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Where's the Beef? Why Burger King Is Hungry Jack's in Australia and Other Complications in Building a Global Franchise Brand

*Andrew Terry & Heather Forrest**

A fundamental principle of trademark law is first in time equals first in right. But things get more complicated when to time we add considerations of place, as when one user is first in time in one place while another is first in time in a different place. The complexity swells when the two places are two different countries¹

I. INTRODUCTION

The territorial nature of trademark law and the lack of a single universal registration system present challenges to franchisors and other brand proprietors expanding operations beyond the home market in which intellectual property rights have been secured. International treaties such as the Paris Convention for the Protection of Industrial Property,² the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS"),³ the Madrid Agreement,⁴ and the Madrid Protocol⁵ have

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¹ Grupo Gigante S.A. de C.V. v. Dallo & Co., Inc., 391 F.3d 1088, 1093 (9th Cir. 2004).

² Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention] (as last revised July 14, 1967 and as amended Sept. 28, 1979), available at http://www.wipo.int/export/sites/www/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf.

³ Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 (1994) [hereinafter TRIPS], available at http://www.wto.org/english/docs_e/legal_e/27-trips.pdf.

attracted worldwide support and made significant inroads towards harmonization of trademark registrability criteria and the administration of the registration process. However, intellectual property rights are, by their very nature, rights granted by a specific territory exercisable only within that territory's borders.

Meanwhile, multinational businesses are expanding and with them, their trademark portfolios are expanding as well. Foreign trademarks are adopted by local enterprises, sometimes coincidentally, but oftentimes intentionally and piratically. This poses a substantial threat to overseas expansion of well-known brands. When local trademark pirates acquire well-known foreign trademarks, the expanding franchisor is faced with the difficult choice of buying the right to use its trademark or relinquishing efficiencies and inherent goodwill by launching under a new brand in the new territory.⁶ Burger King sat at just such a crossroads in Australia. Its story provides unique insight into the differences between Australian and American trademark laws and is an invaluable business lesson for franchisors considering antipodean expansion. The authors lend their own Australian and American perspectives to the issues and highlight other recent cross-Pacific disputes involving Ugg Boots and the removals company Two Men and A Truck, which further illustrate the need for caution and foresight.

In Part II of this Article, the authors critically examine Burger King's meteoric rise from local hamburger joint to global franchise empire, with particular emphasis on the trademark issues thwarting the expansion of the Burger King brand into new territory both at home and abroad. Part III explores the power and protection of a good brand on a global scale and in the context of American and Australian trademark law. While the countries share a colonial origin of their respective trademark laws in the English common law legal system, key differences arise in their approaches to well-

⁴ Madrid Agreement Concerning the International Registration of Marks, Apr. 14, 1891, 828 U.N.T.S. 389 [hereinafter Madrid Agreement] (as last revised July 14, 1967 and as amended Sept. 28, 1979), available at http://www.wipo.int/export/sites/www/madrid/en/legal_texts/pdf/madrid_agreement.pdf.

⁵ Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989, 28 INDUS. PROP. L. & TREATIES 3-007, 001 (July–Aug. 1989) [hereinafter Madrid Protocol], available at http://www.wipo.int/export/sites/www/madrid/en/legal_texts/pdf/madrid_protocol.pdf.

⁶ See Emil Scheller, *Management of a Trademark Operation Within a Corporation*, 59 TRADEMARK REP. 221, 222 (1969) ("Where, however, an established trademark is already in use in other markets for an existing product, there are usually extremely strong marketing reasons why the same trademark should be used in the new markets being entered. Among the marketing reasons for trying to achieve worldwide consistency of trademarks are that the good will embodied in the trademark often crosses national boundaries and distribution patterns, packaging runs and internal communications are facilitated and made more efficient.").

known and famous marks. Case law from both Australian and American courts, discussed in Part IV, suggests that the territoriality principle of trademark law is not absolute and highlights the increasing importance of cross-border reputation in securing ownership of foreign marks. Finally, in Part V, the authors look to international harmonization efforts through the Madrid Protocol, as well as unique domestic solutions in Australian trademark law, as means of outsmarting passive name pirates.

II. BURGER KING—LOCAL RESTAURANT TO GLOBAL FRANCHISOR

A. Domestic Expansion

With its Miami headquarters reminiscent of its humble beginnings in 1953 as a Florida hamburger restaurant,⁷ Burger King's growth and worldwide expansion is a paragon of globalism. Burger King's founders James Lamore and David Edgerton had already started their take on the world by the early 1960s, by which time operations had expanded to cover the southeastern United States and included national franchise rights.⁸ Today operating more than 11,100 restaurants in more than sixty-five countries and U.S. territories, the company claims that "approximately 90% of BURGER KING® restaurants are owned and operated by independent franchisees, many of them family owned operations that have been in business for decades."⁹

Managing one of the world's most recognizable brands in the face of continuing global expansion rarely runs a smooth course, and Burger King has had its share of challenges from the start. The company's U.S. federal trademark registration for BURGER KING was issued on October 3, 1961.¹⁰ That same year, Burger King of Florida, Inc. (as the company was then called) opened its first Burger King outlet in the state of Illinois.¹¹ Fourteen months later, a Mattoon, Illinois ice cream shop calling itself "Burger King" and possessing a 1959 Illinois trademark registration opened a second restaurant in the state.¹² Trademark infringement claims were

⁷ For a summary of Burger King's historical background see Burger King Corp., Domestic and Global Facts, <http://www.burgerking.com/companyinfo/corporation/facts.aspx> [hereinafter Burger King Facts] (last visited Mar. 8, 2008); see also *Burger King of Fla., Inc. v. Hoots*, 403 F.2d 904, 906 (6th Cir. 1968).

⁸ Burger King Facts, *supra* note 7.

⁹ *Id.*

¹⁰ *Hoots*, 403 F.2d at 906.

¹¹ *Id.*

¹² *Id.* In addition to U.S. federal trademark law, a number of states' laws provide for separate state trademark rights. Note, however, that "[a]pplication of state registration statutes in a manner that conflicts with the geographic scope of a federal registrant's priority

raised by the Mattoon business in Illinois state court and then by Burger King of Florida, Inc. in federal court under the then-applicable Federal Trade Mark Act.

The parties agreed that the Illinois business in its original Mattoon store was the prior good faith user “to be protected in the area they had appropriated.”¹³ By the time it opened a second outlet, however, the Illinois business was on notice of the federal registration. The court reasoned that the protected area was limited to a twenty-mile radius around Mattoon, not the whole state of Illinois, because “[t]he mere fact that some people will travel from one market to the other does not, of itself, establish that confusion will result.”¹⁴ Burger King was free to expand into Illinois, except in Mattoon.

B. Global Expansion and Trouble “Down Under”

Global expansion was soon to follow with the opening of restaurants in Puerto Rico in 1963, Canada in 1969, and Australia in 1971.¹⁵ As Burger King’s footprint went global, so too did potential impediments to its territorial expansion. Burger King’s move into Australia is particularly illustrative of the pitfalls of a territorial trademark system: an American tourist visiting Australia in the early 1970’s may have been surprised to discover an embryonic franchise system virtually identical in every way to the Burger King chain except for the name “Hungry Jack’s” inside the familiar hamburger bun logo.¹⁶ In terms of product,¹⁷ system, trade dress, and “look and feel”, the Hungry Jack’s outlets were virtually indistinguishable from the Burger King outlets in the United States.¹⁸

under the Lanham Act is preempted.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 19 cmt. e (1995).

¹³ *Hoots*, 403 F.2d at 907.

¹⁴ *Id.* at 909.

¹⁵ Burger King Facts, *supra* note 7.



¹⁶ This image shows trademark 306794, as depicted on IP Australia’s ATMOSS online trademarks database, available at http://www.ipaustralia.gov.au/trademarks/search_index.shtml (registration required).

¹⁷ In recognition of local tastes, a traditional “Aussie Burger” with beetroot, fried egg, cheese, and bacon in addition to the generic meat, lettuce and tomato was added to the otherwise standard menu offering. Burger King Facts, *supra* note 7.

¹⁸ *Hungry Jack’s v. Burger King* [1999] N.S.W.S.C. 1029, para. 6 (Austl.) (“All BKC franchises are conducted pursuant to franchise agreements which, subject to differences in local law, have essentially the same terms throughout the world. These agreements are designed to ensure that each Burger King outlet offers a substantially uniform menu, conforms to an identifiable restaurant image, and delivers the Burger King System at uniformly high levels of quality, service and cleanliness. It is perceived to be commercially

Revisiting Australia in the late 1990s, that same traveler may have been even more surprised, if not confused, to find both Burger King and Hungry Jack's operating from virtually identical outlets, often in proximate locations. Returning today to seek clarification, the traveler may be even further perplexed to discover that all "Burger King" outlets now appear as "Hungry Jack's." One would be justified in wondering why one of the largest franchise systems in the world, with one of the most recognizable brands in the world, is operating some 300 outlets¹⁹ under another name in Australia.

The explanation for this conundrum is both legal and commercial. Burger King Corporation ("BKC") granted franchise rights to an Australian company, which opened its first restaurants in 1971.²⁰ At that time, the Burger King name was not available because a small takeaway food shop in Adelaide, Australia of the same name had already registered the BURGER KING mark in Australia. As will be further discussed in Part III below, ownership of a mark in one territory does not automatically confer ownership in another territory. Even if a trademark is a copy of an overseas registered mark, the first applicant for registration or the first user of the mark in Australia can become the proprietor of the mark for the purpose of registration in Australia. BKC was neither the first applicant nor the first user of the mark in Australia. It could operate in Australia under its own name only if it acquired the rights to the trademark Burger King from its Australian owner. Negotiations to buy the Burger King trademark failed. Operations thus commenced under the name Hungry Jack's, a pancake mix brand owned in Australia by Pillsbury Co., the then-owner of the Burger King chain, which was not inappropriate given that the principal of the company that acquired the Australian rights was a man named John James ("Jack") Cowin.²¹

Prior to 1990, BKC's only presence in Australia was in the form of Hungry Jack's through Cowin's Hungry Jacks Pty Ltd. ("HJPL").²² At about that time, BKC began to take a more active interest in its antipodean

important that customers will identify Burger King restaurants, wherever they may be, as having the characteristics and qualities which BKC requires . . .").

¹⁹ Burger King Facts, *supra* note 7.

²⁰ The franchise development agreement allowed the local company to open its own outlets and franchise third parties. *Hungry Jack's*, [1999] N.S.W.S.C. 1029, paras. 71, 88. A summary of Hungry Jack's development in Australia can be found in the Schedule of Facts appended to the Court of Appeals' judgment at *Burger King Corp. v. Hungry Jack's Pty Ltd.* [2001] N.S.W.C.A. 187 (Austl.).

²¹ Cowin is a Canadian-born pioneer of Australian franchising, also responsible for the launch of Kentucky Fried Chicken and Domino's pizza in Australia. Cowin's company entered into its first formal franchise agreement with BKC on June 1, 1973. See *Burger King Corp.*, [2001] N.S.W.C.A. 187, paras. 5-6; *Hungry Jack's*, [1999] N.S.W.S.C.1029, paras. 1-2.

²² *Hungry Jack's*, [1999] N.S.W.S.C. 1029, para. 11.

operations. HJPL was operating, at least in BKC's opinion, somewhat autonomously and the renewal of a non-exclusive Development Agreement in 1990, which preserved HJPL's long term development rights in Australia while restricting BKC's potential development activities, was not without acrimony.²³ HJPL was by then BKC's largest franchisee outside of the United States²⁴ and was expanding its presence against a background of increasing disputation with BKC and unsuccessful attempts by BKC to buy it out. In 1993, BKC purchased four Hungry Jack's outlets from an existing franchisee and rebadged them under the Burger King brand, which Cowin had finally managed to acquire in the mid-1980s.²⁵ Then, in 1998, BKC announced an AU\$50 million plan to open forty Burger King branded restaurants across Australia over the following twelve-month period.²⁶

Little more than a year prior to commencing its own large-scale launch into the Australian market, BKC purported to terminate the Development Agreement, a move which, if successful, would have prevented HJPL's further expansion in Australia and would have allowed BKC to increase its Australian market penetration.²⁷ BKC found the Development Agreement particularly

irksome, as it not only provided for HJPL's continued long-term development of restaurants by itself and through franchisees it introduced, but it also restricted, to a certain extent, BKC's ability to develop in Western Australia, South Australia and Queensland by allowing HJPL to object to restaurants being opened if it took the view that that would lead to "encroachment" on HJPL's restaurants in those States.²⁸

In the resulting long, complex, and bitterly contested litigation in the courts of the Australian state of New South Wales, HJPL was successful and was awarded compensation of AU\$71 million (which included approximately AU\$43.5 million for delays in opening company-owned restaurants and AU\$24 million for loss of opportunity in introducing third-party franchisees).²⁹ The Supreme Court of New South Wales held that BKC had

²³ *Id.*

²⁴ *Id.* para. 6.

²⁵ John Rouw, *Battle of The Burger Gets Hotter*, THE AGE (Austl.), June 30, 1998, at B12.

²⁶ Andrew Hornery, *Burger King Comes to Town*, SYDNEY MORNING HERALD, Jan. 29, 1998, at 29; see also Denis Gregory, *Fast Food Giant's Taste for Australia*, SUN HERALD (Austl.), Feb. 27, 2000, at 75.

