then engagement in dialogue, whether electronically or by other means, would constitute facilitating or offering of such services...”

34. The Court granted an interim order preventing the defendant from making use in New Zealand of its mark IP ZONE until trial.

C. CONCLUSIONS

35. The internet is now a powerful means of advertising and promoting goods and services within certain markets even though the website provider may be based elsewhere.
36. The use of trade marks on websites on the internet has now been considered in a number of cases across various jurisdictions. It is clear from these authorities that placing a mark on the internet from a location outside a jurisdiction can constitute use of the mark in that particular jurisdiction when the site in issue is aimed at or intended for consumers in the jurisdiction.
37. All material circumstances must be considered and the decisions above show that the trend in international jurisprudence indicates that, generally, drop down boxes, currency conversion tools, distribution maps, delivery, operating a country specific domain name focussing or targeting a particular jurisdiction will suffice to amount to “use” of a trade mark in that jurisdiction.
38. These cases are consistent with the principles applied by the primary judge in *International Hair*.
39. As to the application of these principles to the facts in these proceedings, INTA does not seek to be heard.

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DATED: September 2011