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EMPIRICAL ANALYSIS OF AUSTRALIAN TRADEMARK INFRINGEMENT DECISIONS: IMPLICATIONS FOR THE U.S. TRADEMARK USE DEBATE

By Dr. Vicki T. Huang

There is considerable concern in U.S. trademark scholarship that privileging the “likelihood of consumer confusion” test has expanded trademark owners’ monopoly rights beyond traditional limits. An unfortunate consequence of this expansion is a chilling effect on useful and necessary artistic and commercial expression. To combat this, the introduction of an Australian-style “trademark use” threshold test has been vigorously debated. In Australia, the plaintiff must show that the defendant has used the impugned sign as a badge of origin before confusing similarity is assessed. Therefore, if the defendant has not used the mark “as a trademark”, the case quickly resolves. However, a small number of U.S. critics have argued that a “trademark use” test will inevitably collapse into a labored, consumer-dependent inquiry, thereby neutralizing any supposed efficiency gains. This study provides an empirical analysis of Australian trademark infringement cases to challenge these critiques. Specifically, this paper conducts a systematic content analysis of all Australian infringement decisions under Section 120 of the Trade Marks Act 1995 (Cth) reported over a twenty-year period (January 1, 1996 through January 1, 2016) – 78 cases.

The empirical analysis shows that Australian cases that “turn on” trademark use resolve 39 percent more quickly than cases that “turn on” the issue of deceptive similarity. In addition, contrary to some U.S. critiques of the trademark use test, Australian courts when assessing use do not rely on questions of consumer confusion or an assessment of factors outside the inherent features of the mark. The determinative factors for Australian courts are the immediate context of the mark (such as the surrounding packaging) and an objective determination of the purpose and nature of that use (e.g., as a badge of origin or some

non-trademark use) and whether any policy considerations should apply.

This paper argues that there are three distinctive features of the Australian trademark system that make a trademark use threshold test a successful efficiency tool. These are: (1) the Australian concept of a trademark as property, including an underlying history of infringement as a strict liability harm where consumer confusion is not central to liability; (2) the absence of a general tort of unfair competition anchored in elastic concepts of consumer confusion; and (3) well-developed collateral actions which proscribe consumer confusion such as common law passing off and actions under consumer protection statutes. Because of the absence of these features in U.S. trademark law, the results of importing an Australian-style trademark use test would be difficult to predict. Nevertheless, it will be argued that the benefits of a trademark use test as demonstrated in this article can reinvigorate aspects the U.S. trademark use debate.

CONTENTS

INTRODUCTION.....	3
A. <i>The US Trademark Use Debate</i>	4
B. <i>Why This Expansion Is a Problem</i>	7
C. <i>Australian Trademark Infringement Law</i>	9
D. <i>Arguments for Why the US Should Adopt a Trademark Use Test</i>	13
E. <i>The Goals of this Article</i>	15
I. METHODS	16
II. RESULTS	16
A. <i>Trademark Use and Effect on Hearing Days</i>	17
B. <i>What Factors Predict Trademark Use?</i>	18
1. <i>Factor #1: Immediate Context</i>	19
2. <i>Factor #2: External Context</i>	20
3. <i>Factor #3: Reputation</i>	21
4. <i>Factor #4: Consumer Confusion</i>	22
5. <i>Factor #5: Purpose and Nature of Use</i>	22
6. <i>Factor #6: Policy Considerations</i>	23
C. <i>Summary of Results</i>	27

III. DISCUSSION AND CONCLUSION.....	29
APPENDIX A: THE SELECTION AND CODING OF DECISIONS.....	32
A. <i>Case Selection</i>	32
B. <i>Coding the Cases</i>	34
1. Case Details.....	35
2. Coding for Trademark Use.....	36

INTRODUCTION

In the U.S., under the *Lanham Act*, to establish infringement of a registered mark under section 32¹ or an unregistered mark under section 43,² the plaintiff must show ownership of a valid mark and that the defendant’s use of the mark in connection with goods or services causes a “likelihood of confusion.”³ With regard to infringement, the likelihood of consumer confusion has been called “the litmus test”⁴ or “touchstone” for establishing trademark liability.⁵

In contrast, under Australian trademark infringement law, the plaintiff must first show the defendant’s impugned use is use of a mark as a trademark, that is “as a badge of origin.” This operates as a threshold test before confusing similarity between the plaintiff and the defendant’s marks is evaluated. In the U.S., although there is some inter-circuit dispute over the existence of a threshold “use requirement,”⁶ it can be said that, *prima facie*, there is no requirement to establish “trademark use” to find infringement.

¹ Lanham Act § 32, 15 U.S.C § 1114 (2012).

² Lanham Act § 43, 15 U.S.C. § 1125 (2012).

³ See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:11.50 (2017) (“[F]or infringement of federally registered marks, what the Lanham Act requires is that the accused use be ‘in connection with the sale, offering for sale, distribution or advertising of any goods or services’ in a context that is likely to cause confusion, mistake or deception. Similarly, for unregistered marks, the Lanham Act requires that the accused use be ‘on or in connection with any goods or services’ and be likely to cause confusion, mistake or deception as to the affiliation, connection or association of the accused person with the plaintiff or as to the origin of the ‘goods, services or commercial activities’ of the accused person. Similar language applies to false advertising claims.”) (citations omitted).

⁴ Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 414 (2010) (“[T]rademark law centers its analysis on consumer confusion. With some significant exceptions, the basic rule of trademark law is that a defendant’s use of a mark is illegal if it confuses a substantial number of consumers and not otherwise.”).

⁵ See, e.g., Graeme B. Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1599 (2007).

⁶ See, e.g., *Interactive Products Corp. v. a2z Mobile Office Solutions, Inc.*, 326 F.3d 687, 698 (6th Cir. 2003) (holding that the defendant did not infringe by using the plaintiffs “laptraveler” mark in the defendant’s URL “a2zsolutions.com/desks/floor/laptraveller/dkfl-lt.htm.”). See also

A. *The US Trademark Use Debate*

Whether U.S. trademark law could or should include a threshold trademark use test has been the subject of significant debate. Indeed, it has been said that “[t]he debate over ‘trademark use’ is a hot-button issue in intellectual property (‘IP’) law”⁷ and that “trademark use is all the rage.”⁸ However, there are deep divides over many issues, including (but not limited to) the doctrinal locus of use,⁹ its normative value, its pragmatic intersections with tests of consumer confusion, and whether express defenses for non-trademark use should be preferred.¹⁰

For example, with regard to doctrinal locus, “most trademark ‘use advocates’ and ‘use critics’ agree that the *Lanham Act* does not explicitly make trademark use an element of infringement.”¹¹ However, most scholars “differ over the doctrine’s *implicit* status.”¹² “Proponents of the doctrine . . . argue that the trademark use requirement has always been a foundational principle of trademark law.”¹³ These advocates, including Margreth Barrett, Stacey Dogan, and Mark Lemley, posit that the use requirement not only underlies all U.S. trademark law,¹⁴

MCCARTHY, *supra* note 3, § 23:11.50.

⁷ Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669, 1670 (2007).

⁸ Mark P. McKenna, *Trademark Use and the Problem of Source*, U. ILL. L. REV. 773, 773 (2009).

⁹ *See id.* at 791.

¹⁰ *See, e.g.*, Graeme B. Dinwoodie, *Ninth Distinguished IP Lecture: Developing Defenses in Trademark Law*, 13 LEWIS & CLARK L. REV. 99, 152 (2009) (“However, as the scope of trademark protection expands and the metes and bounds of protection become more uncertain, we cannot rely exclusively on creative interpretation of the prima facie cause of action to establish limits. Trademark law must more consciously develop defenses that reflect the competing values at stake in trademark disputes.”).

¹¹ McKenna, *supra* note 8, at 791 (citing Dinwoodie & Janis, *supra* note 5, at 1609; Graeme B. Dinwoodie & Mark Janis, *Dilution’s (Still) Uncertain Future*, 105 MICH. L. REV. 98, 100 (2006)).

¹² McKenna, *supra* note 8, at 791 (emphasis added).

¹³ *Id.* at 791. *See also id.* at 792-97 (providing a lengthy summary of the debate as to the textual or formalistic search for the trademark use requirement); *id.* at 791 n.86 (“Use in commerce is a requirement under both section 32 and section 43(a), though the requirement is articulated somewhat differently in each section ‘Any person who shall, without the consent of the registrant . . . , use in commerce . . . shall be liable.’”) (quoting Lanham Act. § 32(1)(a), 15 U.S.C. § 1114(1)(a) (2006)).

¹⁴ Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to Uses “In The Manner Of A Mark”*, 43 WAKE FOREST L. REV. 893, 956 (2008) (“In summary, the *Lanham Act*’s legislative history makes it clear that Congress did not intend for the section 45 definition of ‘use in commerce’ only to apply in the registration context, but, in fact (at least at the time of enactment) associated the definition more directly with the infringement context than the registration context. The ‘use in commerce’ definition conceptually incorporates and perpetuates the essential ‘affixation or other close association’ (or ‘trademark use’) requirement of the 1905 and 1920 trademark acts.”); *see also id.* at 960 (“A third way to find the trademark use requirement in the *Lanham Act* infringement causes of action is to recognize that the *Lanham Act* implicitly incorporates it from the common law, even in the

but also has “always informed trademark practice.”¹⁵ In contrast, “use critics,” such as Professors Graeme Dinwoodie and Mark Janis, argue that there is no trademark use requirement and that “use” is a concept limited to the acquisition of rights.¹⁶

Although engagement with the debate appears to have waned over recent years, the reasons for its initial attractiveness have certainly not abated. One of the critical normative concerns in U.S. trademark law has been that actionable consumer confusion has expanded unbounded. For example, in trademark infringement law, actionable confusion has traditionally meant consumer confusion as to the source of the goods or services.¹⁷ However, under modern U.S. approaches, it appears that actionable confusion has moved beyond confusion as to source¹⁸ and now proscribes non-source confusion over non-competing goods.¹⁹ Some of these “non-source confusion” activities have become more visible because of commercial activities on the Internet.²⁰ For example, actionable confusion has been litigated in the context of dilution,²¹

absence of express statutory language.”); *see also id.* at 962 (“Professors Dogan and Lemley appear to recognize the existence of a trademark use requirement in the statutory language, but also argue that a trademark use requirement is implicit in the likelihood of confusion standard (whose factors take for granted that the defendant has used the mark to promote its own sales) and in cases defining indirect infringement liability.”) (citations omitted).

¹⁵ Stacey L. Dogan & Mark A. Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L. J. 541, 542 (2012).

¹⁶ Dinwoodie & Janis, *supra* note 5, at 1609 (“There is no statutory language expressly supporting the trademark use theory. Even proponents of the theory concede as much.”) (citations omitted).

¹⁷ MCCARTHY, *supra* note 3, § 24:2 (“Today, the law of all state statutory and common law rules governing trademark and service mark infringement is the same as that of federal law: there is infringement if there is a likelihood of confusion as to source, sponsorship, affiliation or connection.”).

¹⁸ *Id.*

¹⁹ *See generally id.*, § 24:8 (“In view of the expansive nature of the test of likelihood of confusion as to sponsorship, affiliation or connection, where is the outer limit of uses far removed from the senior user’s usage which will still cause such confusion?”); *see also* Lemley & McKenna, *supra* note 4, at 454 (arguing that the likelihood confusion test in relation to sponsorship or affiliation has become too vague and “that trademark law can best deal with sponsorship or affiliation claims by taking a page from history and returning this subset of cases to its roots in false advertising law.”).