²⁷ *Hungry Jack's*, [1999] N.S.W.S.C. 1029, para. 26.

²⁸ *Id.*

²⁹ *Id.* para. 712. The parties agreed on appeal to reduce the award for delays to AU\$38.4 million. *Burger King Corp.*, [2001] N.S.W.C.A. 187, para. 580.

embarked on a deliberate strategy to win back [the Australian] market, which it acknowledged it had lost through its own neglect, and that in pursuance of that aim it pursued a policy of confining, disrupting and thwarting the activities of HJPL to the extent that it was within its interests to do so.³⁰

True, the issues before the New South Wales courts considering the dispute between BKC and HJPL were largely ones of contractual interpretation, encroachment, and fiduciary duty, but BKC management still pointed to the trademark foibles of the early days as the root of the problem. In his judgment, Justice Rolfe of the New South Wales Supreme Court quoted from the evidence a 1993 memorandum from the Australian regional manager to BKC's then-CEO, which succinctly described the ultimate stumbling block to antipodean expansion of the franchise system. The Miami executives' neglect of BKC's antipodean operations meant Cowin was largely left to his own devices. He eventually acquired BKC's local trademark rights and in so doing, marginalized BKC's control over his operations, leading BKC to comment:

The idea that Australia is incapable of any BKC activity to drive development and that we have to rely on our franchisee to determine our place in the market is not only incorrect but dangerous. We are at a crossroads and need to make a directional decision. Even a decision to do nothing demands an understanding of our history in the market, our current competitive status, and future opportunities.³¹

III. CROSS-BORDER BRANDS—LEGAL REGIMES FOR PROTECTION

Shakespeare's Juliet may have questioned the value of a name when she suggested "that which we call a rose by any other name would smell as sweet . . .," but marketing managers who spend billions of dollars annually in the eternal quest for brand loyalty would disagree. "The value of brands can be many times more than all the physical assets owned by the enterprise"³² The value accumulated in the leading global brands³³ is built on the

³⁰ *Hungry Jack's*, [1999] N.S.W.S.C. 1029, para. 18.

³¹ *Id.* para. 19.

³² PAUL MCGINNESS, *INTELLECTUAL PROPERTY COMMERCIALISATION—A BUSINESS MANAGER'S COMPANION* 82 (LexisNexis Butterworths Australia 2003).

³³ As ranked by global branding consultancy Interbrand, the most valuable global brands in 2006 were:

Rank	Brand	Value US\$bn
1	Coca-Cola	67.0
2	Microsoft	56.9

legal recognition and protection of trademarks. The primary machinery for this purpose is the registered trademarks system, but unregistered trademarks are also granted protection under passing off laws (in common law countries) and unfair competition laws (in civil law countries).³⁴

A. Registered Trademarks

Nearly all countries in the world provide a system for the registration and protection of distinctive trademarks. For the 150 members of the World Trade Organization (“WTO”) (and for the twenty-nine “observer governments” seeking WTO accession)³⁵ this is a non-negotiable obligation arising out of the WTO TRIPS Agreement³⁶ mandating minimum trademark and other intellectual property protection. The TRIPS Agreement, which incorporates and binds members to uphold the century-earlier Paris Convention,³⁷ integrates the basic principles of national treatment and most favored nation (“MFN”) status. Generally speaking, the rights conferred by a national system in relation to registration and protection of trademarks must be available to nationals of other member states (national treatment)³⁸ and any concessions granted to one country

3	IBM	56.2
4.	GE	48.9
5	Intel	32.3
6	Nokia	30.1
7	Toyota	27.9
8	Disney	27.8
9	McDonalds	27.5
10	Mercedes	21.8

Notably, Burger King is absent from the top 100 (whose brand value all exceed US\$2.7 billion), outranked by McDonalds (#9), KFC (#60) and Pizza Hut (#66). Interbrand, Best Global Brands 2006, http://www.interbrand.com/best_brands_2006.asp (last visited Mar. 8, 2008).

³⁴ In the United States, unregistered marks are protected under unfair competition laws, a composite of false advertising and passing off. *See, e.g.,* Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 778–82 (1992) (Stevens, J., concurring) (discussing the history of § 43(a) of the Lanham Act); *see also infra* notes 126, 128 and accompanying text.

³⁵ WTO, Members and Observers (as of July 27, 2007), http://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm (last visited Mar. 8, 2008).

³⁶ *See* TRIPS, *supra* note 3.

³⁷ *See* Paris Convention, *supra* note 2.

³⁸ *See* General Agreement on Tariffs and Trade 1994, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1A, 1867 U.N.T.S. 187 [hereinafter GATT 1994] (incorporating the language of General Agreement on Tariffs and Trade art. III, Oct. 30, 1947, 55 U.N.T.S. 187 [hereinafter GATT 1947]); General Agreement on Trade in Services, art. XVII, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1B, 1869 U.N.T.S. 183 [hereinafter GATS]; TRIPS, *supra* note 3, art. 3.

must be available to all member states.³⁹ National trademark systems, increasingly similar under the influence of TRIPS and other bilateral and multilateral agreements, provide for registration of trademarks, giving the registered owner the exclusive right to use the mark, or authorize another person to use the trademark, in relation to the goods or services in respect of which it is registered. As will be discussed further in Part IV below, recent years have also seen a broadening of the trademark owner's exclusive rights to cover the use of a mark in relation to dissimilar goods or services.

The result of the TRIPS Agreement is that the Australian trademark system established under the Trade Marks Act 1995 ("1995 Act")⁴⁰ is broadly representative of other modern internationally compliant trademark systems. The Australia-United States Free Trade Agreement⁴¹ has also made significant inroads to bringing Australian intellectual property laws into line with U.S. law. Marks entitled to be registered under the 1995 Act include any "letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour [sic], sound or scent."⁴² The owner of a mark⁴³ which is "used, or intended to be used,"⁴⁴ which can be represented graphically,⁴⁵ which is "capable of distinguishing the applicant's goods or services in respect of which the trade mark is sought to be registered . . . from the goods or services of other persons,"⁴⁶ and which is not "substantially identical with or deceptively similar to"⁴⁷ another person's trademark registration or application for registration in respect of similar or closely related goods or services with an earlier priority date,⁴⁸ is entitled to have it registered.⁴⁹

Consistent with fundamental principles of trademark law around the globe, the central concept of registrability in Australia is "distinctiveness." A mark must be capable of distinguishing the goods or services of the

³⁹ See GATT 1994, *supra* note 38 (incorporating the language of GATT 1947, art. I); GATS *supra* note 38, art. II; TRIPS, *supra* note 3, art. 4. Note, however, that exceptions are allowed under free trade agreements meeting specific criteria.

⁴⁰ Trade Marks Act, 1995 (Austl.) [hereinafter 1995 Act].

⁴¹ United States-Australia Free Trade Agreement, U.S.-Austl., May 18, 2004, 43 I.L.M. 1248, available at http://www.ustr.gov/assets/Trade_Agreements/Bilateral/Australia_FTA/Final_Text/asset_upload_file148_5168.pdf [hereinafter AUSFTA].

⁴² 1995 Act, *supra* note 40, § 3 (defining the term "sign").

⁴³ *Id.* §§ 27(1)(a), 28.

⁴⁴ *Id.* § 17.

⁴⁵ *Id.* § 40.

⁴⁶ *Id.* § 41(2).

⁴⁷ *Id.* § 44(1)(a).

⁴⁸ 1995 Act, *supra* note 40, § 44.

⁴⁹ Additional criteria, broadly consistent with the criteria laid down in the Lanham Act, provide that a trademark cannot be registered if it consists of or contains words or symbols prohibited under § 39 of the 1995 Act, it consists or contains "scandalous matter" or its use would be contrary to law under § 42, or it gives rise to some connotation or suggestion that would likely to deceive or cause confusion under § 43.

applicant from the goods or services of other traders.⁵⁰ In making this determination, the Registrar must have regard to the “extent to which the trade mark is inherently adapted to distinguish the designated goods or services from the goods or services of other persons.”⁵¹ If the Registrar finds that the trademark is not “inherently adapted to distinguish,” the trademark may nevertheless be registered if the applicant has sufficient evidence of use of the mark prior to filing the trademark application to establish that the mark does in fact “distinguish the designated goods or services as being those of the applicant.”⁵²

Registration is not granted to a trademark in isolation, but to particular goods and services distinguished by the trademark, in accordance with international practice as established by the Nice Convention.⁵³ Registration can be obtained in more than one class of goods and/or services, but is granted only for the goods or services in each particular class in respect of which the registration requirements—essentially “distinctiveness”—have been satisfied. It is therefore possible to have two simultaneous registrations of the same trademark, one for soap and one for shoes, for example.⁵⁴

Applications accepted by the Registrar may be opposed by any person on any of the grounds on which the application for registration could have been rejected, except that a trademark cannot be opposed on grounds that the mark is not capable of being represented geographically.⁵⁵ Other grounds on which registration may be opposed are set out in sections 58-62A of the 1995 Act. Relevant to the discussion of well-known marks at Part IV, *infra*, section 60 of the 1995 Act provides opposition grounds in the case of the existence of another mark with a prior reputation which is substantially identical with or deceptively similar to the mark for which registration is sought.⁵⁶

Registration is initially for a period of ten years⁵⁷ and thereafter it can

⁵⁰ 1995 Act, *supra* note 40, § 41(2).

⁵¹ *Id.* § 41(3).

⁵² *Id.* § 41(4)–(6).

⁵³ Nice Agreement Concerning the International Classification of Goods and Services to Which Trademarks are Applied, June 15, 1957, 23 U.S.T. 1336, 550 U.N.T.S. 46 (as last revised at Geneva on Oct. 2, 1979).

⁵⁴ Certain problems arise in the context of registrations of trademarks as domain names because the domain name system (“DNS”), characterized by a first-come, first-served registration policy, does not permit co-existence as does trademark law. Protection may nevertheless be available on the basis of misleading conduct and bad faith, the applicability of which in Australian courts is discussed in Paul Sumpter, *Section 62A: Pandora’s Box for Trade Mark Practitioners?*, 18 AUSTL. I.P.J. 110 (2007) and at *infra* Part V.

⁵⁵ 1995 Act, *supra* note 40, § 57.

⁵⁶ *Id.* § 60.

⁵⁷ *Id.* § 72(3).

be renewed indefinitely at ten-year intervals.⁵⁸ A registered trademark can be removed from the Register if it was improperly obtained⁵⁹ or for non-use.⁶⁰ A non-use action can be filed at any time on the grounds that the owner had no intention to use the mark, but if the mark has been used, a non-use action cannot be commenced prior to the expiry of five years from the filing date of the mark, and it is necessary that no trademark use be demonstrated in a three-year period ending one month before the filing of the non-use removal application.⁶¹ A registered trademark can also be removed from the Register, and the exclusivity conferred on the owner lost, if it loses its distinctiveness and becomes a generic term identifying a product group rather than the branded product.⁶²

The owner of a registered trademark has the exclusive rights to use the mark in relation to the goods and/or services in respect of which it is registered, to authorize others to use the mark in relation to the goods and/or services in respect of which it is registered, and to obtain relief in the event of infringement.⁶³ A registered trademark is infringed if another person uses a mark that is “substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered”⁶⁴ or when a substantially identical or deceptively similar mark is used on goods or services similar to those covered by a registered trademark.⁶⁵ In the latter case, the alleged infringer is given a defense if it is established that the use of the mark “is not likely to deceive or cause confusion.”⁶⁶ There is a third category of infringement in relation to “well known” marks, discussed below at Part IV.

The 1995 Act specifies a number of acts which do not constitute infringement, including: use in good faith of a person’s name or the name of the person’s place of business, or the name of a predecessor in business or the name of the predecessor’s place of business; use for the purpose of comparative advertising; and use where the court is of the opinion that the person would obtain registration of the mark in his/her name if the person were to apply for it.⁶⁷ There is also no infringement if the use is in respect of that part of a registered trademark that has been disclaimed.⁶⁸ An

⁵⁸ *Id.* § 77(1).

⁵⁹ *Id.* § 88.

⁶⁰ *Id.* §§ 92–105.

⁶¹ 1995 Act, *supra* note 40, §§ 92(4), 93(2).

⁶² *Id.* §§ 24, 87(2)(a).

⁶³ *Id.* § 20.

⁶⁴ *Id.* § 120(1).

⁶⁵ *Id.* § 120(2).

⁶⁶ *Id.*

⁶⁷ 1995 Act, *supra* note 40, § 122(1).

⁶⁸ *Id.* § 122(2).

exception is provided for prior use of an identical mark.⁶⁹

B. Ownership of Registered Marks and the Significance of Use

In the 1970s, Burger King was not yet the global franchise giant that it is today and cross-border communications were not facilitated by satellite TV, the Internet, or the relative affordability of transcontinental travel. Yet post-Vietnam era Australia looked across the Pacific to American brands and culture with a certain interest in emulation.⁷⁰ Burger King, a popular retail food outlet with operations across North America and a marketing platform to support such operations, would certainly have been within the sights. BKC's favorable impressions of the Australian market is apparent when one considers that it was the third territory of expansion for the now omnipresent franchisor, preceded only by neighboring Canada and Puerto Rico.⁷¹ Burger King's trouble in Australia began on the day more than three decades ago when a trademark search report revealed that the trademark "Burger King" had already been registered. This was followed by more bad news: the then-owner was using the mark and refused to sell.

