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Trade Mark Dilution in Australia?

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Abstract

Since the Trade Marks Act 1995 (Cth) came into force there has been an ongoing debate over whether it affords owners of well-known registered marks specific protection against the dilution of their marks. However, there have been relatively few sustained attempts by commentators on either side of this debate to argue their cases in detail. In a recent article, Maurice Gonsalves and Patrick Flynn have contended that for a variety of reasons the infringement provision contained in s.120(3) of the Act is, without doubt, an explicit anti-dilution provision. I wish to suggest that this argument is misplaced. Rather, a careful analysis of the legislative history of s.120(3), combined with a close reading of its text and a consideration of how it operates within the Act as a whole, reveals that the provision has a more limited scope than that envisaged by Gonsalves and Flynn. Equally importantly, an investigation of the meaning of s.120(3) helps to shed light on broader questions as to how various provisions of the Act intersect with each other, and, more generally, how the Australian registered trade mark system ought to function as a whole – issues that have not to date received the attention that they deserve.

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Since the *Trade Marks Act 1995* (Cth) came into force there has been an ongoing debate over whether it affords owners of well-known registered marks specific protection against the dilution of their marks. However, there have been relatively few sustained attempts by commentators on either side of this debate to argue their cases in detail. In a recent article, Maurice Gonsalves and Patrick Flynn have contended that for a variety of reasons the infringement provision contained in s.120(3) of the Act is, without doubt, an explicit anti-dilution provision.¹ I wish to suggest that this argument is misplaced and that each of the arguments that Gonsalves and Flynn use in support of their position is problematic. Rather, a careful analysis of the legislative history of s.120(3), combined with a close reading of its text and a consideration of how it operates within the Act as a whole, reveals that the provision has a more limited scope than that envisaged by Gonsalves and Flynn. Equally importantly, an investigation of the meaning of s.120(3) helps to shed light on broader questions as to how various provisions of the Act intersect with each other, and, more generally, how the Australian registered trade mark system ought to function as a whole – issues that have not to date received the attention that they deserve.

Section 120(3) and the dilution argument

Section 120(3) of the Act states as follows:

A person infringes a registered trade mark if:

- (a) the trade mark is well known in Australia; and
- (b) the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to:
 - (i) goods (*unrelated goods*) that are not of the same description as that of the goods in respect of which the trade mark is registered (*registered goods*) or are not closely related to services in respect of which the trade mark is registered (*registered services*); or
 - (ii) services (*unrelated services*) that are not of the same description as that of the registered services or are not closely related to registered goods; and
- (c) because the trade mark is well known, the sign would be likely to be taken as indicating a connection between the unrelated goods or services and the registered owner of the trade mark; and
- (d) for that reason, the interests of the registered owner are likely to be adversely affected.

The focus of Gonsalves and Flynn's argument is on para (c). In summary, they argue that the "connection" requirement in this paragraph does not impart any requirement of "confusion" or "mistake", contrary to the view expressed by a number of

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¹ Maurice Gonsalves and Patrick Flynn, "Dilution Down Under: The Protection of Well-Known Trade Marks in Australia" [2006] *European Intellectual Property Review* 174.

commentators.² Instead, they consider that the “connection” need only be one of “mental association”. That is, if a consumer of the defendant’s goods or services merely calls the well-known registered mark to mind consciously when viewing the defendant’s mark, it is suggested that the requirements of para (c) are satisfied.³ When combined with the fact that s.120(3) applies where the defendant’s goods or services are unrelated to those of the owner of the well-known registered mark, and that the owner must prove that its interests are “likely to be adversely affected” by the defendant’s conduct,⁴ this is said to make s.120(3) an anti-dilution provision.⁵ The authors assert that their view is supported in particular by the drafting history of s.120(3), which in turn draws on Art.16.3 of the TRIPs Agreement, by obiter comments of the High Court of Australia, by the structure of s.120 as a whole and by recent European and US trade mark jurisprudence.

However, when each of the above arguments is subjected to critical scrutiny, it becomes clear that s 120(3) cannot be read as an anti-dilution measure.

The history of s.120(3)

Starting with Gonsalves and Flynn’s claim that the legislative history of s.120(3) indicates that it is an anti-dilution measure, the authors place great weight on the relationship between s.120(3) and Art.16.3 of the TRIPs Agreement. This is on the uncontroversial basis that the former provision was designed to implement Australia’s obligations under the latter into Australian law.⁶ Art.16.3 provides that:

Article 6bis 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

² See *ibid*, 175-6 and the sources cited therein. For further examples see Brian Fitzgerald and Emma Sheehan, “Trademark Dilution and the Commodification of Information: Understanding the ‘Cultural Command’” (1999) 3 *Macarthur Law Review* 61, 66 (but cf at 63); Sam Ricketson, “Dilution and Confusion: The Bases of Trade Mark Infringement or the New Australian Trade Mark Anti-Dilution Law 1999” in Charles Rickett and Graeme Austin (eds), *International Intellectual Property and the Common Law World* (Oxford: Hart, 2000), pp.154-5; Alexandra Sims, “Dilution in New Zealand: The Effects of the Tarnishment Limb of Dilution on Free Speech” (2001) 32 *Victoria University of Wellington Law Review* 103, 104; Advisory Council on Intellectual Property, *Review of Enforcement of Trade Marks: Issues Paper* (2002), pp.34-5, at www.acip.gov.au; Mark Davison, Kate Johnston and Patricia Kennedy, *Shanahan’s Australian Law of Trade Marks and Passing Off*, 3rd edn (Sydney: Thomson Lawbook Co, 2003) (“*Shanahan*, 3rd edn”), pp.452-3.

³ Gonsalves and Flynn, above n 1, 180.

⁴ These are two factors commonly associated with the law of trade mark dilution: see Ilanah Simon, “Dilution in the US, Europe and Beyond: International Obligations and Basic Definitions” (2006) 1 *Journal of Intellectual Property Law and Practice* 406, 407.

⁵ Megan Richardson has also consistently argued that s.120(3) can be read as an anti-dilution provision: see Megan Richardson, “Promotional Trade Marks and Trade Mark Law in Australia: Recent Cases” [2000] *Entertainment Law Review* 189; Megan Richardson, “Copyright in Trade Marks? On Understanding Trade Mark Dilution” [2000] *Intellectual Property Quarterly* 66, 68; Megan Richardson, “*Sui Generis* Intellectual Property Law Reform: Issues for Australia” (2001) 32 *Victoria University of Wellington Law Review* 19, 22, 42; Intellectual Property Research Institute of Australia (IPRIA), *Submission to ACIP on Review of Enforcement of Trade Marks* (2002), p.28, at www.acip.gov.au; Megan Richardson, “Trade Marks and Language” (2004) 26 *Sydney Law Review* 193, 218, 220.

⁶ See the Commonwealth of Australia, Senate, *Explanatory Memorandum to the Trade Marks Bill 1995* (Cth), p.21. See also Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation* (Canberra: AGPS, 1992), pp.53-5.

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.

Gonsalves and Flynn's argument on this point is simple. They quote Daniel Gervais's claim that Art.16.3 "protects against 'dilution' of a mark"⁷ and then assert that, as a consequence, so must the similarly worded s.120(3).⁸ Implicit in their argument is that the requirement in both Art.16.3 and s.120(3)(c) that the defendant's use of a well-known mark indicate a "connection" between its goods or services and the owner of the well-known mark must be understood in such a way so as not to import any requirement of confusion. There are, however, a number of significant problems with such a reading of the legislative history of s.120(3).

Article 16.3 of TRIPs

First, and notwithstanding the views of Gervais and other commentators,⁹ as well as US Congress in enacting the Federal Trademark Dilution Act of 1995,¹⁰ it is by no means clear that Art.16.3 *obliges* WTO members to provide for anti-dilution protection. It may well be the case that a member that enacts specific anti-dilution laws, such as the United States, complies with and surpasses its TRIPs obligations in so doing. However, this is a different issue from what Art.16.3 requires as a minimum standard of protection. There would seem to be three major difficulties in reading Art.16.3 as mandating that members afford anti-dilution protection, thus casting serious doubt on Gonsalves and Flynn's reading of s.120(3).

The first difficulty is that the opening words of Art.16.3 refer to the applicability of Art.6*bis* of the Paris Convention, which states as follows:

(1) The countries of the Union undertake ... 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 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...¹¹

⁷ Daniel Gervais, *The TRIPs Agreement: Drafting History and Analysis* (London: Sweet & Maxwell, 1998), p.111, quoted by Gonsalves and Flynn, above n 1, 177. See also Daniel Gervais, *The TRIPs Agreement: Drafting History and Analysis*, 2nd edn (London: Sweet & Maxwell, 2003), p.174 (Art.16.3 protects against dilution "even in cases where there is no likelihood of confusion").