²⁰ Stacey L. Dogan, *Beyond Trademark Use*, 8 J. TELECOMM. & HIGH TECH. L. 135, 139 (2010) (describing the flux of search engine cases as being the “straw man” in the trademark use debate); *see also* Dinwoodie & Janis, *supra* note 5, at 1600 (“Supporters of this position have been spurred to excavate the theory in hopes of furthering a number of contemporary policy objectives, primarily with regard to online contextual advertising and affiliation merchandising.”); *see also* Barrett, *supra* note 14, at 894-95 (“the [I]nternet has provided increased opportunities for innovative uses of other people’s marks to capture or divert online customers, to gripe or complain about the trademark owner, to parody or criticize. . .”).

²¹ *See, e.g., Moseley v. Secret Catalogue, Inc.*, 537 U.S. 418 (2003), *superseded by* Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, § 2(1), 120 Stat 1730 (codified as amended at 15 U.S.C. 1125 (2012)). *See generally* Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029 (2006); Dogan & Lemley, *supra* note 15; Robert G. Bone, *Taking the Confusion Out of*

initial interest confusion,²² post-sale confusion,²³ approval/affiliation confusion,²⁴ endorsement confusion,²⁵ keyword advertising,²⁶ and potentially the infringement of hashtags.²⁷ In these cases, while

“Likelihood of Confusion”: Toward a More Sensible Approach to Trademark Infringement, 106 NW. U. L. REV. 1307, 1314 n.35 (2012); Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927); Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L. J. 1165, 1191-94 (1948); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L. J. 1687 (1999); Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L. J. 1717 (1999).

²² See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1905-6 (2007) (describing initial interest confusion as “when a junior party uses a competitor’s mark to attract the attention of consumers who otherwise likely would have avoided the junior user altogether. Having generated this interest, the junior user then dispels any confusion about the source of its products, hoping that the consumer will decide, for lack of time or interest or because she has been persuaded of the junior user’s superior product, to purchase the substitute product rather than continue her search.”). See generally Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005). See also Vicki Huang, *Liability for “Invisible” Use of Trade Marks on the Internet*, 28 AUSTRAL. INTEL. PROP. J. 51 (2018) (discussing Australian perspectives of initial interest confusion).

²³ See McKenna, *supra* note 22, at 1907-8 (describing post-sale confusion as making “actionable the confusion of non-purchasers based on their post-sale interaction with a product, [which] requires rank speculation about viewers’ future purchasing intentions.”) (citing *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955)).

²⁴ See generally Dinwoodie & Janis, *supra* note 5, at 1599. See also Lemley & McKenna, *supra* note 4, 413-15, 428 (“We think the concept of sponsorship or affiliation, introduced to accommodate these broader claims, is to blame for much of what ails modern trademark law.” Lemley and McKenna argue that “trademark law needs to refocus on confusion that is actually relevant to purchasing decisions. Specifically, it should anchor once again to the core case of confusion regarding the actual source of the defendant’s product or service, the type of confusion most obviously related to consumer decision making.”).

²⁵ Rebecca Tushnet, *What’s the Harm of Trademark Infringement?*, 49 AKRON L. REV. 627, 627 (2016).

²⁶ See generally John Benton Russell, *New Tenth Circuit’s Standards: Competitive Keyword Advertising and Initial Interest Confusion in 1-800 Contacts v. Lens.com*, 30 BERKELEY TECH. L. J. 993, 993 (2015) (“Since the advent of search engines, companies have used their competitors’ trademarks to manipulate search engine results and increase exposure to consumers online. This practice, called ‘competitive keyword advertising’ originally used keyword meta tags now obsolete, but today occurs through systems like Google AdWords. The AdWords system allows businesses to create advertisements and bid on specific keywords, so that when users enter these specific keywords into Google’s search engine, the search returns the created advertisement along with other ads on the results page. Almost any keyword is available for bidding – including a competitor’s trademarks. Thus, through this system companies can bid on their competitors’ trademark, even without the competitors’ permission.”) (citations omitted); Sarah Wells Orrick, *Deciphering Rosetta Stone: Why the Least Cost Avoider Principle Unlocks the Code to Contributory Trademark Infringement in Keyword Advertising*, 28 BERKELEY TECH. L. J. 805 (2013); Winnie Hung, *Limiting Initial Interest Confusion Claims in Keyword Advertising*, 27 BERKELEY TECH. L. J. 647 (2012); Kristin Kemnitzer, *Beyond Rescue.com v. Google: The Future of Keyword Advertising*, 25 BERKELEY TECH. L. J. 401 (2010).

²⁷ See generally Robert T. Sherwin, *#Have We Really Thought This Through?: Why Granting Trademark Protection to Hashtags is Unnecessary, Duplicative, and Downright Dangerous*, 29

consumers may be confused in a nominal sense, that confusion is arguably not the result of use by the defendant of the plaintiff's trademark as a badge of origin. For example, in initial interest confusion cases where a defendant has used the plaintiff's mark as a meta-tag, the consumer does not even see the defendant's use of the impugned mark; the consumer only sees and is "confused by" the result of that use.²⁸

Although "[t]his expansion began for plausible reasons – consumers might be confused to their detriment in at least some cases in which the plaintiff and the defendant do not actually compete directly,"²⁹ the widening assumption that all types of consumer confusion may be harmful has made it "impossible to establish meaningful limits on what sorts of confusion are actionable."³⁰ There is a concern that U.S. courts are finding infringement for "practices that might be confusing in some sense, but that do not affect consumers' decision-making process."³¹ McKenna has argued that the idea that *any confusion* is somehow harmful has led to a number of trademark doctrines that seek to protect all elements of value or that sees all consumer confusion as an actionable harm.³²

B. *Why This Expansion Is a Problem*

Many trademark scholars would agree that the privileging of consumer confusion has had consequential harms. These harms include a chilling effect on socially valuable (i.e. nominal, decorative, and descriptive) but unlicensed uses of marks,³³ the inhibition of free

HARV. J. L. & TECH. 455 (2016) (discussing the USPTO guidelines on registrability of hashtags as per U.S.P.T.O. TMEP §1202.18 (Oct. 2013)).

²⁸ Huang, *supra* note 22, at 56-57.

²⁹ Lemley & McKenna, *supra* note 4, at 414.

³⁰ *Id.* at 422.

³¹ *Id.* at 414.

³² See McKenna, *supra* note 22, at 1915 ("Virtually every significant doctrinal development in the last century has given mark owners greater control over the use and meaning of their marks. Strong marks have been the obvious – and intended – beneficiaries of expanded protection, as trademark law has aimed to reserve to mark owners the entire value of 'their' marks."). See also William McGeeveran & Mark P. McKenna, *Confusion Isn't Everything*, 89 NOTRE DAME L. REV. 253, 253 (2013) ("Yet trademark law's structure now encourages courts to act otherwise, as if confusion itself were the ultimate evil with which trademark law is concerned and as if its optimal level were zero. Trademark adjudication increasingly fetishized confusion over the last half century while simultaneously expanding its scope to cover dramatically more situations."); Lemley & McKenna, *supra* note 4, at 453 ("Trademark law has expanded dramatically in the last century to the point where it now prohibits conduct by companies that seems unlikely to confuse consumers in any material way. The result is a long series of seemingly absurd decisions. We think the problem is that courts have presumed that if consumers are confused at all, that confusion is problematic.").

³³ See McGeeveran & McKenna, *supra* note 32, at 282-87.

speech,³⁴ and the flow of useful market information.³⁵ In response to this, a range of scholars have thought that some form of “trademark use theory” in the U.S. could serve as a threshold filter and thus limit the “harmful effects” of the widening confusion-based test.³⁶ However, numerous equally distinguished scholars accept that the likelihood of confusion test has gone too far but argue against the existence or the application of a trademark use theory for a broad range of reasons. For example, Professors Dinwoodie and Janis “reject the theory both descriptively and prescriptively,”³⁷ claiming that the absence of a normative³⁸ or doctrinal foundation³⁹ for the inclusion of a trademark use threshold means that it cannot “provide the certainty its proponents promise.”⁴⁰ Moreover, they claim that it may be counterproductive because it undermines “transparent trademark decision making.”⁴¹

³⁴ For an interesting discussion of the U.S. concept of free speech under the First Amendment of the U.S. Constitution in a registration context, see *Matal v. Tam*, 582 U.S. ___, 137 S. Ct. 1744 (2017). See also Vicki Huang, *Comparative Analysis of US and Australian Trade Mark Applications for “The Slants”*, 40 EUR. INTEL. PROP. REV. 429 (2018).

³⁵ See Margreth Barrett, *Reconciling Fair Use and Trademark Use*, 28 CARDOZO ARTS & ENTERTAINMENT L. J. 1, 5 (2010). See also Dogan & Lemley, *supra* note 7, at 1672 (“[W]e fear . . . a world in which intermediaries, for fear of liability, fail to use consumer-generated trademark signals at all in designing their business models. In this world, Amazon.com would hesitate before recommending alternative, lower-cost electronics products to a consumer seeking an expensive brand.”). Proponents also argue that this fetishization of consumer confusion can lead to unjustified market appropriation, inefficient litigation and a distortion of adjunct doctrines, such as secondary liability, where keyword cases involve attempts to impose third-party liability under the guise of direct infringement suits.

³⁶ See Dogan & Lemley, *supra* note 7, at 1674 (“[T]he trademark use doctrine, properly applied, serves as a limited tool for identifying classes of behavior that cannot constitute infringement.”); Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use”*, 39 U.C. DAVIS L. REV. 371, 395-96 (2006) (“In the course of evaluating infringement and dilution claims in this new and unique setting [on the Internet], courts have too often lost sight of the important limiting function the trademark use requirement should play.”); Uli Widmaier, *Use, Liability, and the Structure of Trademark Law*, 33 HOFSTRA L. REV. 603, 708 (2004) (“[T]he misinterpretation of the trademark use requirement – or more accurately, the flat-out disregard of that requirement – has given rise to a veritable cottage industry among the courts, an entire line of cases that are wrongly decided, that impose trademark infringement liability where none exists . . .”); Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L. J. 507, 593-94 (2005) (arguing that the Lanham Act provides a trademark use requirement that needs to be applied to immunize search providers from liability).

³⁷ Dinwoodie & Janis, *supra* note 5, at 1602.

³⁸ *Id.* at 1667 (“Trademark use theory cannot be justified on a search costs rationale, and it will not provide the certainty its proponents promise. By ignoring the multivalence of trademark law, the theory threatens to undermine transparent trademark decision making. Instead, trademark law should retain its traditional preference for contextualism and should place assessments of confusion over supposedly deterministic characterizations of use.”).

³⁹ *Id.* at 1667 (“The trademark use theory is flawed. It lacks a firm foundation in existing law, and it would be counterproductive if adopted as a metaprinciple for future trademark law and policy.”).

⁴⁰ *Id.* at 1667.

⁴¹ *Id.* at 1667.

They further argue that the use theory is overly formalistic⁴² and fails to acknowledge the role of statutory defenses.⁴³ It is in this scholarly context that Dinwoodie and Janis critique the Australian trademark use test.