From the perspective of the foreign enterprise expanding into local markets, the territorial nature of trademark law can be a massive frustration. Although the TRIPS Agreement, as with the century earlier Paris Convention,⁷² incorporates the basic principles of national treatment and MFN,⁷³ registration in one country gives no automatic protection in another.⁷⁴ A trademark registered in one country is entitled to registration

⁶⁹ A registered trademark is not infringed where a person uses an "unregistered trade mark that is substantially identical with, or deceptively similar to, the registered mark in relation to": goods and/or services or closely related services and/or goods if the unregistered mark has been used continuously by the person or his or her predecessor in title since prior to the date of registration or first use of the registered mark by the registered owner or predecessor. *Id.* §124.

⁷⁰ Norman Bartlett notes in his book that in the latter part of the twentieth century, "American brand names appear to be a marketing advantage rather than otherwise." NORMAN BARTLETT, 1776–1976 AUSTRALIA AND AMERICA THROUGH 200 YEARS 241 (1976). He also explains that "Australian culture and educational practice have always been largely derivative and ideas and climates of opinion travel quickly. Until the mid-twentieth century Australian sources, except for a deeply-rooted local democratic tradition, were mostly British. Now they are increasingly American, so far as a younger generation is concerned." *Id.* at 246. He qualifies this, however, by noting the balancing effect of the part of "Australian identity which positively rejects Americanization" particularly in the political sphere. *Id.*

⁷¹ See *supra* note 15 and accompanying text.

⁷² Paris Convention, *supra* note 2.

⁷³ See *supra* notes 38–39 and accompanying text.

⁷⁴ See, e.g., *Vacuum Oil Co. v. Eagle Oil Co.*, 154 F. 867, 869 (C.C.N.J. 1907), *aff'd*, 162 F. 671 (C.C. App. N.J. 1908) (holding that trademarks registered in United States afford no protection against acts committed wholly in foreign countries). One notable exception is the European Community Trade Mark ("CTM"), in respect of which infringing activity in any of

abroad but such overseas registration is not automatic and may be granted or withheld in accordance with the trademark laws of the country in which protection is sought. Despite increasing standardization of trademark laws under the influence of international agreements,⁷⁵ the technicalities differ considerably. The greatest problems to the expanding franchise system may be denial of registration on such grounds as, in a particular country, lack of distinctiveness or because of the existence of prior use or registration.

Again owing to their common heritage in English trademark law, Australia and the United States share similar criteria for ownership of a trademark. In both countries, an application to register a trademark may be made to the Registrar by the person claiming to be the owner—that person must either be using or intend to use the mark in relation to the goods or services in respect of which registration is sought.⁷⁶ “Ownership”⁷⁷ is clearly crucial, but neither the 1995 Act nor the Lanham Act defines the term; rather, the definition must be contrived from the breadth of case law on the issue.⁷⁸ As recently explained by Justice Carr in the Australian Federal Court, “[t]he scheme of the [Trade Marks] Act is not proprietorship by registration but rather registration of proprietorship” and that as “the author of the mark and . . . the first to use it” the respondent was entitled to registration throughout Australia.⁷⁹

The nature, timing, and quantity of such use is, judges and scholars alike suggest, a decisive question. In cases where a trademark has not been used commercially in the marketplace, ownership turns on “the combined effect of authorship of the mark, the intention to use it upon or in connection with the goods and the applying for registration.”⁸⁰ The mark

the European Community member States is actionable. *See* Council Regulation (EC) 40/94, Community Trade Mark, 1994 O.J. (L 11) arts. 14, 16; *see generally* World Intellectual Property Organization, About Trademarks, http://www.wipo.int/about-ip/en/about_trademarks.html#what_kind (last visited Mar. 8, 2008).

⁷⁵ Standardization is facilitated in large part by the Madrid Protocol, *supra* note 5, as discussed in *infra* Part IV.

⁷⁶ *See* Lanham Act, 15 U.S.C. § 1051; 1995 Act, *supra* note 40, § 27(1).

⁷⁷ Note that the Trade Marks Act, 1955 (Austl.) used the term “proprietorship.” Trade Marks Act, 1955, § 32 (Austl.).

⁷⁸ *See, e.g.,* In re the Deister Concentrator Co., Inc., 289 F.2d 496, 501–02 (C.C.P.A. 1961).

⁷⁹ *PB Foods Ltd. v. Malanda Dairy Foods Ltd.* (1999) 47 I.P.R. 47, 60–61 (Austl.). *Cf. Deister Concentrator*, 289 F.2d at 501 (“It is trite to say that the Lanham Act does not create trademarks. While it may create some new substantive rights in trademarks, unless the trademarks pre-exist there is nothing to be registered. Neither does it create ownership, but only evidence thereof.”).

⁸⁰ *Shell Co. of Australia Ltd. v. Rohm Haas Co.* (1949) 78 C.L.R. 601, 625 (Austl.) (noting that reference to “goods” since 1978 includes “services”).

need be neither novel nor invented,⁸¹ and

[t]he fact that another's idea, word or design has been taken does not preclude an application: the objection that "I thought of it first" has not of itself been a ground for opposition. A claim to proprietorship is precluded by a better claim, but only in respect of the same or a "substantially identical" mark.⁸²

The first user of a trademark with respect to particular goods or services in Australia is the person entitled to registration. A valid claim to ownership therefore requires that no other person has acquired a prior right to use the trademark in the country to the same goods or services in question.⁸³ Where the applicant has not actually used the mark in the territory and has no intention of doing so, prior use by another will be fatal to the application.⁸⁴

There is much scholarship on Australian courts' unwavering reliance on the view that "in the absence of any use of an overseas mark within Australia, its adoption by a different entity in Australia may be sharp business practice but nothing more."⁸⁵ Burger King's tribulations in Australia illustrate the effects of the territorial limitations on ownership and the resultant advantages offered to the local passive name pirate. As Justice Fullagar sitting in the High Court of Australia stated in *Aston v. Harlee Manufacturing Co.*:

[I]t would appear that an applicant may be the "author" of a trade mark, although he has deliberately copied or adopted a mark registered in a foreign country in respect of the same description of goods But, where there has clearly been no user at all in Australia, an applicant for a trade mark identical with a mark registered in a foreign country is entitled to be regarded, so far as Australia is concerned, as the "author" of the mark. I can see no

⁸¹ See, e.g., *Sengoku Works Ltd. v. RMC Int'l, Ltd.*, 96 F.3d 1217, 1219 (9th Cir. 1996). Note that invented (also called "fanciful") words do, however, support a finding of distinctiveness. *Worden v. California Fig Syrup Co.*, 187 U.S. 516, 533 (1903).

⁸² JILL MCKEOUGH, ANDREW STEWART & PHILIP GRIFFITH, *INTELLECTUAL PROPERTY IN AUSTRALIA* 508 (3d ed. 2004) (internal citations omitted); see also 1995 Act, *supra* note 40, § 44. Cf. Lanham Act, 15 U.S.C. § 1052(d).

⁸³ Defensive registration, discussed in *infra* Part IV, allows for an expansion of rights beyond the categories of goods/services in respect of which the mark is actually used.

⁸⁴ See, e.g., *Re Registered Trade Mark "Thunderbird"* (1974) 4 A.L.R. 687 (Austl.) (mark expunged on grounds of non-use in Australia); see also *Aktieselskabet v. Fame Jeans, Inc.*, 511 F.Supp. 2d 1 (D.D.C. 2007) (rejecting plaintiff's argument that Section 44(e) of the Lanham Act allows automatic registration rights on the basis of a foreign registration regardless of prior application or use in the United States).

⁸⁵ *Sumpter*, *supra* note 54, at 110 (citing the seminal Australian case of *Seven-Up Co. v. OT Ltd.* (1947) 75 C.L.R. 203).

reason why this should not be so.⁸⁶

Despite the historical reluctance to penalize so-called “sharp business practices,”⁸⁷ in the absence of fraud or breach of confidence,⁸⁸ Australian courts have been prepared in piracy cases to hold that prior use, however slight, by an overseas enterprise will defeat the claims of a local applicant even though the mark enjoys no general market reputation in Australia. This was clearly expressed by Justice Williams in the *Seven Up* case:

The court frowns upon any attempt by one trader to appropriate the mark of another trader although that trader is a foreign trader and the mark has only been used by him in a foreign country. It therefore seizes upon a very small amount of use of the foreign mark in Australia to hold that it has become identified with and distinctive of the goods of the foreign trader in Australia. It is not then a mark which another trader is entitled to apply to register under the *Trade Marks Act* because it is not his property but the property of the foreign trader.⁸⁹

In a later case, Justice Williams stated that:

On principle and as a matter of common sense, however, it would seem that a mark is used as a trade mark in Australia if it is used here to designate the goods of a particular trader which are offered for sale in Australia under that mark whether the goods themselves are actually in Australia or not Under our Act the mark need not be used upon the goods. It is sufficient if it is used in connection with the goods.⁹⁰

Later cases have upheld the capacity of only a very small amount of use to establish proprietorship in Australia.⁹¹ Relying on the long history of

⁸⁶ (1960) 103 C.L.R. 391, 400 (internal citations omitted).

⁸⁷ Re Registered Trade Mark “Yanx” (1951) 82 C.L.R. 199, 202 (Austl.). See generally Sumpter, *supra* note 54, at 111. As Sumpter notes, and as further discussed in *infra* Part IV, the recent inclusion of bad faith grounds of opposition under the 1995 Act has the potential to broaden this issue in future jurisprudence.

⁸⁸ See generally Sumpter, *supra* note 54 (discussing the application of fraud and breach of confidence in Australian courts).

⁸⁹ *Seven Up Co. v. OT Ltd.* (1947) 75 C.L.R. 203, 211.

⁹⁰ *Yanx*, 82 C.L.R. at 204–05 (finding prior use where opponent had exported cigarettes bearing the trademark from the United States in response to an order prior to the date on which the registered proprietor’s application was lodged but the goods did not arrive in Australia until after the application had been lodged).

⁹¹ See, e.g., *Thunderbird*, 4 A.L.R. at 687 (holding that even a single sale by the foreign trademark owner under the relevant trademark in Australia was enough to deny the applicant’s claim to ownership of the mark); see generally Sumpter, *supra* note 54 (reviewing seminal Australian case law on point).

the issue in Australian courts, in *Moorgate Tobacco Co. Ltd. v. Philip Morris Ltd.* [No. 2]⁹² Justice Deane of the High Court stated that:

It is not necessary that there be an actual dealing in goods bearing the trade mark before there can be a local use of the mark as a trade mark. It may suffice that imported goods which have not actually reached Australia have been offered for sale in Australia under the mark In such cases, however, it is possible to identify an actual trade or offer to trade in the goods bearing the mark or an existing intention to offer or supply goods bearing the mark in trade.⁹³

While simply holding discussions or negotiations about whether a trademark will be used in Australia is not sufficient to amount to use, the establishment of a trading channel may be considered use of the mark, even prior to sale of goods bearing the mark.⁹⁴

Franchisors in early discussion stages of foreign expansion are cautioned that the significance given by Australian courts to the use of marks in advertisements is contentious.⁹⁵ In *Malibu Boats West Inc. v. Catanese*⁹⁶ it was acknowledged that use of a mark in an advertisement of goods constitutes use in the course of trade and use in relation to the goods advertised because an advertisement is a common method of indicating that certain goods are available for sale and that the vendor is soliciting orders for those goods. In *Malibu Boats*, the appellant relied on advertisements in popular American boating magazines to support its claim of use in Australia arising out of distributorship discussions at an American boat show and the showing of Malibu brochures that the Australians brought home to show potential Australian customers. However, the Australian Federal Court expressly noted of overseas publications available in Australia that:

Many foreign magazines are available in this country covering a wide range of interests. Some of these magazines contain

⁹² (1984) 156 C.L.R. 415 (holding that acquisition of a sample packet of cigarettes did not constitute sufficient use in Australia to establish proprietorship).

⁹³ *Id.* at 433 (internal citations omitted).

⁹⁴ *See, e.g.,* *Woolly Bull Enterprises Pty Ltd. v. Reynold* (2001) 51 I.P.R. 149 (Austl.).

⁹⁵ Similar use issues arise in the United States in the context of the definition of “use in commerce” at 15 U.S.C. §1127: “For purposes of this Act, a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.” In *Int’l Bancorp, LLC v. Societe Des Bains De Mer Et Du Cercle Des Etrangers a Monaco*, 329 F.3d 359 (4th Cir. 2003), *cert. denied* 540 U.S. 1106 (2004), for example, the “use in commerce” requirement was satisfied by use of an unregistered trademark by a Monacan casino operator in sale and advertising of gambling services directed at U.S. citizens from a New York office.

⁹⁶ (2000) 51 I.P.R. 134 (Austl.).

advertisements while others do not. Whether an advertisement is intended to solicit custom[ers] in Australia will depend upon a number of things including the nature of the magazine in which the advertisement appears, the contents of the advertisement, the type of goods that are advertised and the location of the vendor. Here I have advertisements that are clearly directed to the United States market, not to the Australian market. In the absence of further evidence, of which there is none, those advertisements do not amount to an offer to trade in the goods in Australia. This conclusion is consistent with the views of the Registrar to the effect that advertising in foreign publications will not, without more, constitute sufficient use to support a claim for proprietorship of a trade mark.⁹⁷

There is some suggestion of a distinction to be made between goods and services, perhaps to the benefit of expanding business format franchisors. In opposition proceedings against the mark “SIZZLER,” the Hearing Officer observed that in cases involving the offering of services rather than goods, a great deal more preparation was involved in Australia before an overseas provider of services could actually offer those services than was required by an overseas provider of goods who merely had to advertise them and provide them by exporting from the overseas location.⁹⁸

A recent cross-Pacific dispute over the iconic Aussie “ugg” or “ugh” boot highlights the limitations of use demonstrated by local and overseas advertisement of goods in light of modern Austral-American economic, political, and social relations.