⁸ Gonsalves and Flynn, above n 1, 177.

⁹ See Sharon Givoni, "Section 120(3) – The Bottling Up of Well Known Brands? Or, a Level Playing Field for All?" (2000) 41 *Intellectual Property Forum* 18, 23; Richardson, "Sui Generis", above n 5, 22; David Vaver, "Unconventional and Well-Known Trade Marks" [2005] *Singapore Journal of Legal Studies* 1, 14; Matthew Osterle, "It's as Clear as Mud: A Call to Amend the Trademark Dilution Act of 1995" (2006) 81 *Chicago-Kent Law Review* 235, 252. Jerome Reichman, in more equivocal terms, has described Art.16.3 as a "back-handed foray into the still controversial theory of dilution": Jerome Reichman, "Universal Minimum Standards of Intellectual Property Protection under the TRIPs Component of the WTO Agreement" (1995) 29 *International Lawyer* 345, 363.

¹⁰ HR Rep No 374, 104th Congress, First Session (30 November 1995), p.4 ("the recently concluded Agreement on Trade-Related Aspects of Intellectual Property Rights ... includes a provision designed to provide dilution protection to famous marks").

¹¹ Emphasis added.

The precise manner in which this Article and Art.16.3 of TRIPs intersect has never been precisely charted and much would seem to depend on the breadth of any interpretation given to the words “*mutatis mutandis*” in the opening words of Art.16.3. However, on one reading of Art.16.3 WTO members are only required to prohibit the use of a well-known registered mark in relation to dissimilar goods or services where such use is “liable to create confusion” (this requirement being carried forward from Art.6*bis* of Paris), subject to the conditions that such use would indicate a connection between those goods or services and the owner of the registered mark and that the interests of the owner would be likely to be damaged.¹² If so, then Art.16.3 clearly does not require members to afford specific anti-dilution protection, as such protection does not in any way depend on consumers being confused or deceived.¹³ It might be argued that the “confusion” element in Art.6*bis* of Paris is not meant to be incorporated into Art.16.3 of TRIPs as this would somehow be inconsistent with the latter provision’s new and different requirement of a “connection” between the dissimilar goods and owner of the well-known mark.¹⁴ However, such an alternative reading, apart from straining the language of Art.16.3, does not detract from the point that the ambiguity of the wording of the Article makes it very difficult to argue that it is unequivocally an anti-dilution measure.¹⁵

A second, more telling difficulty is that there is nothing in the language of Art.16.3 that suggests that parties can *only* comply with the Article by affording anti-dilution protection. Trade mark dilution, traditionally understood, refers to the use of a mark that results in the impairment of its distinctive quality or damage to its reputation through the creation of negative associations.¹⁶ The focus of anti-dilution law is on conduct that causes harm to the mark itself: the aim is to protect the mark’s inherent “selling power” as distinct from its ability to guarantee the trade origin of particular goods or services. Thus, not only does anti-dilution law not depend on the existence of consumer confusion, but it does not even look to consumers’ responses as to the existence or otherwise of any connection between the defendant’s goods or services and the owner of the mark in order to determine liability. Yet Art.16.3 requires that, as a minimum standard, members base liability for a defendant’s use of a well-known mark on dissimilar goods or services on a finding of such a connection. Not only is this sort of requirement foreign to anti-dilution law but it also appears that the

¹² See Paul Heald, “Trademarks and Geographical Indications: Exploring the Contours of the TRIPs Agreement” (1996) 29 *Vanderbilt Journal of Transnational Law* 635, 654; Paul Heald, “Mowing the Playing Field: Addressing Information Distortion and Asymmetry in the TRIPs Game” (2003) 88 *Minnesota Law Review* 249, 298; Simon, above n 4, 407.

¹³ See J Thomas McCarthy, “Proving a Trademark Has Been Diluted: Theories or Facts?” (2004) 41 *Houston Law Review* 713, 727.

¹⁴ See Ricketson, above n 2, p.142 (but cf at p.143, where doubt is expressed as to whether such a reading of Art.16.3 is sustainable). See also Patrick Flynn, “Is There an Anti-dilution Law in Australia?”, paper presented to the Intellectual Property Society of Australia and New Zealand, Sydney, 30 March 2007.

¹⁵ Gervais seems to suggest that Art.16.3 requires both that consumers be protected against the confusing use of well-known marks in relation to dissimilar goods and that owners of such marks be afforded anti-dilution rights that do not depend on consumer confusion: Gervais, 2nd edn, above n 7, p.174. Yet it is hard to see how such an interpretation is open on the text of Art.16.3 as, logically, only one of these standards could be mandated as a minimum standard.

¹⁶ See J Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, 4th edn (Westlaw edn, updated March 2007), paras 24.68-24.69; *Restatement (Third) of Unfair Competition 1995*, s.25(1)(b). For criticism of the idea that “tarnishment” is in fact a form of dilution, see Barton Beebe, “The Semiotic Analysis of Trademark Law” (2004) 51 *UCLA Law Review* 621, 697-8.

language of Art.16.3 owes more to the traditional (confusion-based) notion of trade mark infringement under US law. There, it is an infringement to use a mark, even in respect of dissimilar goods or services, that:

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...¹⁷

Admittedly, the wording of this provision is not identical to that of Art.16.3. However, as a number of commentators have suggested, it would seem that a member can comply with Art.16.3 by proscribing the use of a well-known mark in respect of dissimilar goods or services that is likely to cause confusion as to sponsorship, approval or other association, and that the US Congress was in fact mistaken in suggesting that specific anti-dilution laws were needed to comply with TRIPs.¹⁸

Thirdly, it is important to note that countries other than Australia have interpreted Art.16.3 as not requiring members to afford specific anti-dilution protection. For example, Singapore, in implementing the Article into its domestic law, explicitly required that in addition to the requirement of a connection between the defendant's goods or services and the owner of the well-known mark, the defendant's use of the mark must give rise to a likelihood of confusion.¹⁹ Under the 2001 Trademark Law of the People's Republic of China, the use of a mark that is a reproduction, imitation or translation of a well-known registered mark in relation to non-identical or dissimilar goods is prevented only where such use would "mislead the public".²⁰ In addition, if Art.16.3 obliges members to afford anti-dilution protection, it must be asked why the EC Trade Marks Directive²¹ has not been amended to make the implementation of Art.5(2), which is acknowledged to be an anti-dilution measure,²² mandatory rather than merely optional.

The above view of Art.16.3 is also shared by various international organisations. Most notably, the WIPO General Assembly and the Paris Union Assembly in their 1999

¹⁷ 15 USC §1125(a)(1)(A).

¹⁸ Heald, "Trademarks", above n 12, 642-3, 654-5; Eric Prager, "The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion" (1996) 7 *Fordham Intellectual Property, Media and Entertainment Law Journal* 121, 128-9; Robert Denicola, "Some Thoughts on the Dynamics of Federal Trademark Legislation and the Trademark Dilution Act of 1995" (1996) 59 *Law and Contemporary Problems* 75, 84 (n 40); Sara Stadler Nelson, "The Wages of Ubiquity in Trademark Law" (2003) 88 *Iowa Law Review* 731, 767; Heald, "Mowing the Playing Field", above n 12, 298-9. See also Graeme Dinwoodie, "The Integration of International and Domestic Intellectual Property Law Making" (2000) 23 *Columbia-VLA Journal of Law and the Arts* 307, 314.

¹⁹ *Trade Marks Act 1999* (Singapore), s.27(3)(b)-(c). See further Burton Ong, "Protecting Well-Known Trade Marks: Perspectives from Singapore" (2005) 95 *Trademark Reporter* 1221 (especially at 1245-7).

²⁰ Trademark Law of the People's Republic of China, adopted 27 October 2001, Art.13. See also Alisa Cahan, "China's Protection of Famous and Well-Known Marks: The Impact of China's Latest Trademark Law Reform on Infringement and Remedies" (2004) 12 *Cardozo Journal of International and Comparative Law* 219, 233 (suggesting that China's Trademark Law complies with TRIPs).

²¹ First Council Directive 89/104 of 21 December 1988 to approximate the laws of the Member States relating to trade marks [1989] OJ L40/1.

²² See William Cornish and David Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, 5th edn (London: Sweet & Maxwell, 2003), p.711; J Thomas McCarthy, "Dilution of a Trademark: United States and European Law Compared" (2004) 94 *Trademark Reporter* 1163.