C. Australian Trademark Infringement Law

In Australia, only registered marks are protected under the *Australian Trade Marks Act 1995* (Cth). Trademark infringement litigation that proceeds under Section 120(1)⁴⁴ or 120(2)⁴⁵ requires the plaintiff to show “use as a trademark” by the defendant, and a level of confusing “similarity” (substantial identity or deceptive similarity) between the defendant’s and the plaintiff’s mark. The concepts of consumer confusion are embedded in the considerations of similarity. In addition, the impugned use must have a degree of “relatedness” with respect to the goods or services for which the plaintiff’s mark is registered. Section 120(3)⁴⁶ further allows the plaintiff to pursue an

⁴² *Id.* at 1605 n.35 (“However, to the extent that the trademark use theory imposes on courts a form of reasoning divorced from policy objectives, without any concomitant reduction in administrative or error costs that might provide a utilitarian basis for such a departure . . . the approach can fairly be characterized as inappropriately formalistic.”) (citations omitted).

⁴³ Dinwoodie, *supra* note 10, at 99 (“I suggest that trademark law would be better served if several of its limits were explicitly conceptualized as defenses to an action for infringement, that is, as rules permitting unauthorized uses of marks even where such uses implicate the affirmative concerns of trademark law and thus support a prima facie cause of action by the trademark owner Conceiving of limits as defenses would help ensure that the (often unstated) values underlying socially desirable third-party uses are not too readily disregarded if they happen to conflict with confusion-avoidance concerns that are historically powerful drivers of trademark protection.”).

⁴⁴ *Trade Marks Act 1995* (Cth) s 120(1) (Austl.) (“A person infringes a registered trade mark if the person uses as a trademark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trademark is registered.”).

⁴⁵ *Trade Marks Act 1995* (Cth) s 120(2) (Austl.) (“A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to: (a) goods of the same description as that of goods (*registered goods*) in respect of which the trade mark is registered; or (b) services that are closely related to registered goods; or (c) services of the same description as that of services (*registered services*) in respect of which the trade mark is registered; or (d) goods that are closely related to registered services. However, the person is not taken to have infringed the trade mark if the person establishes that using the sign as the person did is not likely to deceive or cause confusion.”).

⁴⁶ *Trade Marks Act 1995* (Cth) s 120(3) (Austl.) (“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 trademark 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.”).

infringement claim (subject to certain conditions) for use on “unrelated” goods or services if the plaintiff’s mark is “well-known.”⁴⁷ Therefore, to make out a claim for trademark infringement under Section 120(1) of the *Trade Marks Act 1995*, the plaintiff must prove that the defendant has *used* or proposes to *use*⁴⁸ in Australia, a substantially identical or *deceptively similar sign as a trademark*,⁴⁹ in relation to goods or services⁵⁰ for which the plaintiff’s mark is registered. Note that in Australia, the trademark use test requires the plaintiff to show that the defendant is using the impugned mark as a badge of origin to itself and not as an indication that the defendant’s marked goods or services somehow come from the plaintiff.⁵¹

Unlike U.S. trademark infringement law, the Australian statutory test proceeds in multiple parts and not as a multi-factor test for a single concept of “likelihood of confusion.” In the U.S., the multi-factor tests are “explicitly and uniformly applied in their respective circuits”⁵² and “district courts give every appearance of scrupulously following a basic *weighted additive* decision strategy.”⁵³ Judges are obliged to discuss all of the factors in the multi-factor test even if they are only tangential to the substance of case.⁵⁴ However, the broad elements of the Australian statutory test – use, deceptive similarity (or substantial identity), and relatedness – undergo no routinised scrutiny. For each of these elements, there are no multi-factor tests nor is there a method with

⁴⁷ *Trade Marks Act 1995* (Cth) s 120(4) (Austl.) (“In deciding, for the purposes of paragraph (3)(a), whether a trade mark is *well known in Australia*, one must take account of the extent to which the trade mark is known within the relevant sector of the public, whether as a result of the promotion of the trade mark or for any other reason.”) (emphasis original).

⁴⁸ *Trade Marks Act 1995* (Cth) s 7(4) (Austl.) (“[U]se of a trademark in relation to goods means use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods).”) Note that this provision reflects more the physical application of the mark rather than its metaphysical “use,” which is dealt with in case law.

⁴⁹ See *Trade Marks Act 1995* (Cth) s 17 (Austl.) (“A *trade mark* is a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person.”) (emphasis original).

⁵⁰ See *Trade Marks Act 1995* (Cth) s 6 (Austl.) (“goods of a person means goods dealt with or provided in the course of trade by the person.”)

⁵¹ See *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144, ¶ 43 (Austl.) holding that “[u]se ‘as a trade mark’ is use of the mark as a ‘badge of origin’ in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods . . . That is the concept embodied in the definition of ‘trade mark’ in s 17 – a sign used to distinguish goods dealt with in the course of trade by a person from goods so dealt with by someone else.” That statement should be approved.” (quoting *Coca-Cola Co v All-Fect Distributors Ltd* (1996) 96 FCR 107, 115 (Austl.)).

⁵² Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1594 (2006).

⁵³ *Id.* at 1593 (emphasis original).

⁵⁴ Note that from this Beebe was able to compute a stampeding score – a score showing the degree to which the non-relevant factors were collapsed to satisfy the outcome of the test.

which judges must examine the “use” or “deceptive similarity” elements of an infringement case. Rather, judges begin with the broad language of the statute and then apply the tests that have developed in the relevant case law. In Australia, there are no “set” factors, and if an element is irrelevant, the judge will likely not discuss it in a judgment.

Another critical difference is that in Australia, use at the time of registration is not required, and, as a general principle, trademark rights arise from registration. In contrast, in the U.S., trademark rights are generally attained by “use” or “intention to use”⁵⁵ and the scope of rights is “defined by that party’s use.”⁵⁶ However, it should be noted that Australia and the U.S. are imperfect exemplars of registration and use systems, respectively.⁵⁷ The difficulties in trying to reconcile these imperfect rights acquisition systems with laws relating to the infringement of those rights have recently been explored in both a U.S.⁵⁸ and Australian⁵⁹ context and are therefore not discussed here.

A relevant consequence of not requiring use at registration in Australia is that when determining infringement, the court may need to

⁵⁵ Trademark Law Revision Act of 1988, 15 U.S.C. §1051 (2012). For a discussion of the use and misuse of the US registration system, in particular intent-to-use applications, *see* Barton Beebe, *Is the Trademark Office a Rubber Stamp?* 48 HOUS. L. REV. 751 (2011) (finding that the number of intent-to-use and use-based applications allowed since 1989 were similar). *But see id.* at 773 (“a large proportion of [intent-to-use] applications that were published . . . failed to survive to registration . . . of these 84 percent failed because the applicant failed to file a statement of use.”).

⁵⁶ McKenna, *supra* note 8, at 779.

⁵⁷ Jane C. Ginsburg, *Response: Euro-Yearnings? Moving Toward a “Substantive” Registration-Based Trademark Regime*, 130 HARV. L. REV. FORUM 95, 97-98 (2017) (noting that the Lanham Act provides “incentives to register: perhaps most importantly by giving priority dating from filing rather than from first use in commerce, and also by making trademark rights enforceable nationwide,” but refusal does not “prevent the unsuccessful applicant from using the mark and building up goodwill protectable by unfair competition claims both at state law under section 43(a) The disparity between grounds for refusal to register and on-the-ground acquisition of rights undermines the utility of registration even as it honors the role of consumer perception in giving rise to trademark rights. Even the most significant recent development toward convergence of registration and enforceable rights in fact underscores the disconnect between the two regimes.”) (citations omitted).

⁵⁸ *See, e.g.*, Rebecca Tushnet, *Registering Disagreement: Registration in Modern American Trademark Law*, 130 HARV. L. REV. 867, 881 (2017) (“In the United States . . . we have told ourselves that both systems, registration and general protection against confusion, have the same goals and the same mechanisms. The result has been increasing tension between irreconcilable empirical and conceptual approaches to trademark problems.”).

⁵⁹ Robert Burrell, *Trademark Bureaucracies*, in TRADEMARK LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH 95, 95 (Graeme B. Dinwoodie & Mark D. Janis eds., 2009) (“One thing that is striking about these justifications [for trademark protection], however, is that they provide little explanation of trademark *registration*. This disjuncture between the standard justifications for trademark protection and the existence and operation of registered trademark systems is significant, because having a registered trademark system requires a substantial expenditure of resources.”) (emphasis original). *See also* Michael Handler & Robert Burrell, *Reconciling Use-Based and Registration-Based Rights within the Trademark System: What the Problems with Section 58A of the Trade Marks Act Tell Us*, 42 FED. L. REV. 91, 92 (2014).

construct the scope of the plaintiff's rights by assessing the plaintiff's hypothetical or potential use on the goods or services for which its marks are registered.⁶⁰ Some argue that infringement of the owner's rights (as defined by the scope of registration) is somewhat akin to the exercise of a property right under a strict liability standard.⁶¹ This is perhaps a logical outcome of the Australian Constitutional inclusion of trademarks as a species of industrial property (akin to a patent).⁶²

Another important point of distinction between Australian and U.S. trademark law is that Australian litigants typically pursue concurrent actions in common law passing off and misleading conduct under federal consumer protection statutes (typically Section 18 of the *Australian Consumer Law*).⁶³ These actions are also available to protect unregistered, common law marks and are very well developed. In Australia, passing off provides broad protection for a trader's goodwill against certain kinds of misrepresentations by others, while Section 18 of the *Australian Consumer Law*⁶⁴ prohibits misleading and deceptive conduct against consumers. In Australia, there is no general tort of unfair competition.⁶⁵ No doctrine of singular scope protects the "sweat of the brow" or the products of intellectual effort. Rather, traders need to seek relief under various "special heads"⁶⁶ of protection.

⁶⁰ See *MID Sydney Pty Ltd v Australian Tourism Co Ltd & Ors* (1998) 90 FCR 236, 245 (Austl.) ("It is true, in infringement proceedings, that the question to be asked is in one respect at least somewhat artificial: the person who may be caused to wonder is not one who knows of the actual business of the proprietor of the registered mark, the goods it produces or the services it provides, but one who is to be credited with a recollection of the mark in relation to the full range of goods or services to which the registration extends. That degree of artificiality can be justified on the ground that it is necessary in order to provide protection to the proprietor's statutory monopoly to it/s full extent.").

⁶¹ See ROBERT BURRELL & MICHAEL HANDLER, *AUSTRALIAN TRADE MARK LAW* 370 (2nd ed. 2016) (ebook) ("Thus, on its face, s 120(1) seems to set up something like strict liability. In contrast, a defendant can avoid liability under s 120(2) if it can establish that its use of the mark 'is not likely to deceive or cause confusion.'").

⁶² See *JT International SA v Commonwealth of Australia; British American Tobacco Australasia Limited v The Commonwealth* (2012) 250 CLR 1, ¶ 35 (Austl.) (per French CJ) ("Registered trade marks, designs, patents and copyright in works and other subject matter give rise to, or constitute, exclusive rights which are property to which s 51(xxxi) of the Constitution can apply. They are all rights which are created by statute in order to serve public purposes."). See also Megan Richardson, *Trade Marks and Language*, 26 SYDNEY L. REV. 193, 203 (2004) (explaining that the introduction of a formal register for trademarks is significant because it reflected the understanding at the time that a mark denoted manufacturing or trade origin, that is, as a form of industrial property).