C. Advertising and Use: Ugg Boots

Given the respective sizes of the Australian and American economies, it is hardly surprising that passive name pirating claims are more frequently alleged against Australian entrepreneurs than against American entrepreneurs. The Australia-United States Free Trade Agreement,⁹⁹ a massive bilateral treaty covering a range of subjects from beef to downloadable music, is a by-product of America’s economic muscle vis-à-vis Australia. In 2006, the value of trade between the two countries was estimated at AU\$47.5 billion¹⁰⁰ and cooperation between the two nations is

⁹⁷ *Id.* at 145–46.

⁹⁸ *Sizzler Restaurants International Inc. v. Sabra International Pty Ltd.* (1991) 20 I.P.R. 331, 338 (Austl.) (“The establishment of a service industry in Australia, is clearly a different matter to the development of trade in goods The transportation of a foreign service industry to a local site . . . will in many cases call for sophisticated infrastructures to be in place before any faced of that service can be put on the market.”).

⁹⁹ AUSFTA, *supra* note 41.

¹⁰⁰ Australian Department of Foreign Affairs and Trade, *The AUSFTA: Facts at a Glance*, available at http://www.sice.oas.org/TPD/USA_AUS/Studies/AUSFTAataglance_e.pdf.

seen as vital. Yet only two weeks after the signing of the free trade agreement, the countries were at fisticuffs over sheepskin boots.

Ugg boots are a sheepskin boot the name of which is an abbreviation of “ugly”—not an inaccurate description. Their origin is much disputed, but it is suggested that they originated in rural Australia in the 1920s.¹⁰¹ Their transformation from sloppy or comfortable wear to high fashion item is a matter of some surprise to many Australians. Despite their long heritage, the term “ugg” (or any of the common variations including “ugh” and “ug”) was not registered as a trademark until 1971, presumably because it was considered by manufacturers and consumers to be a generic term.¹⁰² Given the relatively small number of boot manufacturers in operation at the time, it is hardly surprising that the registration was not challenged—perhaps because it was not even noticed. What is more surprising is that a name which was widely regarded as generic—because it had become the common term associated with a particular category of goods and lacked the capacity to distinguish the product of the trademark owner from that of other companies—was not denied registration in the first place. Deckers, a U.S. company, purchased the Australian trademark rights in 1995 and have since registered “ugg boots” and “ugh boots” as a trademark in the United States and over twenty-five other countries.¹⁰³

During the northern hemisphere’s 2004 winter season, Deckers made its move. It sent cease and desist letters to twenty local Australian ugg boot companies using the terms “ugg” and “ugh.”¹⁰⁴ Deckers has used the World Intellectual Property Organization (“WIPO”) Uniform Domain Name Dispute Resolution Policy (“UDRP”) to successfully challenge domain names incorporating the term “ugg”¹⁰⁵ and have prevented companies selling “ugg” boots on eBay®.¹⁰⁶ In January 2006, an action to remove the

¹⁰¹ As with other Australian icons such as the Pavlova and the Jandal, New Zealand claims earlier proprietorship. It is suggested that ugg boots have a hundred year heritage in New Zealand, which introduced them to Australia originally through kiwi sheep shearers and later through surfers. Ugg Boots from New Zealand, <http://www.miranda.co.nz/uggboots-article.htm> (last visited Mar. 8, 2008).

¹⁰² See IP AUSTRALIA, UGG BOOTS, <http://www.ipaustralia.gov.au/pdfs/factsheets/Ugg%20Boots%20Fact%20Sheet.pdf> (last visited Mar. 8, 2008).

¹⁰³ See Deckers Outdoor Corp., UGG® Australia, <http://www.deckers.com/Brands/uggaustralia.aspx> (last visited Mar. 8, 2008).

¹⁰⁴ Kathy Marks, *Ugg: How a Minnow Put the Boot into a Fashion Giant*, THE INDEPENDENT (London), Jan. 18, 2006, at 24, available at <http://www.independent.co.uk/news/world/australasia/ugg-how-a-minnow-put-the-boot-into-a-fashion-giant-523444.html>.

¹⁰⁵ See, e.g., UGG Holdings, Inc. & Deckers Outdoor Corp. v. Paul Barclay, NAF Case No. 216873 (Feb. 5, 2004); Deckers Outdoor Corporation v. Bills Distribution, NAF Case No. 358035 (Dec. 20, 2004). Links to selected UDRP decisions in Deckers’ favor are provided on Deckers’ UggsNRugs website under the subheading “Enforcing Our Rights,” <http://www.uggsnrugs.com> (last visited Mar. 8, 2008).

¹⁰⁶ For the authenticity tips posted by Deckers on eBay see UGG Australia, http://cgi3.ebay.co.uk/ws/eBayISAPI.dll?ViewUserPage&userid=ugg_holdings (last visited Mar. 8,

mark “UGH-BOOTS” from the Australian Register of Trade Marks on non-use grounds¹⁰⁷ was successful. The Trade Marks Office considered, *inter alia*, a November 2003 newspaper advertisement taken out by Deckers in the Sydney Morning Herald and evidence of possible Australian sales via the website www.uggaustralia.com. A key question was whether sales were actually targeted to Australian customers or ever successfully completed.

The Trade Marks Office held that “[t]he evidence overwhelmingly supports the proposition that the terms UGH BOOT(S), UG BOOT(S), and UGG BOOT(S) are interchangeably used to describe a specific style of sheepskin boot and are the first and most natural way in which to describe these goods”¹⁰⁸ While the terms “ugg,” “ugh,” and “ug” were all considered generic in respect of sheepskin boots, the Office attributed trademark significance to the hyphenated form “UGH-BOOT” as registered by Deckers. The evidence showed that Deckers had failed, however, to use the hyphenated form and therefore had “not demonstrated any use of the trade mark as registered, whether before, during, or after the period in question.”¹⁰⁹

Some may say that ugg boots have had their fashion heyday, but all Australian manufacturers can once again call their sheepskin boots “uggs,” “ughs,” or “ugs” while Deckers retains ownership of the trademark in a number of other jurisdictions. Deckers defiantly derides the decision in its disclaimer on the www.uggs-n-rugs.com website, stating that it is “not a judicial determination and has little if any value as legal precedent. Furthermore, trademarks are territorial—their validity is determined by

2008). The Internet as an e-business medium poses particular challenges for these small companies, as use of a registered Australian trademark on the Internet can expose the trademark owner to a risk of challenge and infringement action by owners of the same or similar marks in other countries. *See, e.g., Ward Group Pty Ltd. v Brodie & Stone Plc*, (2005) 64 I.P.R. 1 (Austl.). In *Ward*, an Australian trademark owner brought claims of trademark infringement and passing off in respect of Internet advertising of products manufactured and distributed in the United Kingdom. *Id.* The Federal Court of Australia dismissed the claims, but Australian national intellectual property office IP Australia warns that foreign courts may see things differently. *See* IP AUSTRALIA, *supra* note 102 (“The Internet provides easy access to global markets and takes no account of national borders. If you are trading on the Internet you need to understand the laws of the country into which you are selling goods or services. If you place an offer for sale on the Internet in Australia that invites purchase from overseas, this can amount to trading overseas and could leave you vulnerable to legal action and expensive litigation. Likewise an overseas proprietor selling goods in Australia via the Internet may infringe an Australian trade mark.”).

¹⁰⁷ *See* Re: Opposed Application by Bruce E McDougall and Bronwyn McDougall Under Section 92 to Remove 245662(25) UGH-BOOTS Registered in the Name of Deckers Outdoor Corporation, Jan. 16, 2006, available at http://www.ipaustralia.gov.au/pdfs/trademarks/hearings/245662_060116.pdf.

¹⁰⁸ *Id.* para. 34.

¹⁰⁹ *Id.* para. 46. Deckers’ UGH mark (registration number 373173) was also subsequently removed from the register on the basis of non-use.

each country under its own laws and based on consumer perceptions of the local population.”¹¹⁰ Deckers, meanwhile, still own other UGG-based marks in Australia, including a composite mark consisting of the words UGG Australia with an oval-shaped sun with flame-like rays under the words (Australian TM 785466),¹¹¹ as well as the word mark UGG (Australian TM 1077762) in Class 18.¹¹² They also have pending applications for stylized and non-stylized marks including MADE BY UGG AUSTRALIA¹¹³ in respect of clothing, footwear, and headgear and UGG AUSTRALIA with respect to a variety of clothing items in Class 25.¹¹⁴

In some ways, the UGG BOOTS disputes air an undercurrent of angst felt by some Australians against the American intellectual property system. Australians occasionally admit resentment at the rising tide of cultural goods and services imported from the United States,¹¹⁵ and “local legal commentary and public media reports put a decidedly nationalistic spin on the story, with the recent Australia-U.S. Free Trade Agreement as a central concern.”¹¹⁶

A certain degree of ire is also directed at the American patent and trademark system in general and the U.S. Patent and Trademark Office

¹¹⁰ UggsNRugs, *supra* note 105.

¹¹¹ A few months after the UGH-BOOTS decision, an opposition against the stylized mark and device failed. *See* Re: Opposition by Deckers Outdoor Corporation to Application Under Section 92 of the Act by Luda Productions Pty Ltd to Remove Trademark Number 785466 (Class 25)—UGG AUSTRALIA and Device—in the Name of Deckers Outdoor Corporation, Aug. 11, 2006, available at <http://www.ipaustralia.gov.au/pdfs/trademarks/hearings/785466.pdf>.

¹¹² Sheepskin handbags, book bags, carry-all bags, carry-on bags, clutch bags, duffle bags, leather shopping bags, overnight bags, school bags, shoe bags for travel, shoulder bags, tote bags, travel bags, backpacks, briefcases, daypacks, fanny packs, handbags, knapsacks, luggage, pocketbooks, purses, satchels, waist packs, athletic bags, beach bags, sports bags, suit bags, wallets, key cases. The Australian registration is based on an International Registration number 860445.

¹¹³ Application Numbers 1013806 and 1013807.

¹¹⁴ Application Number 115414 (Men’s, women’s and children’s clothing and outerwear including coats, jackets, ponchos, vests, sweaters, sweat suits, sweatshirts, T-shirts, shorts, mittens, handwarmers, scarves, belts, pajamas, robes, loungewear, sleep shirts, daywear, underwear, thermal underwear; women’s clothing including blouses, tops, dresses, skirts, muffs, nightgowns, lingerie; children’s buntings; men’s, women’s and children’s headwear including caps, visors, earmuffs, hats).

¹¹⁵ Australia’s trade deficit with the United States for audio visual materials is increasing at a steady rate, valued at AU\$382 million in 2004/05, up from AU\$300 million in 2003/04. *See* Australian Film Commission, Value of Royalty Trade in Television Release, 1991/92 to 2005/06, <http://www.afc.gov.au/GTP/atradetv.html> (last visited Mar. 8, 2008); *see generally* Bartlett’s discussion of the trend of rejection of Americanization in the mid-20th century in BARTLETT, *supra* note 70, at 246.

¹¹⁶ Lauren Eade, *WWW.The Ugly Side of Trade Marks*, Mar. 29, 2004, <http://www.gtlaw.com.au/gt/site/articleIDs/7D6A3F60FDF21A01CA256E66001CB7FA?open&ui=dom&template=domGT>.

("USPTO") in particular. In a 2004 Australian Financial Review article, John Davidson urged his readers to agree that the USPTO is "run by teenagers who think ugg boots are novel, attractive and invented by the American company Deckers Outdoor Corporation which has trademarked the word 'ugg.'"¹¹⁷

D. Unregistered Trademarks

As former British colonies, Australia and America share the origins of their trademark laws in the English common law system, which sought to protect the reputation of a proprietor of a distinctive mark used in business. While registration of a trademark is an effective means of proving ownership in both countries,¹¹⁸ unregistered marks receive protection under the common law.

Under Australian law today, the tort of passing off (and the statutory misleading or deceptive conduct action,¹¹⁹ enshrined not in the 1995 Act, but in Australia's federal competition, antitrust and fair trading law, the Trade Practices Act 1974), protects traders by preventing their competitors from "passing off" their goods or services as those of the mark's proprietor. In the United States, federal law provides for a claim of unfair competition under Section 43(a) of the Lanham Act,¹²⁰ while many U.S. states' laws also incorporate some form of unfair competition law.

The line between trademark infringement and passing off or unfair competition is a notoriously difficult one to draw, both theoretically and practically. Australian courts have repeatedly noted that the definition of the tort of passing off is "not an easy task 'Attempts to produce a definition of the tort which is both succinct and comprehensive have had mixed success.'"¹²¹ In the United States it is said of trademark infringement and unfair competition that:

Of necessity, some of the principles in these two branches of the law will overlap. This is because . . . they may have arisen out of the same background—namely, the desire to protect a person in his

¹¹⁷ John Davidson, *Ugg! US Patents Game is a Fiasco*, AUSTRALIAN FIN. REV., June 8, 2004, at 30.