Joint Resolution Concerning Provisions on the Protection of Well-Known Trademarks²³ appeared to acknowledge the limited scope of Art.16.3 of TRIPs by recommending that new, explicit anti-dilution protection be afforded in respect of well-known marks. The relevant provision of the Joint Resolution, Art.4(1)(b), is worth setting out in full:

Irrespective of the goods and/or services for which a mark is used, is the subject of an application for registration, or is registered, that mark shall be deemed to be in conflict with a well-known mark where the mark, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark, and where at least one of the following conditions is fulfilled:

(i) the use of that mark would indicate a connection between the goods and/or services for which the mark is used, is the subject of an application for registration, or is registered, and the owner of the well-known mark, and would be likely to damage his interests;

(ii) the use of that mark is likely to impair or dilute in an unfair manner the distinctive character of the well-known mark;

(iii) the use of that mark would take unfair advantage of the distinctive character of the well-known mark.

This provision effectively reiterates Art.16.3 of TRIPs in para (i) but then provides for two separate anti-dilution measures in paras (ii) and (iii). The WIPO Standing Committee on Trademarks' explanatory notes to para (i) state that the sorts of "connection" contemplated are those suggesting that the owner of the well-known mark is involved in the production of the defendant's goods or has licensed or sponsored such production.²⁴ This is a wholly different standard from that contained in paras (ii) and (iii). If para (i) were intended to be an anti-dilution measure then it needs to be asked why this was not mentioned in the WIPO Standing Committee's explanatory notes or why WIPO and the Paris Union considered it necessary to add two unambiguous anti-dilution provisions as alternatives to para (i).²⁵ This, in turn, casts further doubt on the notion that Art.16.3 of TRIPs was intended to be, and is, an anti-dilution provision²⁶ and that such an understanding can simply be read into s.120(3) of the Australian Act.

The Trade Marks Act 1994

A different problem with the authors' reliance on the legislative history of s.120(3) is that it overlooks the connections between s.120(3) and its equivalent provision in the *Trade Marks Act 1994* (Cth). This Act was passed by both Houses of Parliament in late 1994, before public comment on a draft 1994 Bill had been fully considered by the Government, so that Australia could accept the Agreement Establishing the World

²³ See Assemblies of the Member States of WIPO, "Joint Resolution Concerning Provisions on the Protection of Well-Known Trademarks", WIPO Document A/34/13, 14 August 1999, at www.wipo.int.

²⁴ WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Draft Provisions on the Protection of Well-Known Marks*, WIPO Document SCT/2/8, Geneva, 7-12 June 1999, p.18, at www.wipo.int.

²⁵ See also Simon, above n 4, 408.

²⁶ See Graeme Dinwoodie, "Trademarks and Territory: Detaching Trademark Law from the Nation-State" (2004) 41 *Houston Law Review* 885, 924. See also Stephanie Chong, "Protection of Famous Trademarks against Use for Unrelated Goods and Services: A Comparative Analysis of the Law in the United States, the United Kingdom and Canada and Recommendations for Canadian Law Reform" (2005) 95 *Trademark Reporter* 642, 700.

Trade Organization by 1 January 1995.²⁷ The 1994 Act never commenced and in 1995 the Government, after taking into account the public comments it had received, decided to repeal the Act and replace it with the current, largely similar 1995 Act.

Section 129(3) of the 1994 Act provided a degree of protection for owners of well-known marks in relation to the use of such marks by others on unrelated goods or services, and was expressed in comparable language to s.120(3) of the current Act. The major difference between the two provisions is that rather than referring to a “connection” between the unrelated goods or services and the registered owner, s.129(3) of the 1994 Act applied where, because of the defendant’s use of the mark, the unrelated goods or services were “likely to be *mistaken* as goods or services dealt with or provided by the registered owner of the mark”.²⁸ In other words, this section clearly incorporated a requirement of confusion. Importantly, in the Second Reading of the 1994 Bill, the Minister noted that this provision was specifically designed to make Australian law compliant with the TRIPs Agreement.²⁹ This suggests that the Australian Government – at least in 1994 – considered that compliance with Art.16.3 of TRIPs did not require the adoption of an anti-dilution measure, but merely one importing a requirement of confusion.

Nevertheless, it must be asked whether the fact that the word “mistaken” did not find its way into s.120(3) of the current Act meant that the Australian Government, in 1995, intended to expand significantly the scope of protection afforded to owners of well-known marks beyond that provided under the 1994 Act and to adopt a specific anti-dilution measure. For example, was it the case that in 1995 the Government considered that s.129(3) of the 1994 Act did not properly implement Art.16.3 of TRIPs, or that specific anti-dilution protection going above what Art.16.3 required was now warranted? If this were the case one might expect to see some evidence of the Government’s thinking in contemporaneous materials. However, in the Second Readings of the 1995 Bill in the Senate³⁰ and the House of Representatives,³¹ both Ministers considered a number of differences between the 1994 Act and 1995 Bill to be worthy of special mention, but none of these included the changes to the infringement provisions. There is no reference to the change in the Explanatory Memorandum to the 1995 Bill.³² The most plausible interpretation of the change is that it was decided that the wording of s.120(3) ought to adhere more closely to the language of the TRIPs Agreement³³ (which, as argued above, does not mandate anti-dilution protection). It would appear that the Australian Government did not think that it was doing anything different from what it had done in 1994 in enacting s.120(3) of the 1995 Act, casting serious doubt on the notion that s.120(3) was intended to be an anti-dilution measure. Indeed, the legislative history considered above demonstrates

²⁷ Commonwealth of Australia, *Parliamentary Debates*, House of Representatives, 27 September 1995, p.1909.

²⁸ Section 129(3)(c)(i), emphasis added.

²⁹ Commonwealth of Australia, *Parliamentary Debates*, Senate, 7 November 1994, p.2470.

³⁰ Commonwealth of Australia, *Parliamentary Debates*, Senate, 30 March 1995, pp.2586-91.

³¹ Commonwealth of Australia, *Parliamentary Debates*, House of Representatives, 27 September 1995, pp.1909-13.

³² While it was acknowledged in the *Explanatory Memorandum to the Trade Marks Bill 1995 (Cth)*, above n 6, p.1 that the Bill contained a “wider test for infringement”, the comparison being made here was with the 1955 Act, not the 1994 Act.

³³ See David Shavin, “Famous Marks – Have They Ever Had Adequate Protection? Post TRIPs – Has Anything Changed?” (1999) 36 *Intellectual Property Forum* 30, 33.

that there are strong grounds for interpreting s.120(3) as containing a “confusion” requirement, covering mistaken connections as to sponsorship, approval or other association, as will be argued in detail below.

A Note on *Campomar*

Before turning to consider in detail how s.120(3) ought to be interpreted, it is worth commenting on Gonsalves and Flynn’s suggestion that obiter statements of the High Court in *Campomar Sociedad Limitada v Nike International Ltd*³⁴ provide “powerful support for the proposition that s.120(3) is an anti-dilution provision which does not require proof of confusion or mistaken connection”.³⁵ In a passage quoted by the authors, the Court held that legislative provisions in the United States, the United Kingdom and Australia (referring specifically to s.120(3)):

to varying degrees ha[ve] extended the infringement action to restrain activities which are likely adversely to affect the interests of the owner of a “famous” or “well-known” trade mark by the “dilution” of its distinctive qualities or of its value to the owner.

Such provisions represent legislative responses to the claims of trade mark owners to protection where, particularly by successful advertising, the fame of a mark carries its function beyond the traditional role as an identifier of origin. The “dilution” theory of liability “does not require proof of a likelihood of confusion”...³⁶

Taken at face value, these comments seem to support Gonsalves and Flynn’s central proposition. However, a closer reading of the judgment as a whole suggests that the Court’s understanding of dilution is more complex than this passage might otherwise indicate.

The Court discussed dilution not only in the context quoted above but also later in its judgment in considering the application of s.28 of the *Trade Marks Act 1955* (Cth) (the key section under consideration in the case). Under s.28(a), a mark “the use of which would be likely to deceive or cause confusion” was to be refused registration. The Court considered that this section:

provided what might be described as a “negative protection” for a well-known mark, even one ... not used in relation to the same goods or services as those in respect of which the application for registration was made. The result was that, to a degree, s.28 operated as an “anti-dilution” device (92).³⁷

In other words the Court suggested that a provision could be an “anti-dilution” measure even if its operation depended on a finding of a likelihood of deception or confusion through the use of a well-known mark in relation to dissimilar goods or services. It is difficult to reconcile such a statement with the Court’s earlier comment that the dilution theory of liability does not require proof of a likelihood of confusion. This suggests a lack of clarity in the Court’s articulation of the concept of “dilution”

³⁴ (2000) 202 CLR 45 (“*Campomar*”).

³⁵ Gonsalves and Flynn, above n 1, 178.

³⁶ *Campomar* (2000) 202 CLR 45, 66.

³⁷ *Ibid*, 76. See also at 66 (“in a sense the respondents’ reliance upon s.28 of the 1955 Act to attack the *Campomar* registrations involves the use of that provision as an ‘anti-dilution’ device to protect the goodwill of the respondents in NIKE”).

and raises questions about what support can in fact be gained on this issue from the case as a whole.