⁶³ *Competition and Consumer Act 2010* (Cth) sch 2 s 18 (Austl.) ("(1) A person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive. (2) Nothing in Part 3-1 (which is about unfair practices) limits by implication subsection (1).").

⁶⁴ *Competition and Consumer Act 2010* (Cth) sch 2 (Austl.).

⁶⁵ See *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* (1984) 156 CLR 414 (Austl.).

⁶⁶ See *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479, 509 (Dixon J) (Austl.) (In rejecting a general tort of unfair competition, the High Court held, "[t]his is

D. Arguments for Why the US Should Adopt a Trademark Use Test

U.S. trademark use advocates argue that adoption of a use threshold could improve the efficiency of American trademark disputes. However, use critics argue that an assessment of whether the defendant has used the mark as a trademark is beleaguered by the absence of a definition of use and could dissolve into a fact-dependent consumer confusion analysis, rendering any efficiency gains nugatory.⁶⁷

Dinwoodie and Janis argue that trademark use as a limiting doctrine cannot lead to greater certainty or efficiency in infringement cases and that, historically, considerations of trademark use in the U.S. ownership context have morphed into lengthy considerations of consumers' mental associations.⁶⁸ They argue that imposing a trademark use requirement would provoke the "development of ancillary use doctrines" and these, in turn, would likely incorporate considerations of consumer association and likely confusion.⁶⁹ For example, potential disputes may arise as to whether "advertising and sales activities ... amount to trademark use" or that trademark owners may (too easily) raise "factual issues regarding consumer association or confusion as pertinent to assessments of use,"⁷⁰ returning the court to the problematic issue of "consumer confusion" that a threshold use test was supposed to cure.⁷¹

Dinwoodie and Janis also claim that international experience has shown that trademark use does not make trademark infringement litigation more efficient (i.e., by halting consideration if there is no actual use made out to the defendant). Rather, citing the Australian experience, they argue that the use threshold becomes bogged down by the same consumer-dependent inquiries that plague the consumer confusion test – for example, evidence of a consumer's mental

sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to inventions, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests, and not under a wide generalization.”).

⁶⁷ Dinwoodie & Janis, *supra* note 5, at 1646-47 (“[A] trademark use requirement will become fertile ground for the development of ancillary use doctrines, and that assessments of trademark use are likely to incorporate considerations of consumer association and likely confusion. If this were to happen, certainty would not be enhanced.”) (citations omitted).

⁶⁸ *Id.* at 1646.

⁶⁹ *Id.* at 1646.

⁷⁰ *Id.* at 1647.

⁷¹ *See id.*; McGeeveran & McKenna, *supra* note 32, at 298 (“Both of us have argued before that these efforts were doomed because they required courts to consult the very same fickle consumer perception that anchors the likelihood of confusion analysis.”).

associations of the mark, considerations of advertising, and sales activities of both parties – to establish or refute trademark use; evidence of actual confusion is sought or experts or surveys are used to identify potential confusion.⁷² Thus, the imposition of a well-defined use threshold will not lead to any efficiency gains in litigation or certainty for the parties.⁷³

Citing Australia as a cautionary tale, Dinwoodie and Janis argue that:

Recent international experience corroborates these concerns over the fact-intensive nature of trademark use. For example, the Australian Trademark Act expressly provides that a trademark is infringed only when a sign is used “as a mark.” But determining when a sign is used as a mark has proved extremely difficult. In particular, Australian courts have felt compelled to resort to contextual analysis, including evidence of actual confusion, in order to characterize the defendant’s use.⁷⁴

The authors also argue that in 2007, the European Court of Justice “seemed to endorse an approach tied closely to the factual question of confusion (or related antecedents of association).”⁷⁵ Dinwoodie and Janis use this comparative analysis to argue that “trademark use is a far more complex and fact-dependent concept than its advocates admit” and therefore would not reduce litigation costs.⁷⁶

⁷² Dinwoodie & Janis, *supra* note 5, at 1647.

⁷³ *Id.* at 1646.

⁷⁴ *Id.* at 1647 (citations omitted).

⁷⁵ *Id.* at 1648-49 (“In that case, Adam Opel AG v. Autec AG, the plaintiff car manufacturer sued a toy company that sold remote-controlled scale models of the plaintiff’s car bearing the plaintiff’s mark. The defendant argued that its use on scale model cars was not ‘use as a mark’ and, thus, was immune from liability under the German trademark statute. The Court did not say definitively whether the defendant’s use was as a matter of law of the type that came within the scope of the trademark owner’s rights. Instead the Court held that potential liability depended on whether the relevant consumer ‘perceived the sign identical to the [plaintiff’s] logo appearing on the scale models...as an indication that those products come from . . . [plaintiff] or an undertaking economically linked to it.’ This formulation is, in essence, an analysis of likely confusion or, more strictly, of antecedent consumer association that might in turn lead to confusion. The significance of Adam Opel from an American perspective is that it reinforces the lessons drawn from the Australian experience: trademark use is a requirement that ultimately will give way to an analysis of consumer association or likely confusion.” (footnotes omitted)). In Australia (unlike the German approach described above), the trademark use test requires the plaintiff to show that the defendant is using the impugned mark as a badge of origin to itself and not as an indication that those products come from the plaintiff. See *E & J Gallo Winery v. Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144, ¶ 43 (Austl.).

⁷⁶ Dinwoodie & Janis, *supra* note 5, at 1649 (“if US courts followed the same approach, the principal benefit claimed for the trademark use requirement – its purported gatekeeper function and, thus, reduced litigation costs – disappears.”) (citations omitted).

Some pro-trademark use advocates agree; for example, the most vocal pro-use scholars, Professors Stacey Dogan and Mark Lemley concede the point that when determining whether the defendants are using a sign as a mark, consumer perception needs to be assessed, thus overlapping with the much-maligned consumer confusion analysis:

While we have no doubt about the existence of a trademark use doctrine, Dinwoodie and Janis raise legitimate concerns about the potential pitfalls of applying the doctrine at the boundaries [W]e recognize that applying the use-as-a-mark requirement in every case would be counterproductive. In some cases, evaluating whether a defendant is using a mark as a trademark on its products requires inquiry into consumer perceptions about the use – an inquiry that turns on many of the same factors as the likelihood-of-confusion analysis.⁷⁷

Nevertheless, they do not consider this complaint an insurmountable hurdle and that trademark use overall would be of benefit to trademark infringement inquiry.⁷⁸ In contrast to Dogan and Lemley, Professor McKenna (while not completely embracing Dinwoodie and Janis’s arguments) has agreed that the consumer association problems that could potentially plague a trademark use inquiry render the trademark use doctrine of neutral benefit in terms of providing a predictable limit to liability.⁷⁹

E. The Goals of this Article

This article provides an empirical analysis of Australian trademark law to determine the function of the trademark use test in that jurisdiction.⁸⁰ This article will use the results to challenge and

⁷⁷ Dogan & Lemley, *supra* note 7, at 1682-83 (citations omitted). *See generally* Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L. J. 461 (2005).

⁷⁸ Dogan & Lemley, *supra* note 7, at 1673 (“Despite what Dinwoodie and Janis claim, we do not view the trademark use doctrine as a panacea, a silver bullet, or a wonder theory. Indeed, as we explore in this Article, the trademark use doctrine has significant limitations that curtail its efficacy in marginal cases. Its real importance – and the place where the theory is gaining some traction – is in curtailing an utterly new form of trademark claim against parties that do not promote their own products or services under the protected mark.”).

⁷⁹ McKenna, *supra* note 8, at 828 (“Trademark law is in desperate need of a reliable limiting principle. Unfortunately, trademark use is not capable of filling that role. Although the Lanham Act does condition liability on a defendant making a source-indicating use of the plaintiff’s mark, source indication, like virtually everything else in trademark law, can be determined only from the perspective of consumers. In fact, it is precisely this reliance on consumer understanding, and not courts’ failure to apply a robust trademark use doctrine, that is responsible for trademark law’s perpetual expansion.”).

⁸⁰ This article is drawn from a larger work in which all aspects of Australian trademark infringement were examined. *See* Vicki T. Huang, *A 20-Year Empirical Investigation of Trade Mark Infringement Litigation in Australian Courts*, 41 SYDNEY L. REV. (forthcoming 2019).

interrogate aspects of the U.S. trademark use debate. There are two specific, interrelated goals. First, to examine whether the application of the trademark use test results in efficiency gains compared with cases that proceed to assessments of deceptive similarity; second, to look more closely at how trademark use is determined by Australian courts – specifically, to examine whether reasoning surrounding the trademark use test involves considerations of factors inherent or exogenous to the marks themselves. For example, in assessing trademark use, do Australian courts (as suggested by Dinwoodie and Janis) rely on labor-intensive considerations of advertising and sales evidence or measures of consumer confusion from witnesses or surveys? Such considerations determine the value of the gatekeeper function of a trademark use test.

I. METHODS

This article conducts a systematic content analysis⁸¹ of all Australian infringement decisions under Section 120 of the *Trade Marks Act 1995* reported over a twenty-year period (January 1, 1996 through January 1, 2016) – 78 cases. Details regarding case selection and coding of the decisions are set out in Appendix A.⁸² The methods used in this article were inspired by Barton Beebe’s empirical study of U.S. trademark infringement law.⁸³

II. RESULTS

The structure of the Section 120 inquiry sets out four core elements: (1) trademark use by the defendant, (2) substantial identity, (3) deceptive similarity with the plaintiff’s registered mark, and (4) relevant similarity of goods and/or services. A logistic regression of 78 cases reveals that the most relevant elements for predicting a Section 120 win in a single variable model⁸⁴ is trademark use ($p < 0.001$) and deceptive similarity ($p < 0.001$). Courts did not significantly engage with considerations of substantial identity ($p = 0.401$) or similarities between goods and services ($p = 0.323$) in their written judgments.

⁸¹ See Mark A. Hall & Ronald F. Wright, *Systematic Content Analysis of Judicial Opinions*, 96 CAL. L. REV. 63, 65-66 (2008) (“Content analysis works best when the judicial opinions . . . hold essentially equal value . . . [C]onventional legal scholarship analyzes issues presented in one case or a small group of exceptional or weighty cases, content analysis works by analyzing a larger group of similarly weighted cases to find overall patterns.”).

⁸² Also note recently published work based on the same data set. See Huang, *supra* note 80.

⁸³ See Beebe, *supra* note 52, at 1586.

⁸⁴ Multiple variable models factor in the co-linearity between variables.

For the 49 (out of 78) cases where trademark use was discussed, chi-square tests of association⁸⁵ and frequency tables were performed. It was found that when a court found the defendant was *not* using the impugned sign as a trademark, the plaintiff lost the case 100 percent of the time (20 of 20 cases). When the judge found positive use, that is, that the defendant was using the impugned sign as a trademark, the plaintiff won 83 percent of the time (24 of 29 cases). In the five cases where the court found the defendant was using the impugned sign as a mark but the plaintiff still lost, this was because the plaintiff failed a subsequent element, for example, deceptive similarity.

Overall, the results confirmed what is prescribed by the statute – if there is no trademark use by the defendant, the plaintiff will always lose. These findings generate the following questions: if use is so important, does use as a threshold ultimately lower the hearing days? Further, what factors do judges use to make a use determination?