¹¹⁸ See Trade Marks Act, 1995, § 210 (Austl.); 15 U.S.C. § 1072 (2000).

¹¹⁹ See Trade Practices Act, 1974, § 52 (Austl.).

¹²⁰ 15 U.S.C. 1125(a); see also *Two Pesos*, 505 U.S. at 768 (1992) ("Section 43(a) 'prohibits a broader range of practices than does § 32,' which applies to registered marks, but it is common ground that § 43(a) protects qualifying unregistered trademarks . . ."). Unfair competition is also actionable under section 2(a) of the Uniform Deceptive Trade Practices Act in U.S. states that adopted the Act. Unif. Deceptive Trade Practices Act § 2 (1966).

¹²¹ *Earthtech Consultants (Qld) Pty Ltd. v. Earth Tech Engineering Pty Ltd.* (2001) 53 I.P.R. 555 (Austl.) (quoting *ConAgra Inc. v. McCain Foods (Aust) Pty Ltd.* (1992) 33 F.C.R. 302, 355 (Austl.)).

business or good will. This confusion made it impossible during the trial to draw a strict line in the proof. For certain evidence clearly not admissible in a straight trademark infringement case bore on unfair competition.¹²²

The core concepts of the action for passing off have been described as the “classical trinity” of reputation, misrepresentation and damage.¹²³ In practice, the plaintiff must:

- (i) establish a goodwill or reputation attached to the goods or services;
- (ii) demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that the goods or services offered by him are the goods or services of the plaintiff; and
- (iii) demonstrate that the misrepresentation has caused or threatened damage to the plaintiff’s reputation or goodwill.¹²⁴

An additional focus on false advertising gives section 43(a) of the Lanham Act,¹²⁵ amended since the Supreme Court’s seminal *Two Pesos* decision,¹²⁶ a significantly broader scope for recovery in the United States than does the common law tort of passing off as applied in Australia:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or

¹²² *Brooks Bros. v. Brooks Clothing of California, Ltd.*, 60 F. Supp. 442, 447–48 (D. Cal. 1945), *aff’d*, 158 F.2d 798 (9th Cir. 1947), *cert. denied*, 331 U.S. 824 (1947).

¹²³ *ConAgra*, 33 F.C.R. at 355–56 (citing *Consorzio del Prosciutto di Parma v. Marks and Spencer plc*, [1991] R.P.C. 351, 368–69 (Eng.)).

¹²⁴ See, e.g., *Earthtech Consultants*, 53 I.P.R. 555.

¹²⁵ 15 U.S.C. § 1125(a) (2000).

¹²⁶ *Two Pesos*, 505 U.S. 763 (1992) (holding that proof of secondary meaning was not required for infringement of inherently distinctive trade dress under 15 U.S.C. § 1125(a)).

she is or is likely to be damaged by such act.

These common law actions have evolved from being concerned merely with common law trademarks (i.e. unregistered trademarks) to other aspects of business reputation and good will¹²⁷—in trade dress,¹²⁸ get-up, packaging, or image generally.¹²⁹ In *Cadbury Schweppes Pty Ltd. v. Pub Squash Pty Ltd.*,¹³⁰ the Court of Appeal in the Australian state of New South Wales commented that:

[T]he tort is no longer anchored, as in its early 19th century formulation, to the name or trade-mark of a product or business. It is wide enough to encompass other descriptive material, such as slogans or visual images, which radio, television or newspaper advertising campaigns can lead the market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product. And the test is whether the product has derived from the advertising a distinctive character which the market recognizes.

The impact of this development is that common law rights can be effective tools in the brand owner's arsenal. While they may "overlap," registered trademarks and common law rights co-exist in both countries. In other words, common law rights are not relinquished upon registration of a trademark.¹³¹ It is not unusual for plaintiffs in American courts to raise not only a trademark infringement under the Lanham Act but state and federal unfair competition claims as well. Likewise, in Australia, actions under section 52 of the Trade Practices Act 1974 are often coupled with infringement claims under the 1995 Act. Furthermore, passing off and unfair competition claims are versatile and effective actions to restrain unauthorized use of marks that have not been, and possibly cannot be, registered.

¹²⁷ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 4 cmt. a (1995) ("Contemporary analysis also emphasizes the function of the rule in protecting and encouraging investments in good will. Since passing off interferes with the opportunity to reap the benefits of a favorable reputation, investments in quality, service, and promotion are undermined by misrepresentations of source."); see also *ConAgra*, 33 F.C.R. at 330 (noting that "[g]oodwill in the United States law of unfair competition has a much broader meaning than it does in England").

¹²⁸ See, e.g., *Two Pesos*, 505 U.S. at 763.

¹²⁹ STANFORTH RICKETSON, *THE LAW OF INTELLECTUAL PROPERTY* 533–34 (1984).

¹³⁰ *Cadbury Schweppes Pty Ltd. v. Pub Squash Pty Ltd.* (1980) 2 N.S.W.L.R. 851, 858 (Austl.).

¹³¹ See, e.g., *M. & D. Simon Co. v. R. H. Macy & Co.*, 152 F. Supp. 212, 215 (S.D.N.Y. 1957) (discussing the "continued existence of common law trade-mark rights notwithstanding registration under the Lanham Act").

E. Reputation in the Jurisdiction

While challenges based on non-use have historically been a primary means of attack, more recently, Australian litigants are turning to the passing off action to protect international business reputation in the face of local use of an overseas trademark. The limitations of the passing off action to protect international business reputation in the face of local use are illustrated by *Taco Bell Pty Ltd. v. Taco Company of Australia Inc.*¹³² The case saw a Mexican restaurant in the Sydney beachside suburb of Bondi pitted against American-based fast food giant Taco Bell. After the American company opened two Sydney restaurants in 1981, the Bondi business instituted proceedings against the American company alleging passing off and misleading or deceptive conduct. The American company cross-claimed for passing off and misleading or deceptive conduct against the Bondi business.¹³³ The Bondi business was successful both at first instance and on appeal.¹³⁴ Despite evidence that a significant group of people in Sydney were aware of the American Taco Bell chain, the court held that the local goodwill resided the Bondi business.¹³⁵ Although the American company had a reputation in the Taco Bell name in the United States, the reputation in the Taco Bell name in Sydney in relation to Mexican food restaurants had been acquired by the Bondi business, not by the American Taco Bell.

Actual or likely misconception between the American company and the Bondi restaurant was attributed to the use of the name "Taco Bell." While the Bondi restaurant had established a prior reputation in the name in the local area, the American company had not. That name was, in respect of local operations, clearly associated with an established local Mexican restaurant.¹³⁶

The *Taco Bell* case has been criticized for its hard-line approach in requiring business activity within the jurisdiction, even though that activity could be slight and need not require an actual place of business in the jurisdiction.¹³⁷ A more liberal test was laid down a decade later by the Full Federal Court in *ConAgra Inc v. McCain Foods (Aust) Pty Ltd.*¹³⁸ The court distinguished use in the jurisdiction from reputation in the jurisdiction, holding that it was not necessary for a trader to have a place of

¹³² *Taco Bell Pty Ltd. v. Taco Company of Australia Inc.* (1981) 60 F.L.R. 60, *appeal dismissed*, *Taco Company of Australia, Inc. v Taco Bell Pty Ltd.* (1982) 42 A.L.R. 177 (Austl.).

¹³³ *See Taco Bell*, 60 F.L.R. at 62.

¹³⁴ *See Taco Bell*, 42 A.L.R. at 177.

¹³⁵ *See Taco Bell*, 60 F.L.R. at 80.

¹³⁶ *Id.*

¹³⁷ *See generally* Fiona Martin, *Protection of International Business Reputation in Australia*, 21 AUSTL. BUS. L. REV. 317 *passim* (1993).

¹³⁸ *ConAgra*, 33 F.C.R. at 302.

business in Australia or even sell its goods in Australia to be successful in maintaining a passing off action. On appeal, Justice Lockhardt held that:

*The real question is whether the owner of the goods has established a sufficient reputation with respect to his goods within a particular country in order to acquire a sufficient level of consumer knowledge of the product and attraction for it to provide custom which, if lost, would be likely to result in damage to him.*¹³⁹

The restatement of the passing off requirement from “goodwill attached to a business” to “reputation in the jurisdiction” has facilitated the protection of business reputation in Australia but the actual decision in *ConAgra* nevertheless indicates the difficulty in establishing the requisite “sufficient reputation.” McCain had adopted packaging, get-up, and name (“Healthy Choice”) for frozen foods, which had been copied from, and were virtually identical to, that used by ConAgra on its Healthy Choice food products range available in the United States. The passing off action failed when ConAgra could not establish a relevant reputation in Australia. As McKeough comments:

It was held that even if it could be shown that the defendant was trying to “dig a pit” in the path of a foreign trader’s entry into the Australian market, the plaintiff could not establish that it had developed a reputation for its products in this country. Without such reputation to protect, no amount of wicked intent could create a cause of action.¹⁴⁰

IV. “MC” MARKS—WELL-KNOWN MARKS IN AUSTRALIA AND THE UNITED STATES

In today’s digital era, the Internet, satellite communications, the extensive global media and entertainment network and the relative affordability of international travel make brand exposure increasingly easy. This is particularly the case for the world’s best known brands. The earliest attempt to proscribe the use of well-known marks came in 1967 with Article 6 *bis* of the Paris Convention¹⁴¹ but its application did not extend to

¹³⁹ *Id.* at 343 (emphasis added).

¹⁴⁰ See MCKEOUGH, STEWART & GRIFFITH, *supra* note 82, at 428. The “wicked intent” McKeough refers to could well be the target in the recent implementation of a bad faith grounds of opposition to trademark registration under the 1995 Act, as discussed in *infra* Part IV.

¹⁴¹ Paris Convention, *supra* note 2, art. 6 *bis* provides: (1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that

service marks. This limitation, as well as a broadening to include dissimilar goods or services, was addressed in Article 16(3) of the TRIPS Agreement,¹⁴² which requires Member States to protect well-known marks by refusing or cancelling registrations and prohibiting the use of marks that infringe a well-known mark. However, as noted by the Australian Advisory Council on Intellectual Property:

Some problems that have been identified in this area include the difficulty in defining what constitutes a well-known mark and whether a mark needs to be generally well-known, or only well-known in a specific market. Internationally, there is considerable inconsistency in how well-known marks are protected and the extent of protection given. For example, some countries maintain a register that identifies well-known marks, while others allow it to be determined on a case-by-case basis. The strength of protection given in different countries also varies.¹⁴³

The Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the WIPO issued in 1999 the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks ("Joint Recommendation").¹⁴⁴ The Joint Recommendation provides guidelines on how member States may determine and protect well-known marks. Notably, in determining whether a mark is well-known, any circumstances from which it may be inferred that the mark is well-known shall be taken into account, including:

country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith. (2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested. (3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith. *Id.*

¹⁴² TRIPS, *supra* note 3 ("Article 6 *bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.").

¹⁴³ ADVISORY COUNCIL ON INTELLECTUAL PROPERTY, REVIEW OF TRADE MARK ENFORCEMENT 21 (2004), *available at* <http://www.acip.gov.au/library/reviewtmenforce.pdf> [hereinafter ADVISORY COUNCIL].

¹⁴⁴ *See* WORLD INTELLECTUAL PROPERTY ORGANIZATION, JOINT RECOMMENDATION CONCERNING PROVISIONS ON THE PROTECTION OF WELL-KNOWN MARKS, Sept. 20–29, 1999, *available at* http://www.wipo.org/about-ip/en/development_iplaw/pub833.htm [hereinafter JOINT RECOMMENDATION] (showing guidelines for determining whether a mark is well-known).

- The degree of knowledge or recognition of the mark in the relevant sector of the public;
- The duration, extent, and geographical area of any use of the mark;
- The duration, extent and geographical area of any promotion of the mark, including advertising or publicity and the presentation, at fairs or exhibitions, of the goods and/or services to which the mark applies;
- The duration and geographical area of any registrations, and/or any applications for registration, of the mark, to the extent that they reflect use or recognition of the mark;
- The record of successful enforcement of rights in the mark, in particular, the extent to which the mark was recognized as well known by competent authorities; and
- The value associated with the mark.¹⁴⁵

However, the Joint Recommendation is not prescriptive and WIPO Member States are free to implement it (or not) as they see fit.¹⁴⁶ While Australia and the United States have taken different approaches, the importance of well-known marks to each country is perhaps highlighted by the specific reference to Art. 6 *bis* in the Australia-U.S. Free Trade Agreement.¹⁴⁷ The differing approaches are examined here.

A. Well-known Marks in Australia

In Australia, the primary instrument for compliance with the international obligation to protect well-known marks is the recently amended¹⁴⁸ section 60 of the 1995 Act, which provides for opposition of a

¹⁴⁵ *Id.* pt. I, art. 2(2) provides that the “relevant sectors of the public shall include but not be limited to:

- (i) actual and/or potential customers of the type of goods and/or services to which the mark applies;
- (ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies;
- (iii) business circles dealing with the type of goods and/or services to which the mark applies. Use or registration in the member State is not a condition for recognition of a well-known mark.”

¹⁴⁶ See ADVISORY COUNCIL, *supra* note 143, at 21.

¹⁴⁷ See AUSFTA, *supra* note 41, art. 17.2(6).

