

## Parallel Imports – Is express consent of the trade mark owner required?

*Brother Industries Limited v Dynamic Supplies Pty Ltd* [2007] FCA 1490

### Introduction

In 1995, the Commonwealth government opened the door for the parallel importation of trade marked goods by inserting s.123 into the *Trade Marks Act, 1995* ('the Act').

The effect of the section was to provide a valid defence to any allegation of a breach of s.120 of the Act in circumstances where there has been an importation and sale of genuine trade marked goods by an 'unauthorised' Australian importer. The theory behind the introduction was based on the doctrine of 'exhaustion of rights'. That is, a trade mark owner's right to control the distribution of goods bearing its mark is exhausted once the goods are put on the market. As Toyota knows, this change in the law resulted in many genuine Toyota products being purchased overseas (for prices significantly lower than they are sold in Australia) and then imported into Australia for sale independently of Toyota.

### Facts

Brother is a Japanese company which conducts an international business of manufacturing, marketing and selling various products, including printers and (more specifically) printer drum units labelled 'Brother DR-200'. Brother also produces a non-branded printer drum unit exclusively for a purchasing company who distributes and sells the units under another brand name or with no brand name at all. These non-branded printer drum units are similar to the Brother DR-200. Brother is the owner of the Brother trade marks registered in Australia.

Dynamic Supplies is an Australian company which imports and sells printer drum units made by Brother. Prior to 2003, Dynamic Supplies sourced almost all of its Brother products from Brother Australia or its authorised distributor.

In 2003, Dynamic Supplies sourced printer drum units from a company in the United States which is not an entity related to Brother. In early 2004 Brother made several trap purchases and determined that Dynamic Supplies was selling the non-branded printer drum units in packaging deceptively similar to Brother DR-200 packaging.

Brother alleged that Dynamic Supplies infringed its trade marks, engaged in misleading and deceptive conduct and passing off. Amongst other things, Dynamic Supplies sought to rely on s.123 of the Act on the basis that the company it obtained the non-branded printer drum units from had in turn obtained them from Brother America (a wholly owned subsidiary of Brother Japan) and therefore the consent of Brother Japan could be implied.

*"...The theory behind the introduction was based on the doctrine of 'exhaustion of rights'."*



## Findings

Upon hearing the evidence submitted, Justice Tamberlin held that the packaging containing the printer drum units was counterfeit and that Dynamic Supplies had 'used' Brother's trade mark for the purposes of s.120 of the Act.

His Honour then went on to consider whether Dynamic Supplies had Brother's consent to use the marks within the meaning of s.123. In consideration of the evidence, Justice Tamberlin held that Dynamic Supplies had not established a chain of supply which demonstrated that the goods in the counterfeit packaging had been sourced from Brother America. Without establishing this link in the chain of supply, Brother Japan could not be deemed to have impliedly consented to the application of its trade mark to the counterfeit packaging. Furthermore, His Honour found that even if Brother America was part of the supply chain, Dynamic Supplies had failed to demonstrate that Brother Japan had expressly or impliedly consented to the application of its trade mark and his Honour stated:

*'the fact that Brother America and Brother Japan are related entities within the same corporate group does not affect the clear and ordinary meaning and operation of s.123 of the Act. The consent to apply Brother's Australian trade marks to or in relation to a product must be acquired from Brother Japan.'*

Importantly, Justice Tamberlin noted that whilst the situation where consent to use a trade mark had not been directly obtained by the trade mark owner but by a related entity in its corporate group had not been considered in Australian law, he was of the view that Brother Japan's consent for the purposes of s.123 is not to be implied from the fact that another member of the corporate group may have given its consent.

Upon consideration of the facts, His Honour found that Dynamic Supplies had not used the registered trade marks with the consent of Brother Japan and therefore it could not be excused of its conduct by virtue of s.123 of the Act.

*"consent for the purposes of s.123 is not to be implied from the fact that another member of the corporate group may have given its consent."*

## Implications

Until a trade mark owner seeks to challenge the importation of genuine trade marked goods under the Act or for misleading and deceptive conduct or passing off, it is open to interpretation that Justice Tamberlin's opinion could be relied upon and submitted by a trade mark owner (who has not expressly consented to the use of its trade marks by a parallel importer of its goods who obtained those goods from an authorised distributor of the trade mark owner) to refute a defence raised pursuant to s.123 of the Act.

The judgment also confirms that the importation of goods in packaging bearing a trade mark applied without the consent of the trade mark owner will constitute a use of the trade mark for the purposes of s.120 of the Act.