A. *Trademark Use and Effect on Hearing Days*

From a close reading of the cases, consistent with previous studies,⁸⁶ it became apparent that most Section 120 cases turned on one or two significant issues – notably trademark use or deceptive similarity, meaning one main element was generally dispositive of the case. For example, if the judge could dispose of the case early by finding the respondent had not “used” a mark as a trademark, the judge did not tend to discuss deceptive similarity in depth.⁸⁷ In such

⁸⁵ Chi-square = 32.73, df = 2, $p < 0.001$ for association between trade mark use yes/no/NA and Section 120 win/loss.

⁸⁶ See Jason Bosland, Kimberlee Weatherall & Paul Jensen, *Trade Mark and Counterfeit Litigation in Australia*, 2006 INTEL. PROP. Q. 347, 354-55 (“We collected data on the outcome of each decision . . . separately recording the outcome on *infringement* and *validity* of each trademark in dispute.”) (emphasis original); *id.* at 364 (“What we see in this data is that two grounds frequently arose in original proceedings: first, whether the infringing sign was ‘deceptively similar’, and secondly, whether the alleged infringer’s sign was being ‘used as a trademark.’ Notably, these grounds mirror the most common grounds raised on appeal: the most frequent infringement issues raised (either successfully, or unsuccessfully) on appeal was whether the infringing sign was ‘deceptively similar’ to the registered trademark (six instances), followed closely by the question of whether the infringing sign was used ‘as a trademark’ (four instances). One reason why these two grounds dominate is that most other grounds are tailored to very specific circumstances – the issue of deceptive similarity will usually be one which parties in a non-counterfeiting case can contest.”) (citations omitted).

⁸⁷ There were seven cases where the judge found no trademark use but went on to discuss deceptive similarity for reasons of thoroughness or in case of appeal. See, e.g., *Lift Shop v Easy Living Home Elevator* (2013) 103 IPR 511, ¶ 46 (Austl.) (where the court found no use and that “[t]hat conclusion makes it unnecessary to deal in detail with the case alleging deceptive similarity. However, some short observations [regarding deceptive similarity] are in order.”); see also *Sanitarium Health Food v Irrewarra Sourdough* (2012) 292 ALR 101, ¶ 38 (Austl.); *Nature’s Blend v Nestlé Australia* (2010) 87 IPR 464, ¶¶ 24, 33 (Austl.); *Sebel Furniture Ltd v Acoustic &*

circumstances, it could be said the case “turned on” use. An in-depth look at each case was conducted to code each case for whether it “turned on” a main element. This allowed for classification of cases into mutually exclusive categories.

Table 1 Case Turns on a Main Legal Element by Hearing Days

	<i>Use</i>	<i>Deceptive Similarity</i>	<i>Relatedness of Goods/Services</i>	<i>Combination of Elements</i>
No. of cases	27	27	10	14
Total hearing days	84	117	27	64
Average hearing days	3.1	4.3	2.7	4.6

Table 1 shows that cases that turned on the threshold issue of use took 3.1 hearing days on average. In contrast, cases that turned on deceptive similarity took 4.3 days to hear, which was 39 percent longer than cases that resolved on use. This was not surprising given that use is a “threshold test” prior to analysis of deceptive similarity. However, the point is that contrary to U.S. critics’ arguments, “use” did not prolong the hearing of a case. This begs the question, why? The next section looks more closely at judicial reasoning regarding trademark use in Australia.

B. What Factors Predict Trademark Use?

As discussed earlier, in Australia there is no multi-factor test to assess trademark infringement or its elements, such as trademark use. Therefore, for the purpose of this study, a multi-factor approach to “use” was constructed from the language of the statute and cases focused on use. These cases included those in relation to word marks used on packaging,⁸⁸ shape marks where functionality impacts

Felts Pty Ltd (2009) 80 IPR 244, ¶ 162 (Austl.); *Agapitos v Habibi* [2014] WASC 47, ¶ 68 (Austl.); *Mid Sydney Pty Ltd v Australian Tourism Co Ltd* (1998) 42 IPR 561 (Austl.); *Top Heavy Pty Ltd v Killin* (1996) 34 IPR 282 (Austl.).

⁸⁸ See, e.g., *Nature’s Blend*, 87 IPR 464 ¶19 (where the Full Court listed important factors as follows: “Use as a trademark is use of the mark as a ‘badge of origin,’ a sign used to distinguish goods dealt with in the course of trade by a person from goods so dealt with by someone else”) (citations omitted); *Johnson & Johnson Aust Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326, 347 (Austl.) (“A mark may contain descriptive elements but still be a ‘badge of

assertions of use⁸⁹, and Internet cases where use has been discussed in the context of domain name registration,⁹⁰ meta-tags, and keywords.⁹¹ Although many factors were initially hypothesized, some overlapped or were found to be redundant. The six key constructed factors retained for analysis are described below.

1. Factor #1: Immediate Context

In an Australian infringement case, the main “use” question for the court is whether that mark is being used as a badge of origin. The foundational case of *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (hereinafter *Oil Drop Case*)⁹² dictates that context is

origin.’”); *Shell Co of Aust v. Esso Standard Oil Ltd* (1963) 109 CLR 407, 422 (Austl.); *Anheuser-Busch Inc v Budejovicky Budvar* (2002) 56 IPR 182, ¶ 186 (Austl.) (“In determining the nature and purpose of the impugned words, the court must ask what a person looking at the label would see and take from it.”).

⁸⁹ See *Global Brand Marketing Inc v YD Pty Ltd* (2008) 76 IPR 16, ¶¶ 61-64 (Austl.) (where Sundberg J set out the principles relevant to the use of a shape as a trademark as follows: “The principles relevant to use of shape as a trademark are now set out. a) A special shape which is the whole or part of goods may serve as a badge of origin. However, the shape must have a feature that is ‘extra’ and distinct from the inherent form of the particular goods b) Non-descriptive features of a shape point towards a finding that such features are used for a trademark purpose. Where features are striking, trademark use will more readily be found. For example, features that make goods more arresting of appearance and more attractive may distinguish the goods from those of others c) Descriptive features, like descriptive words, make it more difficult to establish that those features distinguish the product. For example, the word COLA or an ordinary straight walled bottle are descriptive features that would have limited trademark significance. . . . d) Where the trademark comprises a shape which involves a substantial functional element in the goods, references to the shape are almost certainly to the nature of the goods themselves rather than use of the shape as a trademark For example, evidence that a shape was previously patented will weigh against a finding that the shape serves as a badge of origin e) If a shape or a feature of a shape is either concocted compared to the inherent form of the shaped goods or incidental to the subject matter of a patent, it is unlikely to be a shape having any functional element. This may point towards the shape being used as a trademark f) Whether a person has used a shape or a feature of a shape as a trademark is a matter for the court, and cannot be governed by the absence of evidence on the point g) Context ‘is all important’ and will typically characterise the mark’s use as either trademark use or not”) (citations omitted).

⁹⁰ See *Mantra Group Pty Ltd v Tailly Pty Ltd [No. 2]* (2010) 183 FCR 450, ¶ 50 (Austl.) (where Reeves J said “It has been doubted whether the mere registration of a domain name containing the words of a trademark constitutes the use of those words as a trademark for the purposes of s 120 of the *Trade Marks Act*. However, if the registered domain name is linked to a website that contains advertising material that promotes goods or services in relation to which the trademark is registered, this combination of use could constitute use as a trademark under s 120 of the *Trade Marks Act*. This is all the more so if the advertising material on the website also uses the words of the trademark to promote the goods or services concerned. In considering whether these situations constitute trademark use, it will be necessary to apply the general principles set out above to the particular circumstances.”).

⁹¹ See, e.g., *Accor Australia & New Zealand Hospitality Pty Ltd v Liv Pty Ltd* (2017) 112 IPR 494 (Austl.); *Complete Technology Integrations Pty Ltd v Green Energy Management Solutions Pty Ltd* [2011] FCA 1319 (Austl.).

⁹² *Shell Co*, 109 CLR 407.

“all important.”⁹³ In this article, context means immediate context of the mark, that being “the totality of the packaging, including the way in which the words are displayed in relation to the goods and the existence of a label of a clear and dominant brand”⁹⁴ or if “the sign is used in advertising, the relevant context will include the surrounding text.”⁹⁵ What the defendant is using as its mark can refer to the “positioning of the sign, the type of font, the size of words or letters and the colors which are used, as well as how the sign is applied to advertising materials or the packaging of the goods in relation to other features.”⁹⁶

The existence of a label that includes a clear and dominant brand (that of the defendant) alongside an impugned mark may also be relevant in determining the “purpose and nature of the impugned words”.⁹⁷ For example, in *Beecham Group Plc v Colgate-Palmolive Pty Ltd*,⁹⁸ the plaintiff’s impugned mark was MACLEANS and the defendant’s use included a label presenting COLGATE MAXCLEAN.⁹⁹ Use of indicia, such as capital letters, to emphasize a word may also be relevant.¹⁰⁰ Assessment of the immediate context of use can be contrasted with external context discussed below.

2. Factor #2: External Context

One of the U.S. critiques of the Australian use test was that “Australian courts have felt compelled to resort to contextual analysis, including evidence of actual confusion, in order to characterize the defendant’s use.”¹⁰¹ This could include, for example, evidence of a consumer’s mental associations of the mark, considerations of advertising and sales activities of both parties to establish or refute trademark use, finding evidence of actual confusion or use of experts or surveys to identify potential confusion. The alleged judicial reliance on context was said to defeat the purpose of a trademark use threshold, meaning it would not lead to any efficiency gains in litigation or

⁹³ *Id.* at 422 (per Kitto J).

⁹⁴ *Nature’s Blend v Nestlé Australia* (2010) 87 IPR 464, ¶ 19 (Austl.).

⁹⁵ *Veda Advantage Ltd v Malouf Group Enterprises Pty Ltd* (2016) 241 FCR 161, ¶115 (Austl.).

⁹⁶ *Christodoulou v Disney Enterprises Inc* (2005) 156 FCR 344, ¶ 35 (Austl.).

⁹⁷ See *infra* II. B. 5. Factor #5: Purpose and Nature of Use.

⁹⁸ *Beecham Group Plc v Colgate-Palmolive Pty Ltd* (2005) 66 IPR 254 (Austl.).

⁹⁹ *Id.* See also *Johnson & Johnson Aust Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 (Austl.) (where the plaintiff’s mark was CAPLETS and the defendant’s use included TYLENOL CAPLETS); *Anheuser-Busch Inc v Budejovicky Budvar* (2002) 56 IPR 182 (Austl.) (where one of the plaintiff’s marks was BUDWEISER and one of the defendant’s labels presented BUDWEISER BUDVAR).

¹⁰⁰ See *Pepsico Australia Pty Ltd & Anor v Kettle Chip Co Pty Ltd* (1996) 135 ALR 192 (Austl.).

¹⁰¹ See Dinwoodie & Janis, *supra* note 5, at 1647.

certainty for the parties.¹⁰² Determining whether Australian courts actually rely on this type of context to determine use can challenge this claim.

This factor is different from immediate context because it captures context that is less proximate to the trademark itself. Factor 2 external context refers to exogenous context that is far removed from the physical mark itself, such as evidence of sales and marketing budgets or considerations of industry practice. An Australian example of external context analysis can be seen in the case of *Veda Advantage Ltd v Malouf Group Enterprises Pty Ltd*¹⁰³ where the court noted in its use analysis that the plaintiff's marks could be purchased as keywords by the general public, including by the defendant and other competitors. Purchase of the plaintiff's marks triggered sponsored and organic links to many companies, including to that of the defendant, its competitors, and the plaintiff. These facts were held to be "far from determinative" but "not irrelevant" to the finding that purchasing keywords of the plaintiff was not trademark use but merely a reflection of industry practice.¹⁰⁴ Trademark use "critics" might see this reasoning as opening the door to litigants introducing evidence of exogenous factors (such as the market for keywords), thereby extending the length and costs of litigation.