¹⁴⁸ See 1995 Act, *supra* note 40, § 210; Section 60 was recently amended by the Trade Marks Amendment Act, 2006 (Austl.), motivated by Australia’s obligations under TRIPS to protect well-known marks and in part by the Advisory Council’s report. See *supra* note 143. Previously section 60 required, in addition to reputation and likelihood of deception or confusion, that the mark be “substantially identical with, or deceptively similar to” the trademark having acquired reputation before the priority date. The associated explanatory memorandum justifies the amendments in light of former section 60’s inability to “prevent

mark's registration on the following grounds:

- (a) Another trade mark had, before the priority date for the registration of the first-mentioned trade mark in respect of those goods or services, acquired a reputation in Australia; and
- (b) 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.¹⁴⁹

Note that under section 60 there is no requirement that the opponent should have used or even intended to use the mark in Australia and the reputation is not confined to those goods or services specified in the application. Section 60 simply requires that the opponent's mark has such a "reputation" in Australia, albeit not amounting to "goodwill"¹⁵⁰ and not restricted by any conceptual "reputation as evidenced by use" that confusion would be likely. In *ConAgra*, Justice Lockhart noted that:

[R]eputation within the jurisdiction may be proved by a variety of means including advertisements or television, or radio or in magazines and newspapers within the forum. It may be established by showing constant travel of people between other countries and the forum, and that people within the forum (whether residents there or persons simply visiting there from other countries) are exposed to the goods of the overseas owner.¹⁵¹

A straightforward application of section 60 (as in force prior to the recent October 2006 amendments to the 1995 Act) is illustrated by *McDonald's Corporation v. Bellamy*.¹⁵² McDonald's, the owner of the

registration of a mark which fails the tests for substantial identity or deceptive similarity, but which nevertheless will cause confusion or deception in relation to a well-known mark." Amended section 60 places all its emphasis, therefore, on reputation. "By removing the requirement for substantial identity or deceptive similarity from section 60, the ground for opposition under section 60 can be used to oppose the registration of a trade mark because of the possible deception or confusion arising solely from the reputation of a trade mark. Under the amended provisions the consideration of oppositions would take into account the extent of the reputation of the opposing mark at the time the opposed mark was applied for, and the likelihood of deception and confusion occurring in the marketplace because of this." Trade Marks Amendment Bill, 2006, Explanatory Memorandum, at 4.10, available at http://www.austlii.edu.au/au/legis/cth/bill_em/tmab2006211/memo_0.html.

¹⁴⁹ 1995 Act, *supra* note 40, § 60.

¹⁵⁰ See *Advantage Rent-A-Car v. Advantage Car Rentals Pty Ltd.* (2000) 49 I.P.R. 129, 136 (Austl.) ("I would stress that what I am considering here is not the opponent's goodwill in the trade mark, nor any property that might exist in that goodwill—I am considering the reputation of the opponent's trade mark on its own.").

¹⁵¹ *ConAgra*, 33 F.C.R. at 343.

¹⁵² *McDonald's Corporation v. Bellamy* (2004) A.T.M.O. 26 (Austl.), available at <http://www.ipaustralia.gov.au/pdfs/trademarks/hearings/859586.pdf>.

registered trademark “McKIDS,” successfully opposed an application to register the trademark “McBABY.” The Registrar looked to section 60 and held that the opposed trademark was deceptively similar to the opponent’s mark and its use would be likely to deceive or cause confusion because of the reputation of the opponent’s mark. The following were key considerations:

- The “Mac/Mc” marks owned/used by McDonalds are “ubiquitous and of some long standing. They are widely and immediately recognized, as is the opponent’s practice of coining additional trade marks incorporating this prefix.”
- Use of “Mc” marks by McDonalds extends beyond food-type marks to focus on groups of “intended consumers” (e.g. “McKIDS”).
- The opposed application was made in respect of goods which “mirrored” those of McDonalds’ registrations.
- The “Mc” marks are a “family” of marks which have gained notoriety. A series of newspaper articles in evidence illustrated the “McDonaldisation of language” and “demonstrate that reporters and editors believe that they can use ‘McLanguage’ and be immediately and widely understood, without further explanation, as referring to the opponent and its operations. There is a strong likelihood that the applicant’s McBaby trade mark will be similarly understood.”¹⁵³

Well-known marks are also acknowledged in the infringement provisions of section 120 of the 1995 Act. Infringement generally requires use of a “substantially identical” or “deceptively similar” mark in relation to “the goods or services in respect of which the trade mark is registered”¹⁵⁴ or on goods or services which are of the “same description” or “closely related.”¹⁵⁵ Well-known marks, by contrast, can be infringed by the use of substantially identical or deceptively similar marks in relation to unrelated goods or services where the plaintiff’s mark is so “well known in Australia . . . 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” such that the owner’s interests “are likely to be adversely affected.”¹⁵⁶ In deciding whether a mark is “well known in Australia,” account must be taken “of the extent to which the trade mark is known

¹⁵³ *Id.* para. 34. *But see* McDonald’s Corp. v. McBratney Services Pty Ltd. (2006) A.T.M.O. 71 (Austl.) (holding that the public is not likely to put pejorative word “brat” in the “Mc”/“Mac” family of marks, supported by usage of other “Mc”/“Mac” marks not connected to McDonald’s).

¹⁵⁴ *See* 1995 Act, *supra* note 40, § 120.

¹⁵⁵ *Id.* § 120(2).

¹⁵⁶ *Id.* § 120(3).

within the relevant sector of the public, whether as a result of the promotion of the trade mark or for any other reason.”¹⁵⁷

The recently amended section 60 grounds for opposition have not been authoritatively considered, while the infringement provisions of section 120(3) have received only minor attention. In refusing an interlocutory injunction requested by Sir Richard Branson’s Virgin group of companies against proprietors of domain names incorporating the words Virgin Star, Justice Tamberlin of the Australian Federal Court delivered a terse warning against “flooding the parties and the Court with a mass of irrelevant material” in relation to section 120(3) claims.¹⁵⁸ As McKeough posits, “[w]hat is unclear is how far the provision has taken Australian law towards a U.S.-style doctrine of trade mark dilution, whereby the proprietor of a ‘famous’ mark may complain of any commercial actions which cause ‘dilution of the distinctive quality of the mark.’”¹⁵⁹

B. Famous Marks in the United States

The primary instrument for compliance with the international obligation to protect well-known marks is the 1995 Federal Trademark Dilution Act (“FTDA”), implemented as section 43(c) of the Lanham Act.¹⁶⁰ Anti-dilution statutes are not new to American jurisprudence, as they were a feature of state law long before the enactment of the FTDA. For example, McDonalds used state dilution statutes to good effect in the 1980s to prevent the “whittling down” of the identity of its brand.¹⁶¹ To a certain degree, the FTDA harmonized the key aspects of the various state laws and the term “dilution” is today defined at §1127 as:

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.¹⁶²

Unlike traditional infringement law, antidilution is not the product of

¹⁵⁷ *Id.* § 120(4).

¹⁵⁸ *Virgin Enterprises Ltd. v. Virgin Star Pty Ltd.* (2005) 67 I.P.R. 557 (Austl.).

¹⁵⁹ *See* McKEOUGH, STEWART & GRIFFITH, *supra* note 82, at 556.

¹⁶⁰ 15 U.S.C. § 1125(c).

¹⁶¹ *See* *McDonald’s Corp. v. McBagel’s, Inc.*, 649 F. Supp. 1268, 1281 (S.D.N.Y. 1986) (“The similar element that associates defendants’ name with plaintiff’s family of marks, the use of the ‘Mc’ prefix with the name of a generic food item, is immediately apparent. New York courts have not hesitated to find ‘whittling down’ of the identity of the trademark where slogans used by two parties bear such a facial similarity.”); *see also* *Quality Inns Int’l v. McDonald’s Corp.*, 695 F. Supp. 198 (D. Md. 1988).

¹⁶² 15 U.S.C. § 1123.

common law development and does not hinge upon consumer confusion.¹⁶³ Rather, the focus is on protecting the interests of owners of well-known marks by precluding “tarnishment”¹⁶⁴ or “blurring.”¹⁶⁵ In the seminal case of *Moseley v. Victoria’s Secret Catalogue, Inc.*, the U.S. Supreme Court found that to establish a claim of dilution, the plaintiff must prove:

- Its mark is famous;
- Defendant is making commercial use in commerce;
- Defendant adopted its mark after plaintiff’s mark had become famous;
- Defendant’s use dilutes the quality of plaintiff’s mark by diminishing the capacity of the mark to identify and distinguish goods and services; and
- There is actual dilution rather than likelihood of dilution.¹⁶⁶

Dilution is applicable only to well-known marks, referred to as “famous marks,” which are characterized as “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.”¹⁶⁷ Factors to be considered in determining whether a mark “possesses the requisite degree of recognition,” set out in section 1125(c)(2)(A), clearly bear some resemblance to the Joint Recommendation.¹⁶⁸

The *Victoria’s Secret* case answered many questions as to the place and application of dilution in federal trademark law, but it created new questions as well.¹⁶⁹ Critically, the meaning of the terms “blurring” and “tarnishment” was unclear. The ultimate goal, therefore, of the recent Trademark Dilution Amendment Act of 2006¹⁷⁰ was to clearly outline the causes of action and to address the requirement of actual dilution proscribed by the Supreme Court. Notably, the requirement of actual dilution was

¹⁶³ See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. b (1995).

¹⁶⁴ 15 U.S.C. § 1125(c)(2)(C) (“[D]ilution by tarnishment’ is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”).

¹⁶⁵ 15 U.S.C. § 1125(c)(2)(B) (“[D]ilution by blurring’ is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”).

¹⁶⁶ *Moseley v. Victoria’s Secret Catalogue, Inc.*, 537 U.S. 418 (2003). On the requirement of actual dilution, see *infra* notes 169–71 and accompanying text.

¹⁶⁷ 15 U.S.C. § 1125(c)(2)(A).

¹⁶⁸ JOINT RECOMMENDATION, *supra* note 144.

¹⁶⁹ See generally 108 Cong. Rec. H2121 (daily ed. Apr. 19, 2005) (statements of Reps. Sensenbrenner and Berman).

¹⁷⁰ Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730.

scrapped.¹⁷¹ While the recent amendments attempted to clarify the factors to be considered in determining a mark's fame, as illustrated by the case of *Grupo Gigante*, discussed below, the questions raised by *Victoria's Secret* have particular consequences for foreign owners of famous or well-known marks, where courts may require a higher level of fame than would ordinarily be expected to establish secondary meaning in the United States.

C. The Famous Mark Exception to the Territoriality Principle

The Ninth Circuit case of *Grupo Gigante SA de CV v. Dallo & Co.*¹⁷² established the applicability of a famous mark exception to the territoriality principle in U.S. federal trademark law. In considering whether the trademark "GIGANTE," registered in Mexico in 1963, was sufficiently famous in the United States to support a claim of dilution under California state and federal laws, the court highlighted the modern mobility of commerce and people. Ultimately, it agreed with Grupo Gigante: "Trademark is, at its core, about protecting against consumer confusion and 'palming off.' There can be no justification for using trademark law to fool immigrants into thinking that they are buying from the store they liked back home."¹⁷³

Dallo's San Diego shop "Gigante Market" opened in 1991, and under the "territoriality principle,"¹⁷⁴ such prior use in the United States would ordinarily prevail. Grupo Gigante disputed not the fundamental principle but rather its absoluteness, arguing that where foreign use of a mark creates sufficient fame in the United States, the territoriality principle should not be found to apply. Grupo Gigante bolstered its dilution actions with additional claims under Articles 6 *bis* and 10 *bis* of the Paris Convention, section 43(a) of the Lanham Act, and common law unfair competition and misappropriation.¹⁷⁵

Although its advertisements in Mexico had reached the United States,

¹⁷¹ See 15 U.S.C. § 1125(c)(1) ("Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, *regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.*") (emphasis added).

¹⁷² 391 F.3d 1088 (9th Cir. 2004).

¹⁷³ *Id.* at 1094.

¹⁷⁴ The territoriality principle provides that use in a country can be the basis of priority only in that country. In American jurisprudence, "[t]he territoriality principle. . . says that 'priority of trademark rights in the United States depends solely upon priority of use in the United States, not on priority of use anywhere in the world.' Earlier use in another country usually just does not count." *Id.* at 1093 (quoting J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 29:2, at 29-6 (4th ed. 2002)).

¹⁷⁵ See *id.* at 1092 n.3.

Grupo Gigante did not argue that this constituted use in the United States. Rather, Grupo Gigante argued that its mark had achieved a sufficient level of fame in the United States to establish priority, despite non-use there. Just as the High Court of Australia considered in *ConAgra*, the Ninth Circuit faced the challenge of delineating the threshold of fame to be attained by the foreign mark. At first instance, the District Court played down the meaning of fame, holding that “the foreign user need only show that the mark is sufficiently known to potential customers in the area of the United States in which it seeks protection.”¹⁷⁶ On the facts in issue, the mark had to have acquired secondary meaning to consumers in the San Diego metropolitan area.