What the Court appears to have done is drawn a distinction between dilution as a type of harm which can arise in the presence or absence of confusion, and specific anti-dilution measures whose operation does not depend on the existence or otherwise of confusion. In considering the former issue in the context of s.28(a) of the 1955 Act the Court seems to have suggested that a well-known mark can receive protection against the harm of dilution, caused by another's use of that mark, even where such protection is contingent on a primary finding that there is a likelihood of confusion between the two marks. The example provided by the Court in footnote (92) in the second extract quoted above illustrates this point. In *Radio Corporation Pty Ltd v Disney*³⁸ the High Court upheld Disney's opposition to Radio Corporation's attempt to register MICKEY MOUSE and MINNIE MOUSE for radio receiving sets and kits under the 1905 Act equivalent to s.28(a). This was on the basis that the applicant's use of the marks was considered to be likely to confuse or deceive, as such use would suggest that the applicant's dissimilar goods were "in some way or another connected" with Disney.³⁹ The Court in *Campomar* seems implicitly to have considered that the result of *Radio Corporation* was that the potential dilution of Disney's marks (as a type of harm) was averted, albeit that this was an incidental result of the primary finding of likelihood of deception or confusion. On this basis, it might be argued that a confusion-based infringement provision, the operation of which has the incidental effect of preventing the dilution of a mark, could be considered to be an "anti-dilution" measure.⁴⁰ This, however, is something entirely different from a specific anti-dilution provision (for example, as exists under US law⁴¹) whose operation does not depend on the presence or otherwise of confusion.

If the above distinction is taken into account when interpreting the *Campomar* Court's specific comments on s.120(3) as quoted by Gonsalves and Flynn, a more ambiguous picture emerges. The Court appeared to be suggesting that s.120(3) might in application have the effect of affording "anti-dilution" protection to well-known marks in respect of their use in relation to dissimilar goods or services,⁴² this being a clear extension of the infringement provisions of the 1955 Act.⁴³ The problem is that the Court did not indicate whether this effect is incidental upon a finding of confusion, along the lines of the recognised "anti-dilution" operation of s.28(a) of the 1955 Act,⁴⁴ or whether s.120(3) is in fact a specific anti-dilution provision whose operation is not dependent on the existence of confusion. While it could be argued that the Court's comments hint at the latter,⁴⁵ the fact remains that the Court's unelaborated treatment

³⁸ (1937) 57 CLR 448 ("*Radio Corporation*").

³⁹ *Ibid*, 453 (Latham CJ), 460 (McTiernan J) (both quoting *Eno v Dunn* (1890) 15 App Cas 252, 263 (Lord Macnaghten)). See also at 459 (Dixon J).

⁴⁰ See IPRIA, above n 5, pp.30-2.

⁴¹ See 15 USC §1125(c) (as amended by the Trademark Dilution Revision Act of 2006).

⁴² See Trevor Stevens, "Dilution in Australia: Waiting in the Wings" (2004) 16 *Australian Intellectual Property Law Bulletin* 129, 129.

⁴³ The main infringement provision of the 1955 Act (namely, s.62(1)) was much narrower in scope than s.28(a), applying only where the defendant used a substantially identical or deceptively similar mark in relation to goods or services in respect of which the mark was registered.

⁴⁴ Cf *Intel Corporation v Intelec Engineering Pty Ltd* (2006) 69 IPR 602, 612.

⁴⁵ In the Court's consideration of anti-dilution infringement provisions, s.120(3) is grouped with specific US and UK anti-dilution measures: *Campomar* (2000) 202 CLR 45, 66. However, the Court

of dilution over the course of its judgment is unclear and that we should be careful in reading too much into the Court's obiter statements.

A further, perhaps more significant, reason to be cautious about the *Campomar* Court's treatment of s.120(3) is that the Court did not engage in any detail with the text of the section. The focus of the Court's comments is very much on the elements of the section that look like they could belong in a specific anti-dilution provision: that is, that the section applies where the registered mark is well-known and where as a result of the defendant's conduct the interests of the registered owner are likely to be adversely affected. However, the Court did not mention any other aspect of s.120(3), such as the "connection" requirement in para (c). Nor did it consider the place of s.120(3) within the Act as a whole or, in particular, the relationship between the provision and the grounds for rejecting and opposing an application for registration, or the defences to infringement. When attention is turned to these issues in the context of considering how s.120(3) ought to be interpreted, it becomes unfeasible to maintain that it is a specific anti-dilution measure.

The scope of s.120(3)

To understand the meaning of s.120(3) it is first worth examining Gonsalves and Flynn's remaining claims. The authors consider that the structure of s.120, which contains three distinct infringement provisions in subs.(1) to (3), indicates that s.120(3) does not contain a requirement of confusion. Noting the specific use of the phrase "likely to deceive or cause confusion" in s.120(2) (which applies where the defendant's goods or services are, in essence, similar or closely related to those of the owner of the registered mark), they suggest that had the legislature intended for s.120(3) to include a similar requirement it would have used the same language as used in the previous subsection.⁴⁶ They go on to argue that the concept of "connection" in s.120(3)(c) ought to be interpreted as it has been by the European Court of Justice in *Adidas-Salomon AG v Fitnessworld Trading Ltd*⁴⁷ as not requiring the existence of a likelihood of confusion. On this basis, and in light of other foreign anti-dilution laws, they consider that para (c) will be satisfied where the defendant's sign "evokes a mental association' between itself and the well-known mark of the trade mark owner in the mind of consumers",⁴⁸ thus making it a specific anti-dilution measure.

The above reading of s.120 implicitly conceives of the relationship between s.120(2) and (3) in much the same terms as that which exists between two of the infringement provisions of the EC Trade Marks Directive, namely Art.5(1)(b) and (2).⁴⁹ On the surface, the two sets of provisions look alike: in each case it might be said that the former provision refers to the use of a mark in relation to similar goods or services where such use is likely to cause confusion, whereas the latter provision refers to the

also acknowledged that each of these provisions provide anti-dilution protection "to varying degrees", which could be taken to suggest that s.120(3) does not operate in the same way as the US and UK provisions, even though it may end up protecting against some of the same types of harm: see s.120(3)(d) and see also Ann Dufty and James Lahore, *Patents, Trade Marks and Allied Rights* (LexisNexis Australia online edn, updated March 2007), para 56,265.

⁴⁶ Gonsalves and Flynn, above n 1, 176-7.

⁴⁷ Case C-408/01, [2003] ECR I-12537 ("*Adidas-Salomon*"), [29].

⁴⁸ Gonsalves and Flynn, above n 1, 180.

⁴⁹ See also *Trade Marks Act 1994* (UK) s.10(2) and (3).

use of a mark that is well-known or has a reputation, in relation to dissimilar goods or services, without any explicit mention of the need for a likelihood of confusion. In light of these superficial similarities, and given the ECJ's statements in *Adidas-Salomon* and other cases as to the irrelevance of confusion in the context of Art.5(2),⁵⁰ it seems an easy step to take to emphasise the textual differences between s.120(2) and (3) and to suggest that the latter operates in a similar manner to Art.5(2). However, such a reading of s.120(3) is specious. It does not pay due regard to the precise wording of the provision or to the crucial differences between it and Art.5(2). It is not the case that European or US trade mark jurisprudence can be called into aid in the interpretation of s.120(3) in the manner suggested by Gonsalves and Flynn. As will be argued below, to read s.120(3) as a specific anti-dilution measure not only involves doing violence to the language of the Act but also demonstrates a lack of forethought as to how such a measure would operate in the context of the Australian registered trade mark system as a whole.

Section 120(3)(b): “substantially identical” or “deceptively similar” marks

A major problem with Gonsalves and Flynn's interpretation of s.120(3) is that in focusing almost exclusively on the “connection” requirement in para (c) the authors overlook the significance of para (b). Under this paragraph – and unlike under Art.5(2) of the Directive – infringement will occur where the defendant uses as a trade mark a sign that is either “substantially identical with, or deceptively similar to” the registered well-known mark, in relation to unrelated goods or services.⁵¹

The concepts of substantial identity and deceptive similarity arise in a number of places in the Act, including at the examination and opposition stage in relation to earlier conflicting marks⁵² and also under the infringement provisions in s.120(1) and (2). Section 10 states that a mark will be “deceptively similar” to another “if it so nearly resembles that other trade mark that it is *likely to deceive or cause confusion*”.⁵³ The Federal Court has held, in the context of examination and opposition proceedings, that this will be the case where there is a “real likelihood that some people will wonder or be left in doubt about whether the two sets of products or the products and services in question come from the same source”.⁵⁴ It has also held that the same test applies in assessing deceptive similarity in the context of infringement.⁵⁵ Thus the test for whether two marks are deceptively similar under s.120(3)(b) does not simply involve an assessment of how closely the two marks resemble each other. Rather, it contemplates a global inquiry that takes into account not only the similarity of the marks but also the differences between the plaintiff's and defendant's goods or services and, possibly, surrounding circumstances such as the

⁵⁰ Case C-408/01 *Adidas-Salomon* [2003] ECR I-12537; Case C-251/95 *SABEL BV v Puma AG* [1997] ECR I-6191, [20]; Case C-425/98 *Marca Mode CV v Adidas AG* [2000] ECR I-4861, [36].