3. Factor #3: Reputation

Another type of external context includes considerations of the level of fame of the plaintiff or its marks. Factor 3 relates to considerations of fame, renown, or reputation of the parties or their marks. This is analysed as a separate factor because there has been concern even among Australian scholars that reputation should not be considered when discussing a defendant's use.¹⁰⁵ For example, Professor Mark Davison has criticized the court's consideration of the renown of the plaintiff's mark in considering whether the defendant had used the mark "BSS" in the case of *Alcon Inc v Bausch & Lomb (Australia) Pty Ltd*.¹⁰⁶ In *Alcon*, the court held the reputation of the mark affected whether a consumer would see the defendant's use of "BSS" as a trademark or as a descriptive industry acronym for "balanced salt solution."

¹⁰² See Dinwoodie & Janis, *supra* note 5, at 1646.

¹⁰³ *Veda Advantage Ltd v Malouf Group Enterprises Pty Ltd* (2016) 241 FCR 161 (Austl.).

¹⁰⁴ *Id.*, ¶ 124 (Katzmann J).

¹⁰⁵ Mark Davison, *Reputation in Trademark Infringement: Why Some Courts Think It Matters and Why It Should Not*, 38 FED. L. REV. 231, 240-41 (2010).

¹⁰⁶ *Alcon Inc v Bausch & Lomb (Australia) Pty Ltd* (2009) 83 IPR 210 (Austl.).

4. Factor #4: Consumer Confusion

This factor examines whether there is a lengthy, “fact intensive” consideration of consumer association and likely confusion, which, as Dinwoodie and Janis allege, includes “evidence of actual confusion, in order to characterize the defendant’s use.”¹⁰⁷ The type of confusion relevant to this factor is narrowly defined. While consumer confusion in relation to deceptive similarity is a statutory requirement, confusion in relation to the question of whether the defendant is using its mark as a trademark is a different question. For example, if the court needs to determine whether PUMA is being used as a trademark on a defendant’s T-shirt, do they consider evidence that consumers were confused as to whether the use of PUMA was related to the famous sportswear brand or as a reference to a big jungle cat (a non-trademark descriptive use)?

5. Factor #5: Purpose and Nature of Use

This factor relates to whether the nature of the defendant’s use is actionable trademark use or whether the defendant’s use was descriptive,¹⁰⁸ functional,¹⁰⁹ common to the trade,¹¹⁰ or an otherwise non-infringing use of the impugned mark. Conversely, distinctive markings and invented words or phrases tend to indicate the sign is being used as a trademark.¹¹¹ Note that “purpose” does not refer to the subjective intention of the alleged infringer.¹¹² Rather, per the *Oil Drop Case*,¹¹³ the question of purpose and nature is an objective inquiry. First, “did the court consider the objective purpose and nature of the impugned use?” (yes/no); if so, “did the court find it favored a finding of trademark use?” (yes/no/not discussed).

¹⁰⁷ See Dinwoodie & Janis, *supra* note 5, at 1647.

¹⁰⁸ Descriptive features, like descriptive words, make it more difficult to establish that those features distinguish the product. For example, the word COLA or an ordinary straight walled bottle are descriptive features that would have limited trademark significance. See *Mayne Industries Pty Ltd v Advanced Engineering Group Pty Ltd* (2008) 75 IPR 102, ¶¶ 61-62 (Austl.); *Coca-Cola Co v All-Fect Distributors Ltd* (1996) 96 FCR 107, ¶ 25 (Austl.).

¹⁰⁹ See *Global Brand Marketing Inc v YD Pty Ltd* (2008) 76 IPR 16, ¶ 54 (Austl.).

¹¹⁰ *Trade Marks Act 1995* (Cth) s 219 (Austl.) (permitting evidence of such trade usages to be adduced in trademark actions or proceedings).

¹¹¹ See, e.g., *Beecham Group Plc v Colgate-Palmolive Pty Ltd* (2005) 66 IPR 254, ¶ 47 (Austl.).

¹¹² See *Sports Break Travel Pty Ltd v P & O Holidays Ltd* (2000) 50 IPR 51, ¶ 14; *Aldi Stores Ltd Partnership v Frito-Lay Trading Co GmbH* (2001) 190 ALR 185.

¹¹³ *Shell Co of Aust v. Esso Standard Oil Ltd* (1963) 109 CLR 407, 422 (Austl.).

6. Factor #6: Policy Considerations

In Australia, “[t]rade mark use is a highly malleable instrument. Often it is employed to secure important policy objectives.”¹¹⁴ For example, attempts to extend a patent monopoly over a shape by way of trademark law will be considered unfavorably. That is, “evidence that a shape was previously patented will weigh against a finding that the shape [now] serves as a badge of origin.”¹¹⁵ Whether the court makes express policy considerations is noted under this factor.

a. Multi-Factor Model Relating to Trademark Use

There were 49 cases in which there was more than a negligible discussion of use.¹¹⁶ Because there were only 49 cases in the sample and six variables of interest, a regression analysis was not appropriate. Instead, individual chi-square tests of association were performed. To maintain a conservative approach appropriate to the small sample size, the p -value of interest was reduced to $p \leq 0.01$.

¹¹⁴ BURRELL & HANDLER, *supra* note 61, at 385.

¹¹⁵ *Global Brand Marketing Inc v YD Pty Ltd* (2008) 76 IPR 16, ¶ 61 (Austl.) (citing *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90, ¶ 12 (Austl.); *Mayne Industries Pty Ltd v Advanced Engineering Group Pty Ltd* (2008) 75 IPR 102, ¶ 69 (Austl.)).

¹¹⁶ Noting that the balance of the cases proceeded directly to another part of Section 120, such as deceptive similarity.

Table 2 Association Between Factors and Trademark
Use*

<i>Use Factor</i>	<i>P-value for Chi-Square</i>	<i>Chi-Square Value</i>
Factor 1: Immediate context	< 0.001	19.24
Factor 2: External context	0.008	8.71
Factor 3: Reputation	1.000	0.21
Factor 4: Consumer confusion	0.659	1.04
Factor 5: Purpose and nature of use	< 0.001	13.18
Factor 6: Policy considerations	0.004	10.28

*df = 2, n = 49, chi-square performed with 4,999 permutations

Noting the shaded rows in the table above, “immediate context” and “purpose and nature” were statistically significant, having p values < 0.001. The results also show that a third factor, “policy considerations,” was associated with a trademark use finding ($p = 0.004$).

To examine how these three factors affected the trademark use inquiry and whether that impact was positive or negative, frequency tables were constructed. These examined whether the judge found the factor (e.g., immediate context) relevant to the use inquiry and compared this with whether trademark use was found. The frequency tables and results of the chi-square test are shown in Table 3.

Table 3 Frequency Cross Table for Factors that Influenced Use

<i>TM Use Outcome</i>	<i>Factor 1: Immediate Context</i>			Chi-Sq	<i>p</i> value
	Not Relevant	No	Yes		
No TM Use	5	14	1	19.24	< 0.001
Yes TM Use	16	3	10		
Count	21	17	11	49	

<i>TM Use Outcome</i>	<i>Factor 5: Purpose and Nature of Use</i>			Chi-Sq	<i>p</i> value
	Not Relevant	No	Yes		
No TM Use	12	8	0	13.18	< 0.001
Yes TM Use	22	1	6		
Count	34	9	6	49	

<i>TM Use Outcome</i>	<i>Factor 6: Policy Considerations</i>			Chi-Sq	<i>p</i> value
	Not Relevant	No	Yes		
No TM Use	13	6	1	10.28	0.004
Yes TM Use	25	0	4		
Count	38	6	5	49	

* $df = 2$, $n = 49$, chi-square performed with 4,999 permutations

Regarding “immediate context,” Table 3 shows that where a judge provided negative commentary on the surrounding immediate context of the mark, no trademark use was found 82 percent of the time (14 out of 17 cases). Where there was positive discussion of the context of the impugned mark, the judge found trademark use 91 percent of the time (1 out of 11 cases). In other words, a finding on the immediate context factor heavily influenced a finding for or against trademark use.

With regard to “purpose and nature,” where the judge found the objective purpose of the defendant’s sign was that it be used as a mark, the judge found trademark use 100 percent of the time (6 out of 6 cases). Where the purpose and nature of the mark was not trademark use, the judge found no trademark use 89 percent of the time (8 out of 9 cases). This would indicate that a finding on the purpose and nature of the defendant’s use is also reasonably dispositive of the use inquiry.

With regard to “policy,” there were 11 of 49 cases where a policy objective was clearly articulated in relation to trademark use. Where the policy discussion veered against trademark use – for example,

where the court expressed concern over illegitimate monopolies¹¹⁷ – the court found against trademark use 100 percent of the time (6/6 cases). Where the policy issue did not find against use, the court found trademark use 80 percent of the time (4/5 cases).

b. Factors with Less Influence on Trademark Use

Given the small sample size, a conclusion that factors are irrelevant should not be inferred. Rather, the statistics reveal that some factors have little association or predictive strength when they are the subject of judicial reasoning in relation to trademark use.

¹¹⁷ *Mayne Industries Pty Ltd*, 166 FCR 312 (which involved a prior patent for an “S” shaped fence dropper); *Christodoulou v Disney Enterprises Inc* (2005) 156 FCR 344 (Austl.) (where the plaintiff attempted to monopolize a book title, “The Hunchback of Notre Dame”); *Koninklijke Philips Electronics NV*, 91 FCR 167 (where the plaintiff tried to protect a functional shaver head shape).

Table 4 Frequency Cross Table for Factors that were Less Influential on Use

<i>TM Use Outcome</i>	<i>Factor 2: External Context</i>			Chi-Sq	<i>p</i> value
	Not Relevant	No	Yes		
No TM Use	12	7	1	8.71	0.008
Yes TM Use	25	1	3		
Count	37	8	4	49	

<i>TM Use Outcome</i>	<i>Factor 3: Reputation</i>			Chi-Sq	<i>p</i> value
	Not Relevant	No	Yes		
No TM Use	17	2	1	0.21	1.000
Yes TM Use	25	2	2		
Count	42	4	3	49	

<i>TM Use Outcome</i>	<i>Factor 4: Consumer Confusion</i>			Chi-Sq	<i>p</i> value
	Not Relevant	No	Yes		
No TM Use	13	5	2	1.04	0.659
Yes TM Use	21	4	4		
Count	34	9	6	49	

* $df = 2$, $n = 49$, chi-square performed with 4,999 permutations

Table 4 shows that these factors were not associated with a trademark use outcome: “reference to external context” ($p = 0.008$); “reputation of the mark or the parties” ($p = 1.000$), and “reference to consumer confusion” ($p = 0.659$). In the cases where comments were made with regard to external context, reputation, or confusion, the court’s decision on use could be either positive or negative. In other words, these factors were not influential or not strongly predictive of a trademark use outcome.