On appeal, the Ninth Circuit disagreed and imposed a higher standard of fame. Looking to the fundamental obligations of WTO member states through the Paris Convention to respect the territoriality of trademark laws, the court held that in addition to finding that the foreign mark in question acquired secondary meaning, it must also

be satisfied by a preponderance of the evidence, that a *substantial* percentage of consumers in the relevant American market is familiar with the foreign mark. The relevant American market is the geographic area where the defendant uses the alleged infringing mark. In making this determination, the court should consider such factors as the intentional copying of the mark by the defendant, and whether customers of the American firm are likely to think they are patronizing the same firm that uses the mark in another country. While these factors are not necessarily determinative, they are particularly relevant because they bear heavily on the risks of consumer confusion and fraud, which are the reasons for having a famous-mark exception.¹⁷⁷

The cases of *ConAgra* and *Grupo Gigante* both concern marks not actually used in their relevant market. While the Australian High Court sought the reputation of the “HEALTHY CHOICE” mark in Australia, the Ninth Circuit considered the fame of the “GIGANTE” mark in San Diego. The cases can be distinguished by their reliance on the terms “reputation” versus “fame,” yet more germane to the territoriality principle of trademark law, they can be distinguished by their “relevant markets.” In the United States, at least in the Ninth Circuit’s view,¹⁷⁸ “the relevant American market

¹⁷⁶ *Grupo Gigante SA De CV v. Dallo & Co.*, 119 F. Supp. 2d 1083, 1090 (D. Cal. 2000).

¹⁷⁷ *Grupo Gigante*, 391 F.3d at 1098 (emphasis in original).

¹⁷⁸ While the Ninth Circuit was the first to acknowledge the application of the famous marks exception to the territoriality principle, the question is by no means settled across the circuits. See, e.g., *Almacenes Exito S.A. v. El Gallo Meat Mtk., Inc.*, 381 F. Supp. 2d 324 (S.D.N.Y. 2005); *ITC Ltd. v. Punchgini Inc.*, 373 F. Supp. 2d 275, 286–88 (S.D.N.Y. 2005).

is the geographic area where the defendant uses alleged infringing mark.”¹⁷⁹ For Mexican trademark owner Grupo Gigante, that meant the San Diego metropolitan area—just across the Mexican border. Meanwhile, in Australia, while use of the mark in the territory perhaps allows for a more narrowed view of the relevant market, use outside of the territory widens the pool of potential customers who need to be aware of the mark’s reputation. For the purposes of section 60, it appears that evidence of the opponent’s use of the mark and/or its reputation should come from all over Australia, amongst “a substantial number of persons who would be potential customers were it to commence business within the jurisdiction”¹⁸⁰

Although perhaps obvious, it bears noting that Australia is an island nation, a continent unto itself lacking a contiguous land border with any other nation. The relatively close proximity cross-border issues inherent in *Grupo Gigante* are perhaps therefore more relevant in the context of neighboring nations, a fact perhaps alluded to by Justice Lockhart in his careful description of the facts of *ConAgra*.¹⁸¹ As a result, the reputation standard imposed in Australian courts may simply be more difficult to overcome than the requirement of fame in the Ninth Circuit.¹⁸²

Where neighbors are close at hand and where there is substantial and frequent cross-border movement of goods and people, what evidence must the foreign plaintiff be prepared to present to support its claim to fame in the relevant market? The Ninth Circuit opined that “one survey that is impeachable, but still good enough to get to a jury, weighed against no survey evidence at all on the other side” was not sufficient to give rise to a “genuine issue of material fact.” The role of good faith in this evidence is not clear in either the Ninth Circuit¹⁸³ or for that matter, Australian courts, where evidence of bad faith is a relative newcomer to the federal trademark law.¹⁸⁴

V. OUTSMARTING PASSIVE NAME PIRATES

There are innumerable critiques and criticisms of the registered trademark system and its inability to effectively protect well-known marks, but trademark practitioners suggest that blame should not be directed entirely at the system; the actions—or inactions—of the parties play a large

¹⁷⁹ *Grupo Gigante*, 391 F.3d at 1098.

¹⁸⁰ *ConAgra*, 33 F.C.R. at 372.

¹⁸¹ *Id.* at 304 (noting that although ConAgra only manufactured the Healthy Choice products in the USA, there was some “spillover” of the product into Canada and Central America “due to the geographical position of the United States”).

¹⁸² As highlighted in *supra* note 178, the applicability of the exception in other circuits is not clear.

¹⁸³ See *Grupo Gigante*, 391 F.3d at 1097 & n.26.

¹⁸⁴ See *infra* notes 206–16 and accompanying text.

role. The “UGH-BOOTS” Australian trademark, for example, sat on the Register for more than thirty years without any challenge.¹⁸⁵

The territorial nature of the trademark registration system equates to considerable time, energy, and expense for those managing a global brand portfolio, but by taking a more proactive stance against passive name pirating, expanding franchisors can potentially not only save the time and expense of foreign litigation or opposition proceedings but also prevent irreparable diminishment of or other harm to a brand’s global goodwill. This requires diligent, timely, and consistent management of the existing and future trademark portfolio. In short, franchisors contemplating overseas expansion should heed the warnings offered by BKC and Deckers. Registration is *prima facie* proof of ownership of a mark but prior use of the intended mark by another party will trump the foreign mark owner’s application. Ten years before it attempted expansion in Australia, Burger King learned that common law rights are not abrogated by subsequent registrations by a later user.¹⁸⁶ Protection under the common law looks to reputation in the jurisdiction, and challenges on this basis offer but the “uncertain remedy of a passing off action” which may, says the U.K. House of Lords, “generate a mass of difficult and expensive litigation.”¹⁸⁷

The registered trademark system addresses these uncertainties and allows registration without the complicated proof of reputation, conferring a monopoly infringed by use of the same or a similar mark on the same or similar goods or services. We are left with a proverbial “catch-22”: registered marks can be acquired without prior use in the jurisdiction but blocked by another party’s prior use, registration or not, in the jurisdiction. The challenge, then, lies in facilitating the international registration process and then using domestic trademark laws to take proactive steps to defend marks once registered.

A. Facilitating International Trademark Registration: The Madrid Protocol

Dr. Alfredo Ilardi dates interest in international harmonization of intellectual property protection back to the late 18th century, when the technological advances of the Industrial Revolution created new opportunities for cross-border commerce and communication.¹⁸⁸ The

¹⁸⁵ See Lauren Eade, *supra* note 116.

¹⁸⁶ See generally *Hoots*, 403 F.2d at 906 (1968).

¹⁸⁷ In re American Greeting Corp.’s Application, (1984) 1 W.L.R 189 (Eng.). The Australian intellectual property office, IP Australia, similarly warns of the “time-consuming and expensive” nature of common law actions on its website, What is a Trade Mark?, http://www.ipaustralia.gov.au/trademarks/what_index.shtml (last visited Mar. 8, 2008).

¹⁸⁸ Alfredo Ilardi, Origin and Development of the International Protection of Intellectual Property (Feb. 1, 2005) (summary notes are available at <http://www.oiprc.ox.ac.uk/EJWP0205.pdf>).

Madrid Agreement¹⁸⁹ was the first international instrument designed to simplify the administrative procedures of trademark registration in multiple jurisdictions. The Madrid Agreement proved unwieldy, and therefore lacked the critical mass hoped for when key jurisdictions such as the United States and United Kingdom, amongst others, were reluctant to accede.¹⁹⁰ Many of the objections to the Madrid Agreement were specifically addressed in the widely accepted Madrid Protocol.¹⁹¹

Under the Madrid Protocol, only one application need be filed to which a schedule of fees applies.¹⁹² The applicant may file only in his/her own national trademark registry office and must specify on the application those other contracting party states¹⁹³ in which the applicant seeks trademark registration. The application need not be based upon an existing home country registration, a potentially onerous requirement of the previous Madrid Agreement, but rather may be filed contemporaneously with a home-country application.¹⁹⁴ The Madrid system is run by WIPO and many national offices file international applications with WIPO and receive related correspondence from WIPO electronically, thereby contributing to the efficiency of the international registration process.

An international registration under the Madrid Protocol is equivalent to an application or a registration of the same mark made directly in each of the countries designated.¹⁹⁵ If the trademark office of a designated country does not refuse protection within a specified period, the protection of the mark is the same as if it had been registered by that national office, while the date of the international registration is the date the application is received in the national office in which it is filed. The Madrid system also

¹⁸⁹ Madrid Protocol, *supra* note 5.

¹⁹⁰ For example, the unified fee structure did not take into account differences across jurisdictions in the complexity of application procedures. See generally Thies Bosling, *Securing Trademark Protection in a Global Economy—the United States' Accession to the Madrid Protocol*, 12 U. BALT. INTELL. PROP. L.J. 137 (2004).

¹⁹¹ See *id.* at 151–69 (discussing the United States' concerns regarding the Madrid Agreement and the manner in which such concerns were addressed in the Madrid Protocol); see also Madrid Protocol, *supra* note 5.

¹⁹² The basic fee for a 10-year registration in up to 3 classes where the reproduction of the mark is not in color is CHF653 (roughly US\$531/AU\$633 as of June 30, 2007) and CHF903 (roughly US\$734/AU\$874 as of June 30, 2007) where the reproduction includes color. Registration in additional classes costs CHF73 (roughly US\$59/AU\$71 as of June 30, 2007). The Schedule of Fees prescribed by the Common Regulations under the Madrid Agreement and the Madrid Protocol (in force on Jan. 1, 2006) is available at <http://www.wipo.int/madrid/en/fees/sched.html>.

¹⁹³ There are currently 81 contracting parties. Recent accessions include Azerbaijan, Botswana, Montenegro, Uzbekistan, and Vietnam. The full list of contracting parties is available on World Intellectual Property Organization's website, http://www.wipo.int/treaties/en/documents/pdf/madrid_marks.pdf.

¹⁹⁴ See Bosling, *supra* note 190, at 159–60.

¹⁹⁵ See Madrid Protocol, *supra* note 5, art. 4.

makes significant inroads in efficiency for the subsequent management of the mark, since it is possible to record subsequent changes or to renew the registration through a single procedural step.

The Madrid system offers significant advantages for enterprises of member countries with international aspirations, and its attraction is evident from the rising number of registrations. WIPO's 2006 summary report identifies 471,325 active registrations and 5,275,465 active designations held by 159,075 registrants.¹⁹⁶ These figures, amounting to an average of 8.5 contracting parties per international registration,¹⁹⁷ suggest that the system is being used as intended, as a means for multiple registrations by a single applicant. Australia is proving increasingly popular with applicants. As at the end of 2006, the country ranked eleventh amongst contracting parties for number of filings, constituting three percent of the total number of filings, and is the seventh most designated country amongst contracting parties, a significant jump up from fourteenth the previous year.¹⁹⁸ The national offices of many western European countries, the United States, and China submitted significant volumes of applications in 2006. China is currently the most popular designation. Other popular designations include the Russian Federation, Switzerland, the United States, and Japan.¹⁹⁹

The implementation of the Madrid system has created significant savings for trademark applicants in terms of time, administrative resources and cost. Even in the face of rising registration volumes, WIPO is taking steps to improve its own efficiency. During 2006, registration processing time had decreased from a seven-week average to a five-week average.²⁰⁰ Renewals can now be completed online and technological improvements to the now free-of-charge ROMARIN search database²⁰¹ facilitate search procedures.

International registration offers key advantages to expanding global franchise systems. In particular, the foreign applicant's timely filing of applications may help to obviate the need to negotiate with local applicants already in possession of "their" mark. Then as the business footprint expands, additional registrations can be applied for in subsequent designations and as or when the franchisor's corporate structure changes, these can be recorded across the board rather than on a registration-by-

¹⁹⁶ During 2006, the number of international registrations increased by more than twelve percent. See WORLD INTELLECTUAL PROPERTY ORGANIZATION, MADRID SYSTEM FOR THE INTERNATIONAL REGISTRATION OF MARKS: SUMMARY REPORT FOR THE YEAR 2006, available at <http://www.wipo.int/export/sites/www/madrid/en/statistics/pdf/summary2006.pdf>.

¹⁹⁷ See *id.*

¹⁹⁸ See *id.*

¹⁹⁹ See *id.*

²⁰⁰ See *id.*

²⁰¹ The ROMARIN free online database search is available through WIPO's website at <http://www.wipo.int/romarin/>.

registration basis. Further, even if the home registration is cancelled, thus occasioning the cancellation of the international registration, the applicant has the option to transform the international registration into a national registration while still retaining the international filing date priority.²⁰²

B. Defensive Registration

Having secured rights in an expansion territory, the developing franchise system should not rest on its laurels. To the extent possible, the brand owner should take additional defensive steps to thwart passive name pirating in respect of not only identical and similar goods and services, but unrelated goods and services as well. One way to pre-empt passive name pirates is through defensive registrations. In the United States, section 44(e) of the Lanham Act²⁰³ allows foreign registrants to base an application on a foreign registration not in use in the United States. There still must, however, be a bona fide intention to use the mark in the United States, and failure of a foreign owner to use a mark is fatal, even after registration.²⁰⁴

U.S.-based franchise systems considering expansion to the Australian market will be interested to know, however, that section 185 of the 1995 Act provides for the registration of “defensive trade marks” in these terms:

(1) If, because of the extent to which a registered trade mark has been used in relation to all or any of the goods or services in respect of which it is registered, it is likely that its use in relation to other goods or services will be taken to indicate that there is a connection between those other goods or services and the registered owner of the trade mark, the trade mark may, on the application of the registered owner, be registered as a defensive trade mark in respect of any or all of those other goods or services.

(2) A trade mark may be registered as a defensive trade mark in respect of particular goods or services even if the registered owner does not use or intend to use the trade mark in relation to those goods or services.

