

## Franchising Alert May 2009

This Alert contains information on the following topics:

- > *Brand attack by the internet!*
- > *All quiet on the Ripoll front*
- > *Introducing our new Melbourne team*

### Brand attack by the internet!

We have seen an increase in the registration of internet domain names and creation of websites which have been registered for the sole purpose of attacking a franchise system or attracting business away from a franchise system.

The domain names being used in this practice have been similar to a franchise system's legitimate domain name or registered trade mark. Whether this is due to the global financial crisis, an upsurge in franchise disquiet or people becoming more savvy about the power of the internet is unclear, but it seems to be a recurring trend facing franchisors.

Sean O'Donnell of the Franchise team has recently assisted a number of franchisors who have had to challenge domain names which have been set up in bad faith using a derivation of the franchisor's registered trademark. The impetus for these types of domain names stems from a number of cases in the United States where the word 'sux' has been added to well known brand names such as 'walmartsux.com', 'chubbsux.com' and 'wachoviasucks.com'. The word 'lies' has also been added to well known brands in Australia when registering domain names to create websites that unfairly criticise and attack leading franchise brands. More recently, youtube videos are being used to attack a franchise system.

### How can domain names be challenged?

Whilst the right to free comment and opinion should be encouraged, there needs to be a balance and protection for a brand owner where its brand (or trademark) is being used unfairly as a derivation of an offending domain name. Whilst there is always a possibility of legal address through the Australian or International Court system, this can be an expensive process and results difficult to predict.

Fortunately, there is a process and mechanism which has been implemented by all domain name providers to ensure that unlawful or offending domain names can be removed if challenged. This streamlined dispute process is necessary because most domain name providers are not based in Australia and are often based in countries whose laws concerning intellectual property rights and brand protection is very limited. Furthermore, the licencees of offending domain names are often companies of straw, so financial compensation is unlikely even if successful legal action can be taken.





## Criteria for domain name

Although there are different rules and procedures depending on the domain name in question (such as a '.com' or '.com.au') the criteria to assess whether a domain name is proper and should remain registered, is similar. The criteria against which a '.com' or '.com.au' domain name will be assessed is:

- > is it identical or confusingly similar to a trademark or service mark in which the complainant has rights?
- > does the respondent have any rights or legitimate interests in respect of the domain name?
- > was it registered in bad faith?

The owner of a trade mark has the right to bring a complaint if it considers that all of the above criteria are satisfied.



## Fair Comment Cases

There are a number of cases which have commented upon the meaning of each criteria, especially what amounts to 'bad faith'. The right to fair comment and opinion (particularly through commentary and criticism) has been recognised but it is limited.

For example, an offending domain name will not be allowed if the licensee is using it to gain commercial advantage under the guise of 'commentary and criticism'. If the purpose of the domain name is to disrupt the business of the complainant or divert business away from the complainant this will also not be allowed.

An assessment of the content of the website can also be made to determine whether an objective person is likely to be misled by the website or domain name. If confusion arises then the domain name will be cancelled or transferred to the complainant. If a website does not include words which make it clear that the website is not an official website of the complainant or uses the trademarks and logos on the website, then this may be seen as trying to mislead.

Our Franchising team can assist you if you are concerned about a domain name (website) that impacts on your good reputation or trademark or unfairly attacks or tries to divert customers from your business.

## All quiet on the Ripoll front

The Federal Parliamentary Committee, chaired by Mr Bernie Ripoll, delivered its report to the government in early December 2008. Readers will recall that there was a lot of public opinion and media coverage about the Ripoll report and its recommendations. For a summary of the report please [click here](#) to see our December 2008 Alert on this topic.

Despite the media and public interest in the Ripoll report late last year, it seems to have fallen into a 'black hole' within government. Presumably the global financial crisis is one significant reason why the government has not formally commented upon the recommendations by the Ripoll committee. However, there is growing unease within some parts of the franchise community who are again lobbying government to act upon the recommendations, especially following the well publicised failures of Kleins and Kleenmaid. Fortunately for franchisors, it is very unlikely that any changes will be made to the Franchise Code of Conduct that will have any impact this financial year, and possibly for the remainder of 2009. Given the current economic crisis, this will be welcome news to most franchisors because any changes to the Code will result in additional compliance costs.

We do expect that the Honourable Mr Craig Emerson's office will soon make a statement about the Ripoll report, however given the months that have passed since the report was tabled, it may be that the government will be reluctant to adopt many (if any) of the recommendations made by the Ripoll committee.

**Watch this space for any further developments about the government's response to the Ripoll report.**



**Welcome to our Melbourne franchising team**



Thomson Playford Cutlers merged with the Melbourne office of Dibbs Abbott Stillman Lawyers on 1 March 2009. Our expertise in the franchising sector now extends across New South Wales, South Australia and Victoria.

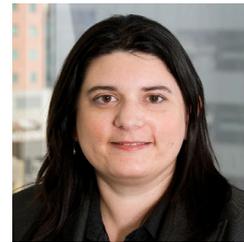
We would like to introduce you to our two key franchising lawyers in Victoria:

**Michael Warren, Partner**



Michael has over 28 years experience in advising corporate and commercial clients, including franchisors. His particular areas of expertise include restructuring of businesses, financing and contracts. Michael also has significant experience advising on commercial property transactions, sale of business, property finance and insolvency.

**Estelle Bergman, Senior Associate**



Estelle's practice focuses on franchising, sale and purchase of business and leasing. Estelle has acted for numerous franchisors including a period of two years as in-house counsel for one of Australia's fastest growing franchises.

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