Counterfeits Brought to Heel -

Manolo Blahnik Worldwide Limited v Estro Concept Pty Limited

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One of the world's most famous high-end shoe brands, made famous by *Sex in the City* character Carrie Bradshaw, may showcase the bounds of the somewhat newly introduced *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth) (**Act**).

On 29 May 2020, Manolo Blahnik Worldwide Limited (**Manolo**) launched preliminary proceedings in the Federal Court against an operator of designer fashion outlets, Estro Concept Pty Limited (**Estro**)[1]. Manolo sought to have Estro hand over company records and documents to ascertain whether Estro has engaged in trade mark infringement, misleading or deceptive conduct and passing off.

The Act was brought in response to a 2016 Productivity Commission Report relating to Australia's intellectual property system, to (among other things) better facilitate parallel importation into Australia.[2] In particular, the Act seeks to expand the scope of the defence against trade mark infringement in the context of parallel importing. Introduced in September 2018, it amends the *Trade Marks Act 1995 (Cth)* (**Trade Marks Act**), alongside other legislation including the *Copyright Act 1968 (Cth).* For the purpose of the Trade Marks Act, the Act seeks to clarify the circumstances in which the parallel importation of trade mark goods will not infringe a registered trade mark.

Parallel Importing in Australia

Prior to the introduction of the Act, there had been uncertainty for parallel importers importing genuine goods into Australia. If importers did not know if there were specific contractual arrangements in place between the owner of the trade mark and its distributors, this may result in the importer falling foul of the limited defence found in s 123(1) of the Trade Marks Act.

This defence previously provided that where it could be shown that a trade mark had been applied to goods by, or with the consent of, the registered owner of the trade mark, this would not constitute an infringement. The courts have interpreted "consent" quite narrowly, demonstrated in *Lonsdale Australia Limited v Paul's Retail Pty Ltd & Anor [2012] FCA 584.* As a result, importers had to very carefully review any contractual or corporate arrangements under which the trade mark had been applied.

The insertion of s122A into the Trade Marks Act (repealing s 123(1)) has introduced a new set of criteria that must be met for an importer's activities to be taken as not infringing a registered trade mark. A parallel importer will now not infringe the trade mark rights of the registered owner of the trade mark, if the following elements are successfully met:

1. the goods being imported are similar to the goods covered by the Australia trade mark;
2. the importer has made inquiries relating to the trade mark before using it; and
3. after such inquiries, a reasonable person would conclude that the trade mark had been applied with the consent of a relevant person.

What's the story with Estro?

The issue of questionable counterfeit products sold by Estro was first brought to light when a customer complained to Manolo about a product purchased from Estro in July 2019. The purchased pumps (in a style known as "Hangisi"), branded with Manolo's trade mark, were different when compared to the genuine product.

As part of its preliminary application earlier this year, Manolo tendered photographs comparing the allegedly counterfeit shoes with the genuine product. At present, Australian customers can only purchase Manolos online or at authorised retailer, Harrods. Counsel for Manolo submitted that it was possible that genuine shoes could have been acquired, including through parallel importing, and the documents sought from the company would help it ascertain whether or not to bring a claim.

Satisfying the 122A Criteria – a three-part test

Satisfying element 1 (*establishing similar goods*) is generally a straightforward process, as "similar goods" are defined in s 14 of the Trade Marts Act. Goods will be similar to other goods where they are the same or of the same description as other goods.

To satisfy element 2 (*making inquiries before use*), the Explanatory Memorandum to the Act[3] provides that reasonable inquiries will be based on subjective circumstances of each import and good. More substantive inquiries may be required where a supplier is known or suspected to supply counterfeit goods. For example,

1 *Manolo Blahnik Worldwide Limited v Estro Concept Pty Limited*

2 Recommendation 12.1 of the Report: "*parallel imports of [trade] marked goods [should] not infringe an Australian registered trade mark where the marked good has been brought to market elsewhere by the owner of the mark or its licensee*".

3 https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22legislation%2Fems%2Fr6080_ems_74977042-bfb1-4233-be9c-b93118431f48%22

where the prices offered by a supplier are eyebrow raisingly lower compared to other similar goods, the reasonable parallel importer may need to make further inquiries and perhaps even contact the trade mark owner. A certificate of authenticity from the supplier should be sufficient to demonstrate that reasonable inquiries have been made. Less extensive inquiries may be anticipated when purchasing from a known licensed distributor of the relevant goods.

In relation to element 3 (*the trade mark applied with consent of relevant person*), the relevant person can be a registered owner or authorised user of the trade mark, a person who is permitted to use (or has significant influence over the use of) the trade mark by the registered owner or authorised user. It can also be an associated entity (within the meaning of the *Corporations Act 2001* (Cth)) of any of these people. The reference to associated entities is intended to capture the situation where the trade mark was applied to the goods in a foreign country by one member of a corporate group structure and the owner of the trade mark in Australia is a different member of the same corporate group. The amendments contained in the Act do not affect counterfeit goods being imported into Australia in that kind of scenario.

Interestingly, by requiring the consent of a relevant person at the time of the *application,* the Act provides some protection for parallel importers. This is a solution against the previous practice of trade mark owners later assigning their Australian trade marks to an Australian distributor to put the brakes on parallel importing of products.

Impact of the Act

The changes provide more clarity for parallel importers, provided they have carried out the necessary checks and balances. Parallel importers should sufficiently document their inquiries in respect of element two (and any responses to such inquiries) regarding the trade marked goods. If an importer's actions are later called into question, they should hopefully be able to sufficiently demonstrate compliance with s 122A.

That being said, trade mark owners still need to ensure that distributors comply with the contractual arrangements that have been put in place. As an example, if a distributor permitted to sell trade mark goods in Germany only, is knowingly selling to unrelated third parties for export to Australia, the trade mark owner can still rely on its contractual rights to take action against the distributor.

So where does all this leave Manolo and Estro? Justice Brigitte Markovic's decision on the case is due to be delivered and it will be interesting to see whether Estro engages in the protections afforded by the Act to parallel importers. For Estro's sake, let's hope the shoe fits.