⁵¹ Art.5(2) only requires that the defendant's sign be “identical with, or similar to” the registered mark. Cases such as *Adidas-Salomon* thus provide no guidance as to how the concept of deceptive similarity under the Australian Act ought to be interpreted.

⁵² See ss.44 and 57.

⁵³ Emphasis added. See further note 2 to each of s.120(1)-(3) on the applicability of this definition.

⁵⁴ *Registrar of Trade Marks v Woolworths Ltd* (1999) 93 FCR 365 (“*Woolworths*”), 382 (French J), applying *Southern Cross Refrigerating Co v Toowoomba Foundry Pty Ltd* (1953) 91 CLR 592, 595 (Kitto J).

⁵⁵ *MID Sydney Pty Ltd v Australian Tourism Co Ltd* (1998) 90 FCR 236, 245 (Burchett, Sackville and Lehane JJ).

defendant's actual or proposed use of its mark,⁵⁶ how the defendant's goods or services are marketed in comparison with the plaintiff's⁵⁷ and the nature of the consumers of the goods or services in question,⁵⁸ in order to determine whether consumers would be left in doubt as to the origin of the two sets of goods or services.⁵⁹ What is most important for present purposes is that s.120(3), at least when dealing with deceptively similar marks, explicitly appears to incorporate a requirement of confusion. Therefore, even before considering the meaning of "connection" in para (c), it cannot be said categorically that s.120(3) is a specific anti-dilution measure.

The above argument does not, on its face, deal with the situation where the defendant's mark is "substantially identical" with the registered well-known mark. Australian courts have tended to interpret the concepts of substantial identity and deceptive similarity as independent criteria.⁶⁰ In relation to the former criterion, courts have focused almost exclusively on the "total impression of resemblance or dissimilarity" emerging from a side-by-side comparison of the marks,⁶¹ rather than on questions of likelihood of deception or confusion. In light of this, it is at least arguable that where a defendant uses a substantially identical mark in relation to unrelated goods or services, then if the "connection" requirement in para (c) were to be interpreted so as not to incorporate a requirement of confusion, s.120(3) might be a specific anti-dilution measure.⁶² It is worth noting that the distinction drawn here between substantial identity and deceptive similarity is not unproblematic. In the context of identical or similar goods or services, substantially identical marks could perhaps be seen as a special category of deceptively similar marks, where confusion is simply presumed to exist consequent on a finding that the marks resemble each other to a particularly close extent.⁶³ It might therefore be anomalous for a different relationship to exist between the two concepts in the context of unrelated goods or services under s.120(3).⁶⁴ In addition, it would be a surprising result if the one provision were held to afford considerably different levels of protection (based on

⁵⁶ *Ibid*, 245-6 (Burchett, Sackville and Lehane JJ); *New South Wales Dairy Corporation v Murray Goulburn Co-operative Co Ltd* (1989) 14 IPR 26, 67 (Gummow J).

⁵⁷ *Anheuser-Busch Inc v Budejovicky Budvar, Národní Podnik* (2002) 56 IPR 182, 218 (Allsop J). See also *Shanahan*, 3rd edn, above n 2, p.443.

⁵⁸ *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42, 61-2 (Ryan, Branson and Lehane JJ). It was also recognised that the degree of fame of the registered mark may, to a limited extent, be a relevant factor in assessing deceptive similarity in infringement proceedings (at 62-7). However, the Federal Court has been unclear as to precisely how this factor is to apply (see *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 ("*Coca-Cola*"), 123 (Black CJ, Sundberg and Finkelstein JJ); cf *Woolworths* (1999) 93 FCR 365, 385-6 (French J)), and its relevance in infringement proceedings has been strongly criticised: see *Shanahan*, 3rd edn, above n 2, pp.443-4.

⁵⁹ On the global nature of the deceptive similarity inquiry (in the context of examination), see *Woolworths* (1999) 93 FCR 365, 379 (French J).

⁶⁰ *The Shell Company of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407, 414 (Windeyer J).

⁶¹ *Ibid*.

⁶² See IPRIA, above n 5, p.28.

⁶³ cf TRIPs Agreement, Art.16.1. In addition, the proviso contained in s.120(2) (that infringement will not occur if the defendant establishes that its use of the sign is not likely to deceive or cause confusion) applies equally where the defendant's mark is substantially identical with or deceptively similar to the registered mark.

⁶⁴ See Ricketson, above n 2, p.154 (considering that the requirement in s.120(3)(b) that the defendant's mark be substantially identical with, or deceptively similar to, the well-known mark "seems to require a likelihood of confusion").

fundamentally different theories of liability) depending on whether the defendant's mark is either "substantially identical" with or "deceptively similar" to the well-known mark, particularly given that there are no indications in the text of s.120(3) or elsewhere that the provision is intended to operate so disjunctively. Nevertheless, given the prevailing interpretation of "substantially identical" marks outlined above, we need to turn to para (c) to assess the argument that, at least in respect of the use of such marks, owners of well-known registered marks are afforded anti-dilution protection.

Section 120(3)(c): "a connection between the unrelated goods or services and the registered owner of the trade mark"

While the meaning of the "connection" requirement in para (c) may not be immediately apparent, it is clear that Gonsalves and Flynn's interpretation of this provision is unsustainable. This is because their argument is based on a misreading of the provision. They assert on a number of occasions that the necessary connection must be between the defendant's *sign* and the owner of the registered mark.⁶⁵ On this basis they consider that parallels can be drawn between para (c) and foreign anti-dilution laws in which a similar type of connection is a necessary element. Thus, drawing on the ECJ's reference in *Adidas-Salomon* to Art.5(2) of the Directive requiring only that consumers make a connection between a sign and a registered mark that need not depend on a likelihood of confusion,⁶⁶ as well as Benelux and US notions of "association" of marks, they suggest that the "connection" referred to in s.120(3)(c) need only be one of "mental association" – that is, that consumers seeing the defendant's mark must consciously call to mind the well-known mark. However, s.120(3)(c) stipulates that the required connection must be between the defendant's *unrelated goods or services* and the owner of the registered mark. This condition cannot be satisfied simply by looking to whether consumers might make a conceptual link between the two marks. A quite different type of assessment is needed. To use an example from US dilution law, consumers who see "The Greatest Snow on Earth" on licence plates in the context of an organisation's promotion of winter sports tourism might well call to mind Ringling Bros circus' well-known mark THE GREATEST SHOW ON EARTH, and thus form a mental association or connection between the two marks.⁶⁷ However, this does not address the question posed by para (c) as to whether such consumers would make a connection between the tourism promotion services and Ringling Bros.⁶⁸ Whether this sort of connection exists will depend on factors going beyond the similarity of the two marks and the degree of fame of the registered mark. Thus the European and US jurisprudence relied on by Gonsalves and Flynn offers little guidance in determining how the Australian provision ought to be understood, and their reading of the provision cannot be maintained.

In considering how the "connection" requirement in s.120(3)(c) ought to be interpreted, greater assistance can be gained by looking at the equivalent requirement

⁶⁵ Gonsalves and Flynn, above n 1, 179-80.

⁶⁶ Case C-408/01 *Adidas-Salomon* [2003] ECR I-12537, [29], [31].

⁶⁷ *Ringling Bros-Barnum & Bailey Combined Shows, Inc v Utah Division of Travel Development*, 170 F 3d 449 (4th Cir, 1999) ("*Ringling Bros*").

