

INNOVATIONS



LEGAL UPDATE

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Defensive Trade Marks – A proactive way to protect well-known trade marks

Key message

The use of defensive trade marks can be an effective step in preventing the passing off of related products.

An increasing number of trade mark owners are registering defensive trade marks in order to protect their well-known trade marks in relation to goods or services which they do not actually sell.

For example, General Motors Holden (GMH) has registered the 'Holden' trade mark as a defensive trade mark in relation to 'tyres for motor vehicles' even though it does not sell tyres branded Holden. The effect of this registration is that it prevents other traders from using the 'Holden' trade mark in this way, even though GMH has no sales, trading or reputation in relation to motor vehicle tyres by reference to the trade mark 'Holden'.

The reason companies like GMH take such steps is because if another trader were to sell tyres by reference to the 'Holden' mark it is possible that consumers would assume it was a GMH product or that GMH had licensed, sponsored or endorsed the other trader's product. To stop the conduct without a trade mark can however be quite difficult as GMH would have to prove that consumers were likely to be misled.

With a registered defensive trade mark all GMH would have to do is establish that the other trader's mark was the same as or deceptively similar to the 'Holden' mark in relation to the same and/or similar goods/services.

A defensive trade mark allows the registered owner of a well-known trade mark to register a trade mark in relation to goods and/or services that it does not intend to use by reference to this trade mark. In order to achieve registration of a defensive trade mark its owner must show that use of the trade mark in relation to these other goods and/or services would be likely to be taken as indicating a connection between those other goods and services and the registered owner.

The advantage of seeking registration of a defensive trade mark is that it prevents other people from taking advantage of the well known mark and/or a mark that is substantially identical to and/or deceptively similar with the well-known mark. It also reduces the potential costs that can be incurred by a well-known trade mark owner in opposing the registration of such trade marks and suing when the mark is used. It is important to note that the filing fee for a defensive trade mark is the same as that for a standard trade mark.

We are able to provide you with further information on defensive trade mark registrations should you wish to protect your well-known trade marks in relation to goods other than those which you presently sell.

Jonathan Feder | Solicitor

Brand Ownership – Preventing Parallel Imports

Key message

Under Australian law, parallel imports per se are not illegal, but Middletons has developed strategies for dealing with this international phenomena that can help protect your business.

In today's highly competitive environment, parallel imports have become a world wide problem and an issue synonymous with counterfeit goods. But parallel imports are not counterfeit goods, they are genuine products which have been legitimately manufactured by the genuine owner and bear an authorised trade mark, however, these products find their way into the country through unauthorised channels. So why are parallel imports seen to be a problem if the imported goods are genuine?

The appointed distributors in a country usually invest substantial money and resources into acquiring the distribution rights, promoting the brand and building up the brand's reputation in their territory. Parallel importation is commercially contentious because a competitor can simply parallel import the genuine product from offshore and sell it for a much cheaper price than that currently charged for the same product by local distributors and often sell it in ways contrary to the brand strategy of the brand owner and the distributors.

Such unauthorised conduct diminishes the brand value and reputation of the goods and makes it virtually impossible for the distributor to continue selling the brand. The end result is a cheapening of the brand in the territory and often the distributor gives up and ceases distributing the brand.

We have recently seen examples where the exclusive distributors of major brands have given up representing the brands and investing in their promotion as they don't feel they can compete with the tide of parallel imports.

The laws on parallel imports are not handled the same way by all countries. While some countries prohibit parallel imports, others encourage them. For example, in the United States parallel importation is prohibited whereas in Hong Kong parallel importation is permitted under the Trade Marks Ordinance. Although parallel importing is allowed in Australia, Middletons has developed strategies for dealing with the problem of parallel imports under trade mark law to seek to prevent importation of parallel imports in Australia.

The *Trade Marks Act 1995* (Cth) states that it is not trade mark infringement to use a trade mark that has been applied to goods, by or with the consent of the registered owner. This means the original brand owner cannot argue that the parallel imports infringe its registered trade marks as the marks were affixed to the goods with its consent.

If the local distributor is the registered owner of the trade mark in its defined territory then the position is different.