C. Summary of Results

In summary, a regression analysis of all 78 cases showed that trademark use and deceptive similarity were determinative elements in Section 120 trademark infringement litigation. Further analysis revealed trademark use cases resolved 39 percent more quickly than cases that went on to consider the question of deceptive similarity. Turning to the subset of 49 cases where trademark use was discussed, three factors were predictive of a trademark use finding: an assessment

of the immediate context of the mark, the purpose and nature of the defendant's use, and consideration of policy issues. In general, the approach of the court was to look at the immediate context of the mark, such as the surrounding packaging. Then the court objectively determined the purpose and nature of that use, such as descriptive, decorative, or trademark use. Courts then discussed any policy considerations in relation to infringing use. In contrast, there was little consideration (or equivocal consideration) of factors relating to the external context of the mark, the reputation of the parties or their marks, or considerations of consumer confusion.

It is significant that the two main factors the courts considered – immediate context and purpose and nature – relate to the inherent nature of the mark. It is argued here that the court's containment of reasoning to endogenous factors keeps the trademark use assessment efficient by attaching the inquiry to an object (i.e., the impugned mark) to which both sides can identify.

Interestingly, a discussion of policy issues correlated with the outcome of trademark use. These cases involved policy issues relating to descriptive words,¹¹⁸ test cases involving Internet use,¹¹⁹ shape marks,¹²⁰ illegitimate monopolies,¹²¹ certifications,¹²² and disclaimers.¹²³ In making these policy determinations, courts expressly stated their objective, for example, that monopolies over functional shapes are wrong.¹²⁴ Australian courts did not gloss their reasoning

¹¹⁸ See, e.g., *Australian Health and Nutrition Association Ltd v Irrewarra Estate Pty Ltd* (2012) 292 ALR 101 (Austl.) (litigating over the use of the word GRANOLA); *South Australian Brewing Co Pty Ltd v Carlton & United Breweries Ltd* (2001) 185 ALR 719 (Austl.) (litigating over the use of the word SHOWDOWN).

¹¹⁹ See, e.g., *Complete Technology Integrations Pty Ltd v Green Energy Management Solutions Pty Ltd* [2011] FCA 1319 (Austl.) (involving meta-tags); *Ward Group Pty Ltd v Brodie & Stone Plc* (2005) 143 FCR 479 (Austl.) (involving sale of goods via the Internet); *Buchanan Group Pty Ltd v Sorgetti* [2002] FCA 1646 (Austl.) (involving cyber-squatting).

¹²⁰ See, e.g., *Sebel Furniture Ltd v Acoustic & Felts Pty Ltd [No 2]* (2009) 80 IPR 244 (Austl.) (where the plaintiff tried to claim infringement of a chair shape).

¹²¹ See, e.g., *Mayne Indus Pty Ltd v Advanced Eng'g Group Pty Ltd* (2008) 166 FCR 312 (Austl.) (which involved a prior patent for an "S" shaped fence dropper); *Christodoulou v Disney Enter Inc* (2005) 156 FCR 344 (Austl.) (where the plaintiff attempted to monopolize a book title, "The Hunchback of Notre Dame"); *Koninklijke Philips Elec NV v Remington Products Australia Pty Ltd* (1999) 91 FCR 167 (Austl.) (where the plaintiff tried to protect a functional shaver head shape).

¹²² See, e.g., *Halal Certification Authority Pty Ltd v Scadilone Pty Ltd* (2014) 107 IPR 23 (illegitimate halal certifications).

¹²³ See, e.g., *Edgetec Int'l Pty Ltd v Zippykerb (NSW) Pty Ltd* (2012) 98 IPR 1 (Austl.).

¹²⁴ See, e.g., *Sebel Furniture Ltd v Acoustic & Felts Pty Ltd [No 2]* (2009) 80 IPR 244, ¶ 144 (Austl.) ("A shape cannot function as a trade mark if it is something that other traders may legitimately wish to use either because it is inherent to the particular goods (i.e. it is *of their nature*) or because it provides some technical or functional benefit to the goods.") (emphasis original) (citing *Koninklijke Philips Elec NV v Remington Products Australia Pty Ltd* (1999) 91

with strained concerns for consumer confusion. This is perhaps another benefit of having a use threshold that is separate from a “confusing similarity” or “likelihood of confusion” test.

III. DISCUSSION AND CONCLUSION

Acknowledging that the U.S. trademark use debate touches on many unique aspects of U.S. trademark law – such as an extensive “trademark rights from use” jurisprudence, for which no parallel exists in Australia¹²⁵ – this article defends the Australian trademark use test from Dinwoodie and Janis’s critique and provides some discussion of why the test works in Australia. Dinwoodie and Janis claim, “Australian courts have felt compelled to resort to contextual analysis, including evidence of actual confusion, in order to characterize the defendant’s use.”¹²⁶

However, analysis of the cases in this data set show that the determinative factors of use are actually endogenous to the marks themselves. While there is some contextual analysis, the persuasive analysis is not the exogenous context proscribed by Dinwoodie and Janis. Instead, Australian courts typically assess use with reference to the immediate context of the mark and then assess whether the objective purpose of the use is as a badge of origin. If courts discuss factors outside the inherent features of the mark (such as evidence of confusion), such assessments are generally not determinative of the trademark use question. Moreover, the data reveals that the Australian trademark use test is operating as an effective threshold test or limiting doctrine. The determination of trademark use (particularly a finding of the absence of trademark use by the defendant) allows cases to resolve before a lengthy discussion of similarity between the marks is required. Thus, cases that turn on use resolve 39 percent more quickly than cases that pass through a subsequent deceptive similarity analysis.

This article posits that there are three distinctive features of the Australian trademark system that make a trademark use threshold successful as an efficiency tool in Australia. First, the concept of a trademark as property and the underlying idea of infringement as akin

FCR 167 (Austl.); *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* (2002) 122 FCR 494, ¶ 137 (Austl.) (“Were the 1995 Act to enable the registration of a trade mark that would give the owner a monopoly over functional features it would indeed have made a radical change to trade mark law.”).

¹²⁵ As an example of a jurisdiction specific, trademark rights by use discussion, *see* Dinwoodie & Janis, *supra* note 5, at 1643 (discussing developments of ancillary use doctrines, such as token use in the context of establishment of rights cases, to illustrate the point that use “is no prescription for determinacy.”).

¹²⁶ *Id.* at 1647.

to a strict liability harm. In Australia, unlike the U.S., a trademark is defined as a species of intellectual property in the Constitution akin to copyright and patents.¹²⁷ As a proprietary right, it can be argued that infringement under Section 120(1) has historically been akin to trespass. Thus, correction of confusion prior to sale (as with correcting a physical trespass to land), has been irrelevant to a finding of statutory trademark infringement although remedial mitigation may relate to damages. This proprietary concept leaves little room for reliance on consumer confusion to establish the wrong.

A second difference is the absence of a general tort of unfair competition in Australia. In the U.S., trademark law sits under a broader head of unfair competition law (which has a strong focus on preventing consumer confusion) and which McKenna argues makes U.S. trademark law inherently unstable.¹²⁸ The absence of a broad doctrine of unfair competition in Australia has meant that trademark jurisprudence has developed in line with doctrines relating to industrial property.

The third distinctive aspect has been access to alternative “special heads” of protection¹²⁹ in the form of unfair competition such as passing off and Section 18 of the *Australian Consumer Law*.¹³⁰ These causes of action privilege arguments around consumer confusion as to trade source or confusion as to sponsorship or licensing. Access to these collateral claims removes the pressure from statutory trademark law to expand under the rhetoric of consumer confusion.

These distinctive features of the Australian trademark system (and the utility of a trademark use threshold test) can be seen when comparing litigation relating to trademarks and the Google Ads system. Dogan points out that much of the US trademark use debate centers on the use and misuse of the Google Ads system.¹³¹ In the U.S., courts have strained to craft novel doctrines – such as initial interest confusion

¹²⁷ See *supra* note 62 and accompanying text.

¹²⁸ See generally Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. BULLETIN 63 (2009).

¹²⁹ See *Victoria Park Racing and Recreation Grounds Co Ltd v Taylor* (1937) 58 CLR 479, 509 (Dixon J) (Austl.) (“This is sufficiently evidenced by the history of the law of copyright and by the fact that the exclusive right to inventions, trade marks, designs, trade name and reputation are dealt with in English law as special heads of protected interests, and not under a wide generalization.”).

¹³⁰ *Competition and Consumer Act 2010* (Cth) sch 2 s18 (Austl.). Out of the 78 cases studied, 52 cases included collateral claims. For more detailed analysis into the reasons and efficacy of collateral claiming, see Huang, *supra* note 80.

¹³¹ Dogan, *supra* note 20, at 137 (“Virtually all of the scholars who oppose a trademark use doctrine have voiced the same fear – that a trademark use requirement would give search engines (or, let’s be honest, Google) *carte blanche* to adopt advertising practices that purposefully deceive consumers.”). Note that GoogleAds were formerly known as “Google AdWords” until July 25, 2018.

– to deal with the potential misdirection from use of another’s trademarks as a metatag, keyword, or Google Ad keyword.

The Google Ads program allows a potential defendant to buy a plaintiff’s trademark via auction as a “keyword,” so that when a consumer searches using that plaintiff’s mark, Google may return results that highlight the defendant’s URL at the top or side of the search-page, typically distinguished via shading, or the words “Ad” or “sponsored”. Upon reviewing the search results, the consumer may be diverted and click on the defendant’s URL rather than the plaintiff’s. A plaintiff wanting to pursue the defendant or Google in this scenario would not be able to do so under Australian statutory trademark law because of the trademark use threshold.

For example, the plaintiff would have to show that the defendant’s use (of the plaintiff’s trademark) in the Google Ad system was being seen by the consumer as a form of trademark use by the defendant. However, the fact that the consumer cannot see the transaction between the defendant and Google means there is no relevant trademark use between the defendant and the consuming public. In addition, when looking at the defendant’s representations to Google, such as their auction bids on the plaintiff’s trademarks that would be visible to Google, the defendant’s use of the plaintiff’s trademark would not be considered use as a badge of origin.

To find Google (as opposed to the defendant) liable for trademark infringement, a plaintiff would have to show that Google, either by operating its Google Ad auctions or displaying ads generated by the auctions, was using the plaintiff’s mark as a trademark to indicate source to itself. It is difficult to imagine a scenario where a consumer would ever see this use as trademark use by Google. Even if the consumer did see the mark (for example, if the plaintiff’s trademark appeared on screen in juxtaposition with the defendant’s goods), the consumer would not interpret the use of that trademark as use by Google as Google’s own badge of origin.¹³²

The trademark use test means that cases against intermediaries such as Google must pursue a different legal path. In Australia, that well-beaten path is either under passing off, or a misleading and deceptive conduct claim under Section 18 of the *Australian Consumer Law*, or both. In Australia, cases against intermediaries, such as Google, have been brought in Australian courts under these flexible (yet demanding) causes of action.¹³³ The flexibility in these causes of

¹³² Huang, *supra* note 22, at 53-54.

¹³³ See *Google Inc v Australian Competition and Consumer Commission* [2013] HCA 1, ¶ 83 (Austl.) (unanimously holding that Google had not engaged in misleading or deceptive conduct

action has meant that unlike in the U.S., new internet-related infringements have not provoked doctrinal acrobatics in Australian statutory trademark law. The underlying concept of the trademark as property and the resistance to a general tort of unfair competition shields statutory trademark law from radical expansion.