⁶⁸ As recognised by the US Supreme Court in *Moseley v V Secret Catalogue, Inc*, 537 US 418 (2003) ("*Moseley*"), 433-4 (Stevens J).

under the Australian defensive trade marks regime. Section 185(1) of the 1995 Act states:

If, because of the extent to which a registered trademark 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.⁶⁹

This provision appears to be broader than that which existed under the former UK defensive trade marks scheme, which required a “connection in the course of trade”⁷⁰ and was interpreted by UK courts so as to impose a requirement of origin confusion.⁷¹ In *AT&T Corporation*⁷² the Hearing Officer of the Australian Trade Marks Office considered that there was no scope for reading s.185(1) so restrictively. It held that the sorts of “connections” contemplated by this section would extend beyond origin confusion to cover the authorised use of the mark on unrelated goods or services, the sponsorship or endorsement of such goods or services, or the entry into a strategic alliance with another entity in order to produce such goods or to offer such services.⁷³ The Trade Marks Office has confirmed that this approach represents Office practice in assessing whether the necessary connection under s.185(1) exists, and that in undertaking this task it will look to factors such as the nature of the goods or services in respect of which both the mark has been used and registration is sought, as well as evidence from the trade in question as to the likelihood of the existence of such a connection.⁷⁴ However, the Office will not infer the existence of such a connection simply on the basis that the trade mark is well-known.⁷⁵

The above interpretation of “connection” is logical and suggests what the proper scope of s.120(3)(c) should be. That is, para (c) ought to be read as requiring that a consumer must be likely to believe either that the defendant’s unrelated goods or services originate from the registered owner, or that the registered owner has sponsored, approved of, or has some other commercial association with such goods or services, as a result of the defendant’s use of the well-known registered mark.⁷⁶ Aspects of this approach can be seen in Merkel J’s interpretation of the “connection” requirement in *Coca-Cola Co v All-Fect Distributors Ltd*, the only Federal Court trial

⁶⁹ Emphasis added.

⁷⁰ *Trade Marks Act 1938* (UK) s.27(1).

⁷¹ *In re Ferodo Ltd* [1945] Ch 334, 338 (Evershed J).

⁷² [2001] ATMO 96.

⁷³ *Ibid.* This view was based on that expressed in Dan Shanahan, *Australian Law of Trade Marks and Passing Off*, 2nd edn (Sydney: The Law Book Company Ltd, 1990) (“Shanahan, 2nd edn”), p.239. See also *Re Application by Pfizer Products, Inc* (2004) 61 IPR 165 (“*Pfizer*”), 168; Joel Masterson, “The Practical Value of Defensive Trade Marks” (2006) 17 *Australian Intellectual Property Journal* 232, 237-8.

⁷⁴ IP Australia, *Trade Marks Office Manual of Practice & Procedure* (October 2006), Pt 34, paras 6.1-6.2.

⁷⁵ *Pfizer* (2004) 61 IPR 165, 168.

⁷⁶ It may be the case that connections going to sponsorship, approval or other association will only be relevant where the two marks are substantially identical with each other, given that a finding that the marks are deceptively similar under s.120(3)(b) will necessarily mean that consumers will be confused as to the origin of the two sets of goods or services.

decision in which this issue has been considered.⁷⁷ The most important point to note about this reading of para (c) is that it implicitly involves an element of likelihood of deception or confusion. The only way in which one of the connections outlined above can in fact be taken to exist is on the basis of a mistaken belief on the part of the consumer.⁷⁸ For example, it is only if a consumer is caused to wonder whether an owner of a registered mark has in fact sponsored or endorsed the unrelated goods or services provided by the defendant that the relevant connection needed to establish para (c) will be made out. The absence of the word “confusion” in para (c) is thus insignificant. A likelihood of deception or confusion, read broadly to encompass more than mere origin confusion, would seem necessarily to underpin para (c).⁷⁹ Understood in this way, s.120(3) provides owners of well-known registered marks with the ability to bring infringement proceedings in circumstances where, before the coming into force of the Act, they might only have been able to bring passing off actions, or opposition proceedings based on s.28(a) of the 1955 Act if other parties attempted to register the well-known marks.

The above interpretation of s.120(3)(c) can be supported on a number of other grounds. For example, the “connection” requirement in the Australian defensive trade mark regime has long been called the “test of relevant confusion”,⁸⁰ which suggests the nature of the test that ought to apply under s.120(3)(c). In addition, such an interpretation not only helps to make sense of s.120(3) as a whole, but, as alluded to earlier in the article, is also consistent with Australia’s obligations under Art.16.3 of the TRIPs Agreement, which can be met by proscribing the use of a well-known mark in relation to unrelated goods or services where such use is likely to cause confusion as to sponsorship, approval or some other form of association.⁸¹ It would also seem to chime with the approach taken by the Australian Government in enacting s.129(3) of the 1994 Act. Yet perhaps most tellingly, there does not appear to be any scope to argue that s.120(3) can be satisfied on the showing of a “lesser” form of connection that does not depend on the existence of deception or confusion. Commentators who attempt to make this argument either assert that such a connection is possible but without explaining how it can arise in the absence of consumer confusion,⁸² or can only support their contentions by using examples of situations where what is in fact indicated is a connection between the *marks* themselves, such as where the defendant merely parodies the well-known mark in providing unrelated goods or services where no confusion results.⁸³ As suggested above, this latter type of connection is not of the

⁷⁷ (1998) 43 IPR 47, 65 (although the decision tends to blur separate issues going to s.120(3)(a), (b) and (c)).

⁷⁸ See, in the context of s.185(1), *Pfizer* (2004) 61 IPR 165, 167-8.

⁷⁹ Cf Tony Martino, *Trademark Dilution* (Oxford: Clarendon, 1996), pp.5-6, 109 (discussing the concept of “confusion in a wider sense”).

⁸⁰ See Shanahan, 2nd edn, above n 73, p.236; *Shanahan*, 3rd edn, above n 2, p.319. The equivalent provision under the 1938 UK Act was also consistently considered by the authors of *Kerly* to be a test of confusion: see, for example, RG Lloyd and FE Bray, *Kerly’s Law of Trade Marks and Trade Names* 7th edn (London: Sweet & Maxwell, 1951), p.199. But cf *Re Application by Cantarella Bros* (2002) 57 IPR 256 (“*Cantarella*”), 265 (Hearing Officer considered that confusion would be “insufficient” to make out the “connection” requirement in s.185(1)).

⁸¹ This is particularly the case when Art.16.3 is considered in light of Art.4(1)(b) of the WIPO/Paris Union Joint Resolution.

⁸² See, for example, Frederick Mostert and Trevor Stevens, “The Protection of Well-known Trade Marks on Non-competing Goods” (1996) 7 *Australian Intellectual Property Journal* 76, 84 (but cf Stevens, above n 42, 129); Ricketson, above n 2, pp.142-3.

⁸³ Gonsalves and Flynn, above n 1, 180.

kind required by the text of para (c) and it would thus seem that s.120(3)(c) cannot be read as an anti-dilution provision.

Section 120(3) in the context of the Act

Further support for the above interpretation of s.120(3) comes from an analysis of the way in which the subsection intersects with other provisions of the Act, such as the other infringement provisions in s.120 and the defences in s.122.

If s.120(3) were an anti-dilution measure, this would raise the prospect of owners of well-known marks potentially having greater protection in respect of the use of their marks in relation to unrelated goods or services than in relation to similar goods or services. This is because under s.120(2) infringement is not taken to have occurred if the defendant establishes that its use of the sign is not likely to deceive or cause confusion, whereas these factors would be irrelevant under s.120(3), read as an anti-dilution provision. Such a “logical lapse” would be the same as that which was thought to exist as a result of Art.5(1)(b) and (2) of the EC Trade Marks Directive. This gap in protection under European law has been patched over by the ECJ, which has held that if a Member State implements the optional Art.5(2), it must afford the same protection to marks with a reputation against uses of such marks in relation to identical or similar goods or services as is afforded against use in relation to dissimilar goods or services.⁸⁴ While this outcome, which effectively treats the meaning of the word “dissimilar” in the Directive as including “similar or identical”, has received some support,⁸⁵ it has also been criticised as a “breathtaking example of judicial law-making”.⁸⁶ It would be a surprising result if a similar approach, involving the effective rewriting of the text of s.120(3), were to be taken in Australia,⁸⁷ especially in light of the High Court’s views on statutory interpretation.⁸⁸ Thus if s.120(3) were to be an anti-dilution provision, the infringement provisions in s.120 as a whole would operate in a conceptually incoherent manner.⁸⁹

A far greater difficulty with reading s.120(3) as an anti-dilution measure relates to the intersection between this infringement provision and the defence to infringement contained in s.122(1)(fa). This section states that a person does not infringe where:

⁸⁴ See Case C-292/00 *Davidoff & Cie SA v Gofkid Ltd* [2003] ECR I-389, [24]-[30]; Case C-408/01 *Adidas-Salomon* [2003] ECR I-12537, [15], [18]-[22].

⁸⁵ See Jane Cornwell, “The *Davidoff v Gofkid* Case” [2003] *European Intellectual Property Review* 537, 538; but cf Christopher Morcom, “Extending Protection for Marks with a Reputation: What is the Effect of the Decision of the European Court of Justice in *Davidoff v Gofkid*?” [2003] *European Intellectual Property Review* 279.

⁸⁶ Cornish and Llewelyn, above n 22, p.682.

⁸⁷ See *Coca-Cola* (1999) 96 FCR 107, 123-4 (Black CJ, Sundberg and Finkelstein JJ) (considering that s.120(2) and (3) are mutually exclusive).