(3) A trade mark may be registered as a defensive trade mark in respect of particular goods or services even if it is already registered otherwise than as a defensive trade mark in the name of the applicant in respect of those goods or services.

(4) A trade mark that is registered as a defensive trade mark in

²⁰² See Madrid Protocol, *supra* note 5, art. 9.

²⁰³ 15 U.S.C. § 1126(e) (2002).

²⁰⁴ See, e.g., *Gen. Healthcare Ltd. v. Qashat*, 364 F.3d 332, 336 (1st Cir. 2004) (holding that a foreign proprietor who abandoned trademark and showed no intention to resume use and sales between United Kingdom and Middle East did not satisfy “use in commerce” in the United States).

respect of particular goods or services may be subsequently registered otherwise than as a defensive trade mark in the name of the registered owner in respect of the same goods or services.²⁰⁵

The effect of section 185 of the 1995 Act is that a foreign owner of a well-known Australian trademark is therefore able to register the mark in relation to goods and services even though the proprietor has no intention of trading in those goods and services. The defensive trademark is then insulated from attack on non-use grounds.

C. Bad Faith

Any discussion of passive name pirating in the context of well-known marks has a natural tie to the issue of bad faith, for although the territorial nature of the registered trademark system provides opportunities for serendipitous and coincidental registrations, so too does it allow for informed, ill-intentioned blocking or privateering. In his oft-cited work on well-known marks and their place in the modern world, Frederick Mostert states:

The “coincidental” adoption by a defendant of inherently distinctive marks which are arbitrary and coined such as, for example, KODAK, XEROX or PEPSI, is almost always without credibility. The same principle applies to marks which are not inherently distinctive but have acquired distinctiveness such as well-known marks. For instance, one does not chance upon a bright idea in the middle of the night to adopt KENTUCKY FRIED CHICKEN for fast food outlets. In this context Lord Denning’s remark aptly applies: The arm of coincidence may be long but it does not stretch to infinity.²⁰⁶

At an international level, WIPO lends support to an inclusion of bad faith amongst other considerations when evaluating conflicting marks.²⁰⁷ The International Trademarks Association (“INTA”), of which Mostert is an active member, champions bad faith as an effective weapon against piratical foreign registrations and has pleaded its case as *amicus curae* in a variety of cross-border disputes.²⁰⁸ In its May 1998 Model Law Guidelines, INTA recommends that a registration be denied where “registration of the

²⁰⁵ 1995 Act, *supra* note 40, § 185.

²⁰⁶ Frederick W. Mostert, *Well-Known and Famous Marks: Is Harmony Possible in the Global Village?*, 86 TRADEMARK REP. 103, 125 (1996).

²⁰⁷ JOINT RECOMMENDATION, *supra* note 144, art. 3(2) (“Bad faith may be considered as one factor among others in assessing competing interests. . .”).

²⁰⁸ See, e.g., Amicus Letter of the International Trademark Association in *Prefel S.A. v. Jae Ik Choi*, 92 TRADEMARK REP. 1534 (2002); Amicus Letter of the International Trademark Association in *Tungsway Food & Beverage Holdings, Pte., Ltd. v. PT Istana Pualam Kristal*, 95 TRADEMARK REP. 1103 (2005).

mark would otherwise amount to a misappropriation by fraud or other bad faith means.”²⁰⁹ INTA suggests that registrations be contestable on the basis of bad faith at any time, even beyond the traditional post-five-year incontestability period, mirroring the language of Article 6 *bis* subsection 3 of the Paris Convention.²¹⁰

Bad faith is a relative newcomer to statutory Australian trademark law. The Trade Marks Amendment Bill 2006, which entered into force on 23 October 2006, introduced bad faith as grounds for opposition at section 62A.²¹¹ In a recent article, Paul Sumpter considers the potential applications of the new provision to, *inter alia*, passive name pirates.²¹² He traces the origins of bad faith in the U.K. courts and its application in other Commonwealth jurisdictions and suggests that the new provision may operate best by bolstering the traditional non-use and reputation grounds of attack, particularly where the mark has not been used in the territory.²¹³ This is precisely the hole acknowledged by Lord Bridge of Harwich in his criticism of the utility of the passing off action.²¹⁴ It is not yet clear how the courts will apply section 62A, but as Sumpter notes, Australian courts have occasionally looked to fraud and breach of an equitable duty in cross-border trademark disputes, which suggests that bad faith will taken on a different meaning.²¹⁵

Bad faith has served Burger King well in South Africa, another Commonwealth jurisdiction.²¹⁶ Whether it will rise in Australia to the level

²⁰⁹ See INT’L TRADEMARK ASS’N, MODEL LAW GUIDELINES: A REPORT ON CONSENSUS POINTS FOR TRADEMARK LAWS, para. 4.2.10 (May 1998), available at http://www.inta.org/downloads/tap_ftacomments2001_appendixD.pdf.

²¹⁰ See *id.* para. 2.2; Paris Convention, *supra* note 2, art. 6 *bis* (3).

²¹¹ See 1995 Act, *supra* note 40, § 62A (“The registration of a trade mark may be opposed on the ground that the application is made in bad faith.”).

²¹² See Sumpter, *supra* note 54.

²¹³ See *id.* at 115–16 (“But the new provision may be pleaded in tandem so that, in the absence of technical use in the jurisdiction, bad faith might come to an opponent’s rescue if there is evidence of sharp practice.”).

²¹⁴ See *supra* note 187 and accompanying text.

²¹⁵ See Sumpter, *supra* note 54, at 111. Sumpter’s words are presaged by Justice Gummow of the Federal Court of Australia in *ConAgra*: “The bad faith of the defendant will not be sufficient to confer rights upon a plaintiff where the necessary reputation in the jurisdiction is lacking. Further, in my view, in these cases the presence of bad faith on the part of the defendant is not an additional requirement which is to be satisfied by the plaintiff; fraud in the sense of persistence after notice of the plaintiff’s rights will suffice.” *ConAgra*, 33 F.C.R. at 372.

²¹⁶ Despite initial trademark problems similar to those experienced in Australia, BKC had greater success in South Africa, where it successfully opposed a registration for BURGER KING by local company, S.A. Wimpy. Despite a lack of registration, use or reputation in the territory, the Registrar determined that the local enterprise knew of the reputation of the mark in the United States and was therefore not entitled to the registration. See Stephen

of significance attributed in other Commonwealth jurisdictions or by INTA, or actually confront what Australian courts have previously referred to as “sharp business practice,” remains to be seen.

VI. CONCLUSION

Over 10 years ago the Australian Federal Court highlighted impact of the mobility, connectedness, and globalization of modern society through media, transport, and communications on global trademark portfolios, noting:

Goods and services are often preceded by their reputation abroad. They may not be physically present in the market of a particular country, but are well known there because of the sophistication of communications which are increasingly less limited by national boundaries, and the frequent travel of residents of many countries for reasons of business, pleasure or study.²¹⁷

Such considerations are even more compelling today. The extent to which national legal systems acknowledge and protect such reputation is a matter of great significance to any internationally expanding franchise system that has failed to secure its trademark in the local market in advance.

The final stage in the Burger King saga in Australia was played out in 2003, when BKC (then under different ownership) and HJPL agreed to go forward in Australia under the Hungry Jack's brand. At that point, there were 81 Burger King-branded restaurants, which combined with existing Hungry Jack's outlets to “create a national network of 300 restaurants.”²¹⁸ Brad Blum, BKC's chief executive officer, reportedly called the move a milestone for Burger King's new executive leadership team: “Consolidation means more money for marketing and will create a powerful, single brand with an increased focus on operations excellence that should add growth profitability.”²¹⁹

Jack Cowin reportedly commented: “[W]e are now focusing on the future together under a single brand, a future that will allow us to give the brand additional mass to fully compete with other global brands in the \$7 billion Australian fast food market.”²²⁰ The overall outcome, after more than two decades of difficulties, raises some interesting questions to be considered by franchisors worldwide:

Bigger, *Notes from Other Nations: South Africa: Opposition Proceedings—Reputation Without Use*, 69 TRADEMARK REP. 172 (1979).

²¹⁷ *ConAgra*, 33 F.C.R. at 342.

²¹⁸ *In Australia, Burger King to Become 'Hungry Jack's'*, S. FLA. BUS. J., May 30, 2003, available at <http://www.bizjournals.com/southflorida/stories/2003/05/26/daily36.html>.

²¹⁹ *Id.*

²²⁰ *Id.*

Does the existing and potential value of that name or branding rest entirely as the property of the originator or “owner,” backed by global multinational dollars, or does it have different values when developed, nurtured and adapted to use in local markets? And is a name itself a guarantee of, or entirely representative of, a business’s success? Or is it what you do with what that “name” or brand comes to stand for, after losing years of concerted effort to build its loyalty, power and reach to a certain market?²²¹

Before finally reaching an agreement with HJPL and faced with such questions, BKC’s Miami executives stood behind the “tremendous potential” of a global brand which, although never advertised in Australia and with only a few outlets in the country, nevertheless had 80% brand recognition.²²² The franchisee’s response? “We feel there is a lot to gain . . . from having a distinct Australian brand.”²²³ Cowin, as it turns out, knows his market well. Better, in fact, than the distant American decision-makers. Ultimately, the decision to unite the brands under the name Hungry Jack’s was not simply the spoils of victory to the Australian master franchisee but was a considered commercial decision based on Australian consumers’ preference for the Hungry Jack’s brand. Jack Cowin reportedly conceded that while Burger King and Hungry Jack’s offered a fairly equivalent product, the Australian market simply preferred the local business. He commented that “[i]f someone can show us that changing the name to Burger King improves our image, then we’d have to consider it . . . [b]ut to change it just in order to have uniformity with ‘international’ markets does not deliver a local benefit.”²²⁴

Meanwhile, commentators on the ultimate branding decision have taken a big picture view, seeing the Burger King decision in light of modern multinational business practice and the digital era. The Hungry Jack’s case seems to fly in the face of globalization in favor of “local markets where [local consumers] feel more comfortable.”²²⁵

The Burger King/Hungry Jack’s saga may be unusual in the extent of the internecine warfare between a major franchisor and a master franchisee and in the manner in which the dispute and the branding issue were ultimately resolved. That said, the initial difficulty—the unavailability of a foreign enterprise’s name in Australia—is not unusual. The territorial nature of the registered trademark system provides opportunities not only for local enterprises whose adoption of a name is coincidental and

²²¹ Peter Trevilyan & Kate Lyons, *The Name that Jack Built*, FRANCHISING & OWN YOUR OWN BUS. MAG. 33 (Jan.-Feb. 2000).

²²² Andrew White, *Burger King Gnaws Away at Hungry Jack’s*, THE AUSTRALIAN, Jan. 21, 1998, at 25.

²²³ *Id.*

²²⁴ Trevilyan & Lyons, *supra* note 221 (quoting Jack Cowin).

²²⁵ *Id.*

serendipitous, but also for “passive name pirates” operating legally but unethically, to defeat the local claims of the owner of the foreign trademark.

The extent of the passive name piracy problem is largely hidden, as in many cases the foreign enterprise will elect to settle out of court and, where possible, buy back the right to use “its” name. Case in point is the story of American franchise removals business Two Men and A Truck and its move into the Australian market, challenged by a small Australian company operating under the same name. The Australian business reportedly tried twice, unsuccessfully, to register the trademark “TWO MEN AND A TRUCK.”²²⁶ The head of the Australian company was quoted in Australian newspaper *The Daily Telegraph* as saying: “They came two months ago and told me ‘you have to get out of the business because we are coming to Sydney’ They offered me peanuts to change the name.”²²⁷ He further described the Michigan-based company as the “McDonalds [sic] of the removalist business”²²⁸ but was not put off by boasts of the American company about its power or wealth. The Australian company, then in business for more than fifteen years, filed suit in the Australian Federal Court. The case settled confidentially but on terms which allowed the Australian company to use the Two Men and a Truck name (which it has since registered as an Australian trademark) while the U.S. company has since entered the Australian market under its local trademark, MOVERS WHO CARE®.²²⁹

Lord Denning’s remark about the length of the “arm of coincidence”²³⁰ is perhaps reflected in Australians’ reputation for rugged entrepreneurship and further compounded by the opportunity provided by foreign enterprises that fail to take proactive steps to secure their intellectual property in Australia. Because the Two Men and A Truck litigation was settled confidentially, the question of whether passive name pirating was involved was not judicially determined. Yet the American franchise system of the same name, which it cannot use in Australia, may nevertheless be surprised to read the reported comments of the principal of the Australian company after negotiating a settlement in his favor: “I was not an easy walkover, they expected me to just roll over and give in. They underestimated me. It’s a matter of principle. If I gave in the whole of America would be coming in I’m also a stubborn bugger.”²³¹ Internationally expanding business format franchisors would do well to heed the warning.

²²⁶ See Ian Gerard, *Trucker Wins Name Battle With ‘Goliath’*, *THE AUSTRALIAN*, July 7, 2004, at 5.

²²⁷ Brad Clifton, *Two Men, a Truckload of Trouble*, *DAILY TELEGRAPH* (Austl.), June 11, 2003, at 24.

²²⁸ *Id.*

²²⁹ See Gerard, *supra* note 226.

²³⁰ Mostert, *supra* note 206 and accompanying text.

²³¹ Gerard, *supra* note 226.