It is not suggested that the US adopt an Australia style trademark use test. While the Australian property approach may appear to be cleaner than litigating disputes as to consumer confusion, it does prima facie make the infringement inquiry more sensitive to judicial subjectivity which may trigger its own sets of distortions. And, it is acknowledged that the structural factors of Australian trademark law have developed in a different way to those in the U.S. Nevertheless, it is hoped that this article and the empirical findings regarding the benefits of a trademark threshold test can reinvigorate aspects of the U.S. trademark use debate.

APPENDIX A: THE SELECTION AND CODING OF DECISIONS

A. Case Selection

The data for this article includes trademark infringement cases litigated under Section 120 of the *Trade Marks Act 1995* up until Jan. 1, 2016. The initial goal was to identify as many cases as possible. The cases were located using broad keyword searches in the Lexis Nexis AU Legal database – ‘all subscribed Australian case sources’ for all Australian jurisdictions. Keywords included ‘trademarks’ and ‘infringement’ dated between January 1, 1996, and January 1, 2016. This broad search revealed 2,355 cases before duplicates were eliminated. Separately a similar search was run in a second database (Westlaw AU) and cross-checked against the Lexis Nexis AU list. This unearthed a small handful of additional cases.¹³⁴ The final cross-check was done against a case list generated from the Austlii.edu.au database. No further additions were required.

Cases that were solely “passing off” or solely breach of Section 18 of the *Australian Consumer Law* (formerly Section 52 of the *Trade Practices Act 1974* (Cth)) were excluded from the search results, although cases that decided trademark infringement actions with

contrary to Section 52 of the *Trade Practices Act 1974* (Cth) by publishing “sponsored links” in response to web page searches and as a general proposition, that it is the advertiser and not the intermediary search engine that is liable for the content of web advertising). Note that Section 52 of the *Trade Practices Act* was replaced and misleading or deceptive conduct is now regulated under Section 18 of the *Australian Consumer Law*.

¹³⁴E.g., *Soci t  Des Produits Nestl  SA v Christian* [No 4] [2014] FCCA 2968 (Austl.) (where the absence was reported and now rectified).

parallel actions in passing off or Section 18 of the *Australian Consumer Law* were included. Similar to Beebe's study of US trademark infringement cases, those judgments that focused on ownership disputes, parallel imports, the earlier *Trade Marks Act 1955*, procedural issues, discovery issues, costs, damages, copyright, patents, designs law, or contract interpretation were removed for lack of a substantial discussion of the law of trademark infringement.¹³⁵ As with Beebe's study, cases dealing with counterfeits and first instance decisions that were reversed on appeal were removed from the analysis. Previous Australian studies have found that counterfeit cases are a distinct "world of trademark enforcement"¹³⁶ and not representative of typical proceedings. Trademark use and deceptive similarity are not disputed issues in these cases and the defendant is often unrepresented or fails to appear.¹³⁷ The proceeding is quickly disposed of¹³⁸ and the trademark owner typically wins.¹³⁹ Counterfeit cases were identified by the designation "counterfeit" in the headnote. "Counterfeit" is not a term defined in the Act; however, Australia is a signatory to the *TRIPS Agreement* wherein "counterfeit" is defined as the use of an identical trademark on goods or of a mark which "cannot be distinguished in its essential aspects' from the owner's mark."¹⁴⁰

¹³⁵ See Beebe, *supra* note 52, at 1650 ("I excluded a small minority of fact patterns that led courts to apply the multifactor test in ways that could skew the results of the study. In most counterfeiting opinions, for example, the likelihood of confusion is very clear and the factors tend to weigh overwhelmingly in favor of the plaintiff. The same is true of opinions involving an alleged breach of a franchising, licensing, or distribution agreement. These opinions were thus excluded from the sample. For similar reasons, I also excluded opinions on motions to dismiss or on motions where the non-moving party failed to appear. I retained and noted opinions involving claims of reverse confusion, and fact patterns in which the defendant repackaged plaintiff's goods.") (citations omitted).

¹³⁶ See, e.g., Bosland et al., *supra* note 86, at 366.

¹³⁷ *Id.* at 347 (Bosland, Weatherall and Jensen used a dual analysis finding that "[a]nalyzing the nature and outcomes of the trademark litigation, we found a more complex story than previous studies: counterfeit proceedings where the trademark owner always wins and the alleged infringer often fails to show up in court on the one hand; and more contentious proceedings on the other, where the trademark owner only succeeded around one-third of the time.").

¹³⁸ Vicki Huang, Kimberlee Weatherall & Elizabeth Webster, *The Use of Survey Evidence in Australian Trademark and Passing Off Cases*, in *THE LAW OF REPUTATION AND BRANDS IN THE ASIA PACIFIC* 181, 189 (Andrew T. Kenyon et al. eds., 2012). On average, counterfeiting cases took 1.1 hearing days, compared with 2.4 days for passing off and trademark infringement, which illustrates the less complicated nature of the former.

¹³⁹ See, e.g., Bosland et al., *supra* note 86, at 366.

¹⁴⁰ TRIPS: Agreement on Trade-Related Aspects of Intellectual Property, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 33 I.L.M. 1197, Article 51 note 14 (1994) ("[F]or the purposes of this Agreement: (a) 'counterfeit trademark goods' shall mean any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the country of importation.").

Only Section 120 infringement cases were considered relevant.¹⁴¹ As in Beebe's study, only cases that provided a "substantial discussion" of Section 120 of the *Trade Marks Act 1995* were included. "Substantial" was defined liberally as "any use beyond the mere citation without analysis of the test."¹⁴² Therefore, opposition cases that may have discussed relevant aspects of the law, such as Section 10 of the *Trade Marks Act 1995* (deceptive similarity), were excluded. For example, Section 41 distinctiveness and Section 44 deceptive similarity cases were excluded. Cases that focused solely on Section 17 "use as a trademark" were also excluded if they were discussed outside of a Section 120 determination.

As with Beebe's study, only first instance decisions that were not reversed on ultimate appeal were included.¹⁴³ This meant that for all cases, it was determined whether the Section 120 portion of the decision underwent subsequent appeals.¹⁴⁴ Twenty-two cases went to the Full Federal Court of Appeal, of which two proceeded to the High Court. Seventy-eight cases remained after the removal of appeals and first instance cases where the Section 120 finding was reversed. The full list of 78 cases and further details regarding case selection is available from the author.

B. Coding the Cases

A major structural difference between U.S. trademark infringement law and Australian law is that the Australian statutory test proceeds in multiple parts and not as a multi-factor test for a single concept of "likelihood of confusion." In Australia, the statute sets forth

This definition of "counterfeit," as applied by Bosland et al., *supra* note 86, has been cited by the South African Supreme Court of Appeal (the highest court of appeal in South Africa in non-constitutional law matters) in *Cadac Inc v Weber Stephen Products Company* 2011 (1) All SA 1 (SCA) at 343 (S. Afr.), and more recently, by the Federal Court of Australia in *Geneva Laboratories Ltd v Nguyen* (2014) 110 IPR 295 (Austl.).

¹⁴¹ For example, the following cases use the phrase "trademark infringement" but provide no discussion of Section 120: *Oxford Funding Pty Ltd v Oxford Asia-Pacific Inv Pty Ltd* [2005] FCA 1637 (Austl.); *Virgin Enter Ltd v Virgin Home Loans Pty Ltd* [2000] FCA 1175 (Austl.).

¹⁴² Beebe, *supra* note 52, at 1649.

¹⁴³ *Id.* at 1650 ("[From] a sample of 337 opinions he excluded the six opinions in which the outcome of the multifactor test was reversed, which yielded a final sample of 331 opinions.").

¹⁴⁴ The methodology demanded that Section 120 reversals be removed from the data set. The consequence of this was that six well-known trademark cases were eliminated from the data set. These include: *Frito-Lay Trading Co GmbH v Aldi Stores Ltd P'ship* (2001) 52 IPR 410 (Austl.); *Coca-Cola Co v All-Fect Distrib Ltd t/as Millers Distrib Co* (1998) 43 IPR 47 (Austl.); *Mobileworld Communc'n Pty Ltd v Q & Q Global Enter* (2003) 61 IPR 98 (Austl.); *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2008) 77 IPR 69 (Austl.); *Starr Partners Pty Ltd v Dem Prem Pty Ltd* [No 2] (2006) 70 IPR 113 (Austl.); *Symbion Pharmacy Services Pty Ltd v Idameneo (No 789) Ltd* (2011) 91 IPR 547 (Austl.).

three broad elements (or, more precisely, threshold tests) – “use” (as a trademark); “similarity between marks” (i.e., substantial identity or deceptive similarity); and “relatedness between goods and/or services” – within which multiple factors are at play. Deciding the outcome of each of these elements requires consideration of a number of what this article calls “factors.” Thus, rather than a linear, multi-factor inquiry, the Australian test proceeds as a matrix. This affects the coding of data. Beebe was able to use binary coding, that is, a yes/no answer was recorded in answer to his question of whether multi-factor “X” affected the outcome of the likelihood of confusion test. The pilot study revealed that this was not optimal for the Australian infringement test.

For example, in Australia, a judge may consider aural similarity in a judgment, but this may only be in the context of recitation of prior case dicta. That is, mere mention of this factor may not relate to judicial reasoning of the merits of the case. To record the fact that “aural similarity” was mentioned, a code for “yes – discussed” was noted. A second round of coding was applied to examine whether the discussion of “aural similarity” was relevant to infringement (yes/no/neutral). For example, in this second round of coding, “yes” would mean that a discussion of aural similarity occurred, and it favored the plaintiff’s case. If coded “no,” this would mean a discussion of aural similarity occurred which went against the plaintiff’s case. If coded “neutral,” this meant a discussion of aural similarity occurred but had no meaningful effect on the plaintiff’s Section 120 of the *Trade Marks Act 1995* case.

1. Case Details

Twenty-eight variables were recorded in relation to general case details. This included general descriptive aspects, such as date, hearing days, judge, and court (including Fast Track). Grounds of suit were coded, including Section 120(1)-(3), passing off, and/or Section 18 of the *Australian Consumer Law*. Whether there was a win/loss or whether the result was unclear (e.g., remitted) was coded. Where the hearing and the judgment were heard and delivered within the same day, this was counted as zero days. Otherwise, the hearing length was estimated as one day unless further dates were listed in the header of the judgment.

A difficulty with coding arose as for any one case, there could be at least one or multiple trademarks in suit. Beebe coded per case rather than per trademark. Similarly, Huang et al.¹⁴⁵ coded by case and not by

¹⁴⁵ Huang et al., *supra* note 13, at 185.

trademark. Win/loss was determined by case and not by mark. Therefore, if there were multiple marks litigated and one win, the case was coded as a “win” overall.

2. Coding for Trademark Use

Twenty potential variables of interest (derived from the foundation cases and literature) were recorded in relation to trademark use. These included factors that were exploratory in nature. After the pilot study, this was reduced to ten. For the purpose of this article, the variables of interest were reduced to six. For each element, whether a variable was discussed or mentioned was recorded. For example, if reputation was mentioned, it was coded “yes.” If it was not mentioned, it was coded “no.” The next question was whether or not the discussion favored a finding of infringement. For example, if the discussion of a plaintiff’s reputation favored a finding of infringement, it was coded as “yes.” If the plaintiff’s reputation favored a finding of no infringement, it was coded “no.” If the plaintiff’s reputation was merely mentioned but not factored into the judge’s infringement reasoning, it was coded “neutral.”