⁸⁸ This is particularly so given that the stated purpose of s.120(3) was to implement Art.16.3 of TRIPs, which specifically refers to dissimilar goods or services. See generally *Mills v Meeking* (1990) 169 CLR 214, 235 (Dawson J); *Newcastle City Council v GIO General Ltd* (1997) 191 CLR 85, 113 (McHugh J); *Project Blue Sky v Australian Broadcasting Authority* (1998) 194 CLR 355, 381, 384 (McHugh, Gummow, Kirby and Hayne JJ).

⁸⁹ See also Richardson, “Trade Marks and Language”, above n 5, 218 (n 172); cf Michael Spence, “Section 10 of the Trade Marks Act 1994: Is There Really a Logical Lapse?” [2001] *European Intellectual Property Review* 423, 425-6 (arguing in the context of the UK Act that there are sound reasons for the differences between the two provisions).

- (i) the person uses a trade mark that is substantially identical with, or deceptively similar to, the [registered] trade mark; and
- (ii) the court is of the opinion that the person would obtain registration of the substantially identical or deceptively similar trade mark in his or her name if the person were to apply for it.⁹⁰

This defence has to date received little judicial or scholarly attention. It appears to be commonly thought that its main operation is to allow a defendant to raise an “honest concurrent use” defence in infringement proceedings on the basis that its mark could be registered as a result of s.44(3) (a provision that only operates where the parties’ goods and/or services are similar or closely related).⁹¹ However, the generality of the wording of s.122(1)(fa) suggests that it has a much broader scope, and it would seem that it requires an assessment of whether the defendant’s mark would fall foul of any of the grounds for rejecting an application for registration,⁹² or, possibly, any of the separate grounds of opposition to registration.⁹³ Understood in this way, the effect of s.122(1)(fa) would seem to be that if s.120(3) were an anti-dilution provision, there would need to be a ground of rejection or opposition that could prevent the defendant’s prima facie infringing mark from being registered on the basis that it would “dilute” the well-known registered mark, even where no confusion would result. If no such ground exists, then s.120(3) would be redundant.

The two provisions that are potentially relevant here are the ground of opposition in s.60 and the ground of rejection and opposition in s.42(b).⁹⁴ Section 60 would allow

⁹⁰ See also s.122(1)(f), which, even given its widest interpretation, would appear to be subsumed by s.122(1)(fa).

⁹¹ See, in the context of s.122(1)(f), *TGI Friday’s Australia Pty Ltd v TGI Friday’s Inc* (2000) 100 FCR 358 (“*TGI Friday’s*”), 372 (Wilcox, Kiefel and Emmett JJ); *Frito-Lay Trading Co GmbH v Aldi Stores Ltd Partnership* (2001) 52 IPR 410, 416 (Gyles J). Such a view seems to correspond with that of the Working Party to Review the Trade Marks Legislation, above n 6, p.78 (Recommendations 22D(7) and (8)). See also *Shanahan*, 3rd edn, above n 2, p.464. It has also been recognised that in addition to showing that s.44(3) is satisfied a defendant will need to establish that its mark is distinctive under s.41: see *Aldi Stores Ltd Partnership v Frito-Lay Trading Co GmbH* (2001) 52 IPR 344, 382-4 (Lindgren J).

⁹² See ss.39-44 (with additional provisions in s.177 for certification trade marks, s.187 for defensive trade marks and s.189A (combined with *Trade Marks Regulations 1995*, reg.4.15A) for applications received via the Madrid Protocol). See also s.31(a), which, by virtue of s.33(3), is in effect a ground on which an application may be rejected. Under s.57, each of these grounds, except for s.40, is also a ground of opposition.

⁹³ See ss.58-62A. Given that these grounds can only be raised by third parties in opposition proceedings if certain procedural steps are taken (see ss.52-4; *Trade Marks Regulations 1995*, Pt 5), it is unclear whether such grounds can be taken into account under s.122(1)(fa), given that the relevant test is whether “the court is of the opinion that the [defendant] would obtain registration” of the mark.

⁹⁴ Section 43, which provides for the rejection of an application for a mark that contains a “connotation”, such that its use would be likely to deceive or cause confusion, is unlikely to be relevant in these circumstances. The Federal Court has held that s.43 deals with the “inherent qualities” of the mark and is not concerned with any deception or confusion caused by the reputation in Australia of some other trade mark (as distinct from s.60): see *Woolworths* (1999) 93 FCR 365, 389 (Branson J); *TGI Friday’s* (2000) 100 FCR 358, 365 (Wilcox, Kiefel and Emmett JJ); *Winton Shire Council v Lomas* (2002) 119 FCR 416, 421 (Spender J); cf *McCorquodale v Masterson* (2004) 63 IPR 582. Further, while the scope of the s.62A ground of opposition, namely that the “application was made in bad faith”, remains uncertain, it is unlikely that it would be interpreted so broadly as to be co-extensive with s.120(3): on the intention behind s.62A see Commonwealth of Australia, Senate, *Explanatory Memorandum to the Trade Marks Amendment Bill 2006 (Cth)*, p.10; see further Paul Sumpter, “Section 62A: Pandora’s Box for Trade Mark Practitioners?” (2007) 18 *Australian Intellectual Property Journal* 110.

the registration of the defendant's prima facie infringing mark to be opposed where (a) the registered mark had acquired a reputation in Australia before the priority date for the registration of defendant's mark⁹⁵ and (b) because of that reputation, the use of the defendant's mark would be likely to deceive or cause confusion. While s.60(a) would invariably be satisfied,⁹⁶ s.60(b) would seem to present an intractable problem for the owner of the well-known registered mark. This is because if prima facie infringement under s.120(3) were established in a situation where there was no likelihood of confusion or deception, then s.60 could not prevent the defendant's mark from being registered. Further, despite the existence of some decisions involving arguably implausible findings of a likelihood of confusion in relation to the use of well-known marks on unrelated goods,⁹⁷ s.60 cannot be said to operate as a de facto dilution provision. A finding under s.60 that a mark has even a very strong reputation will not, of itself, determine whether the ground of opposition is made out. There have been numerous decisions involving owners of well-known registered marks such as VIRGIN, CALVIN KLEIN and AXA being unable to prove under s.60 that the applicant's use of similar marks in relation to unrelated goods would be likely to deceive or cause confusion,⁹⁸ even though based on Gonsalves and Flynn's interpretation of s.120(3) and the illustrations that they employ such uses might well infringe that section.⁹⁹ On the other hand, it is worth noting that the requirement of likelihood of deception or confusion in s.60 has been interpreted, in cases involving unrelated goods, in a manner broadly consistent with the recommended interpretation of s.120(3) outlined above.¹⁰⁰ In a number of decisions the Trade Marks Office has held that s.60 will be satisfied where the use of the applicant's mark would suggest not only that the unrelated goods are produced by the owner of the earlier mark with a reputation, but perhaps also sponsorship or endorsement by, or some other connection with, that party.¹⁰¹

⁹⁵ Until the entry into force of the relevant Part of the *Trade Marks Amendment Act 2006* (Cth) on 23 October 2006, s.60(a) contained an additional requirement that the mark with a reputation be substantially identical with or deceptively similar to the applicant's mark.

⁹⁶ While the precise relationship between "well-known" marks and marks with a "reputation" under Australian law is unresolved, it is likely that the latter can be satisfied more easily than the former: see, for example, *McCormick & Co v McCormick* (2000) 51 IPR 102, 127 (Kenny J) (reputation in s.60 refers to the "recognition of [the mark] by the public generally"); *Toddler Kindy Gymparoo Pty Ltd v Gymparoo Pty Ltd* (2000) 100 FCR 166, 175-7, 194 (Moore J) (evidence of localised use and promotion of the mark held to be sufficient to establish reputation under s.60, even absent any evidence of consumer recognition).

⁹⁷ See, for example, *Hugo Boss AG v Jackson International Trading Co Kurt D Bruhl GmbH & Co KG* (1999) 47 IPR 423 (opposition to a BOSS! device mark for energy drinks, mineral water and certain alcoholic beverages); *Saab Automobile AB v Saab Appliances Pty Ltd* (2005) 68 IPR 182 (opposition to a SAAB APPLIANCES device mark for "Christmas lights, electric fans, electric kettles, electric toasters"); *Jireh International Pty Ltd v Vladimirovich* (2006) 70 IPR 359 ("*Jireh*") (opposition by coffee company Gloria Jean's to a GLORIA JEANS device mark for clothing).

⁹⁸ *Virgin Enterprises Ltd v Bowes* (2000) 51 IPR 615 (VIRGIN HOME SERVICES for domestic cleaning services, garden maintenance services and garbage removal); *Calvin Klein Trademark Trust v Graf Group Pty Ltd* [2000] ATMO 15 (CK VODKA device for vodka); *Finaxa Societe Anonyme v Arnedo* (2003) 61 IPR 141 (AXA device for consumer electronic products).