This can be done on the basis that the brand owner assigns the trade mark to the distributor on a conditional basis. One of the conditions would be that the marks are to be assigned back to the original owner on the occurrence of specified events, for example, the termination of the distribution agreement. The distributor however takes on responsibilities as the trade mark owner to maintain and enforce the trade marks and to promote and further the brand in the territory.

The Federal Court of Australia upheld this type of arrangement to be valid in the case of *Fender Australia Pty Ltd v Bevik t/as Guitar Crazy* (1989) 15 IPR 257. Once the trade marks are registered by the distributor rather than the brand owner, the distributor is able to then pursue parallel importers for trade mark infringement.

Parallel importation may also constitute misleading and deceptive conduct in the sense that the offer for sale of parallel imports would be a false representation to the general public that the owner has in fact sponsored, endorsed or approved the sale of such parallel imports and that the goods will be supported by the brand owner's after sales warranties and support. This may not be the case giving rise to a claim for misrepresentation.

Middletons has worked with many brand owners and their Australian distributors to develop programs and tactics to protect their brands and products against parallel imports. If you require assistance or would like more information please contact us.

Annessa Nikolaou | Solicitor

Wider Net for Catching Copyright Infringers

Key message

You can be liable for copying a copyright work or for authorising someone to do it. After the Kazaa decision, it is easier to fall into the trap of authorisation.

The Federal Court has recently found a group of companies and individuals liable for authorising the infringement of copyright. The actual infringement occurred when internet users downloaded songs in the form of MP3 files to their computers. Every time a download happens, a copy of the song is created. However, those downloading the songs had no right to make those copies because the copyright in the songs was owned by someone else.

The nature of the internet presents copyright owners with a dilemma: how do you efficiently deal with downloaders where

there are many of them, situated in different jurisdictions, and downloading different songs? The answer is to try to find something that each downloader has in common. In this case, each downloader used Kazaa software.

The Kazaa software is peer-to-peer software which enables users of the software to send files (songs in this case) to each other, rather than through some type of central register, computer server or node. Some of those are subject to copyright and some are not. Like many items of software and hardware, Kazaa could be used lawfully or unlawfully.

Key players in the music industry, such as Sony Music, EMI, Universal, Festival and Warner joined together to sue Sharman and others. The music industry group alleged that Sharman and others had provided the Kazaa software free-of-charge to internet users and authorised those users to infringe copyright. There was no real doubt that some users had used the Kazaa software to infringe copyright, but it was much harder to prove that Sharman authorised that infringement.

The *Copyright Act* makes you liable for infringement by another person if you authorise the infringement. In considering whether authorisation has occurred, a court will take into account factors including whether there was any power to prevent the authorisation and the relationship between the parties (eg, you benefit financially from the infringement). Merely providing the means to infringe copyright could be authorisation in some cases (eg, placing a photocopier in a library without a copyright warning notice) but not in others (eg, selling cassette players with two slots to facilitate copying).

The knowledge of the alleged authoriser and the control exercised by it are two important factors. If the alleged authoriser knew of the infringements and had some control over the infringement (eg, by controlling the way in which the software was used) liability would probably result.

In Sharman's case, the court found that Sharman and others knew the Kazaa software was being used to infringe

copyright but was not used solely for that purpose.

The Court also held that Sharman could have better exercised its control to discourage or restrict the infringing use of the Kazaa software. For example, Sharman's website had contained mixed messages. In one section of the website, Sharman stated that it did not condone copyright infringement, but Mr Justice Wilcox found that another section implied 'that it was cool to defy the record companies and their stuffy reliance on their copyrights'. In addition, Sharman did not include filtering technology in its software to prevent infringement, although there was some debate about the availability and effectiveness of filters.

The Sharman case has important practical ramifications for every supplier or licensor of a device or software which is capable of being used to infringe copyright. Suppliers and licensors who become aware of infringing use will probably be subject to a duty to modify their product and the terms on which it is promoted and supplied to customers.

If you are aware that your product is being used to infringe copyright you should seek advice about your liability and the steps you can take to avoid becoming liable. Conversely, if your copyright is being infringed by various people using a device or software, it may now be easier than ever to take action against the supplier.

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