⁹⁹ See Gonsalves and Flynn, above n 1, 180.

¹⁰⁰ See also Jason Bosland, Kimberlee Weatherall and Paul Jensen, "Trade Mark and Counterfeit Litigation in Australia" [2006] *Intellectual Property Quarterly* 347, 376 (n 28).

¹⁰¹ See *NBA Properties Inc v Gaunt* (1998) 44 IPR 225; *Seven Network (Operations) Ltd v All Saints Holding Co Ltd* [2003] ATMO 4; *Jireh* (2006) 70 IPR 359.

Under s.42(b), an application for registration of the defendant's mark must be rejected or could be successfully opposed if its use "would be contrary to law", for example if it would constitute passing off or contravene consumer protection legislation such as s.52 of the *Trade Practices Act 1974* (Cth).¹⁰² The problem here is that the defendant's use of its mark would need to convey a misrepresentation, or constitute misleading or deceptive conduct: this has been interpreted in Australia as requiring more than the causing of mere confusion in the minds of prospective customers.¹⁰³ Thus the owner of the well-known mark would seem to run into a similar problem here as under s.60. A number of cases seem to suggest that the "dilution" of the distinctiveness of a mark might be a recognised form of damage in passing off.¹⁰⁴ However, not only is the state of the law on this issue unclear,¹⁰⁵ but it needs to be recognised that Australian courts have not gone so far as to dispense with the need to find a misrepresentation that might result in the erosion of the distinctiveness of the mark.¹⁰⁶ To the extent that any anti-dilution protection is afforded under passing off, this can perhaps be seen as akin to the anti-dilution operation of s.28(a) of the 1955 Act as described by the High Court in *Campomar*, where any such protection was incidental upon the existence of deception or confusion. As a result, it is highly unlikely that s.42(b) would prevent the registration of the defendant's prima facie infringing mark.

It has also been suggested that a separate effect of the "contrary to law" ground of rejection under s.42(b) is that the Registrar must determine whether the applicant's use of its mark would constitute trade mark infringement, for example under s.120(3).¹⁰⁷ This might be said to afford an avenue by which an application for the registration of a mark that would dilute a well-known registered mark, and which cannot be rejected or opposed on any other grounds, can be refused. The Trade Marks Office initially dismissed the argument that it was obliged under s.42(b) to consider the operation of the infringement provisions in s.120 on the basis that it was not entitled to speculate in examination or opposition proceedings on a matter that could

¹⁰² The relationships between s.60 and s.42(b), and between passing off, the *Trade Practices Act* and the registered trade marks system, are complex and will be the subject of a separate article: see Robert Burrell and Michael Handler, "The Intersection between Registered and Unregistered Marks" (2007) 35 *Federal Law Review* (forthcoming).

¹⁰³ *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191, 198 (Gibbs CJ), 209-10 (Mason J); *Campomar* (2000) 202 CLR 45, 87. However, the distinction drawn by Australian courts between standards of "deception" in the *Trade Marks Act* and the *Trade Practices Act* has been criticised: see Colin Lockhart, *The Law of Misleading or Deceptive Conduct*, 2nd edn (Sydney: LexisNexis Butterworths, 2003), p.160.

¹⁰⁴ See, for example, *Taittinger SA v Allbev Ltd* [1993] FSR 641, 669-70 (Peter Gibson LJ), 674 (Mann LJ), 678 (Bingham LJ); *Pontiac Marina Private Ltd v CDL Hotels International Ltd* [1998] FSR 839, 871 (Singapore Court of Appeal); *British Telecommunications Plc v One In A Million Ltd* [1999] ETMR 61, 90 (Aldous LJ).

¹⁰⁵ See *Harrods Ltd v Harrodian School Ltd* [1996] RPC 697, 715-6 (Millett LJ), cf at 720-7 (Sir Michael Kerr); Hazel Carty, "Heads of Damage in Passing Off" [1996] *European Intellectual Property Review* 487, 491-3; Hazel Carty, "Dilution and Passing Off: A Cause for Concern" (1996) 112 *Law Quarterly Review* 632.

¹⁰⁶ While the Federal Court has gone so far as to hold that passing off can be made out on the basis of a "wrongful appropriation of reputation" (see *Hogan v Koala Dundee Pty Ltd* (1988) 20 FCR 314, 325 (Pincus J)), at other times it has appeared to hold that damage through mere "association" is confined to character merchandising cases (see *Dr Martens Australia Pty Ltd v Figgins Holdings Pty Ltd* (1999) 44 IPR 281, 374-6 (Goldberg J)).

¹⁰⁷ For a recent example, see *Kiwi Munchies Pty Ltd v Kraft Food Holdings Inc* [2005] ATMO 55, [25]-[29].

only be decided by a court.¹⁰⁸ However, following the Federal Court's decision in *Advantage Rent-A-Car Inc v Advantage Car Rental Pty Ltd*,¹⁰⁹ this reasoning no longer appears open to the Office. The real problem with the argument, though, is that it is entirely circular. An applicant's mark would only infringe under s.120(3) if the defence under s.122(1)(fa) could not be made out, which requires attention to be focused on whether the use of the mark is contrary to law under s.42(b). It would thus be incoherent for s.42(b) simply to be seen as a mirror image of s.120(3) in the context of examination or opposition proceedings.

Conclusion

Some might consider it desirable for Australian trade mark law to contain a specific anti-dilution infringement provision.¹¹⁰ However, to suggest that such a provision already exists in the Act, as Gonsalves and Flynn have done, is entirely problematic. Such an argument is based on a reading of the legislative history of s.120(3) of the Act that is difficult to sustain: it relies on an interpretation of Art.16.3 of the TRIPs Agreement as mandating anti-dilution protection that breaks down when subjected to critical analysis and ignores the significance of the 1994 Australian Act. It is not based on a sufficiently careful reading of the text of s.120(3) and uses European and US trade mark jurisprudence inappropriately. It also overlooks the fact that the impact of s.120(3) cannot be considered in isolation from other, related provisions in the Act, for example the remaining infringement provisions, the grounds of rejection or opposition, or those sections dealing with defensive trade marks. When s.120(3) is interpreted in light of these, it becomes clear that it must implicitly be based on a likelihood of deception or confusion.

More importantly, a study of s.120(3) sheds light on the importance of thinking about the integrity of the Australian registered trade mark system as a whole. It needs to be recognised that the Act is a much more complex instrument than it is sometimes thought to be and that greater care needs to be taken in determining how various provisions and concepts intersect with each other. There are many other examples that demonstrate the complexity of the Act, such as the inconsistent treatment of the concept of "non-use",¹¹¹ the uncertain operation of the distinctiveness requirement,

¹⁰⁸ See *Ferdinando Giordano SpA v Walton International Ltd* (1999) 48 IPR 423, 427; *Amalgamated Television Services Pty Ltd v Clissold* (2000) 52 IPR 207, 217. See also, in the context of s.185(1), *Cantarella* (2002) 57 IPR 256, 261.

¹⁰⁹ (2001) 52 IPR 24, 30-2 (Madgwick J).

¹¹⁰ For example, it might be argued that Australian law ought to acknowledge the international "trend" towards anti-dilution protection and consider harmonising its laws with those in jurisdictions where such protection is afforded: cf Chong, above n 26, 702. However, such an argument overlooks the fact that trade mark dilution remains enormously controversial in such jurisdictions. This is particularly so in the United States, as evidenced by the response to the Supreme Court's decision in *Moseley* and the passage of the Trademark Dilution Revision Act of 2006, as well as by continuing concerns as to the judiciary's treatment of anti-dilution law: for recent discussion, see McCarthy, above n 22, 1166; Christine Haight Farley, "Why We Are Confused About the Trademark Dilution Law" (2006) 16 *Fordham Intellectual Property, Media and Entertainment Law Journal* 1175; Graeme Dinwoodie and Mark Janis, "Dilution's (Still) Uncertain Future" (2006) 105 *Michigan Law Review First Impressions* 98, at www.michiganlawreview.org; Clarisa Long, "Dilution" (2006) 106 *Columbia Law Review* 1029. As argued below, it is more important to clarify our understanding of the present Act than to consider at this stage adopting a type of protection whose precise rationale and operation remains "dauntingly elusive": *Ringling Bros*, 170 F 3d 449 (4th Cir, 1999), 451 (Phillips SCJ).

¹¹¹ See Robert Burrell, "The Requirement of Trade Mark Use: Recent Developments in Australia" (2005) 16 *Australian Intellectual Property Journal* 231.

and the unclear role of unregistered marks within the registration system. It is only when these sorts of issues are given greater prominence that we can better assess how the registration system in fact functions, and what changes need to be made to enhance its operation.



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