

## Hashtag Burgers Down-N-Out – Trade Mark Infringement, Misleading Conduct and Passing Off

In the case of *In-N-Out Burgers, Inc v Hashtag Burgers Pty Ltd*, in considering whether use of Down-N-Out infringed a registration for In-N-Out, and amounted to misleading conduct and passing off, the Federal Court considered questions of:

- whether the alleged infringer's intentions are relevant to assessing whether two trade marks are deceptively similar
- whether, despite the fact that a business has no permanent business operations in Australia, it may nevertheless have sufficient reputation to establish misleading and deceptive conduct in breach of Australian Consumer Law and passing off

Short answers are below, while information about the case and reasons for the decision can be found in the subsequent report:

- Intention will not always be relevant but in circumstances where, as in the present case, the party adopts a name with the intention of benefiting from an association, it will be relevant
- Use outside Australia, in combination with some local use, can be sufficient, particularly where there is evidence of a strong overseas reputation and the name is distinctive

### ***In-N-Out Burgers, Inc v Hashtag Burgers Pty Ltd* [2020] FCA 193 (26 February 2020)**

In-N-Out Burgers, Inc (“INOB”) is an American company that has, for many years, operated a chain of burger restaurants in the United States. The business was founded in 1948 and the company was incorporated on 1 March 1963. It is a family owned private company, which operates a chain of restaurants in California, Arizona, Oregon, Nevada, Texas and Utah. As at May 2016, there were over 300 In-N-Out restaurants in the United States. They include restaurants in locations such as Fisherman’s Wharf in San Francisco, Sunset Boulevard in Hollywood and South Sepulveda Boulevard in Westchester, Los Angeles, which is within a mile of LAX airport.

As well as owning registrations for a IN-N-OUT BURGER logo, depicted below as registered in black and white and as used in colour, INOB also owns a registration for the word mark IN-N-OUT BURGER, along with ANIMAL STYLE and PROTEIN STYLE.



INOB established its website around June 1999 and an online store was established in May 2004, allowing promotional merchandise to be purchased around the world, including from Australia. In 2013 there were 37,631 visitors to the website from Australia. In 2014 there were 50,108, in 2015 61,988 and in 2016 there were 78,098 visitors.

Over the years 2012 to 2017, INOB hosted one pop-up event each year in Australia and in 2018 it hosted two. At the 2017 event, 400 burgers and 420 T-shirts were sold, prior to that sales were below 300 burgers.

Prior to incorporation of Hashtag Burgers Pty Ltd (“HB”) on 23 June 2017, the directors conducted their own pop-up event in June 2015 using the logo depicted below:



In May 2016, they had the following logos designed:



They then advertised an event to be held on 7 June 2016 with a media release titled “Sydney’s Answer to In-N-Out Burgers has finally arrived” in which they referred to “the cheekily named Down-N-Out” and advertised “secret menu hacks such as Animal Style and Protein Style”

When it opened, the pop-up used the first Down-N-Out logo shown above, and outside the premises the following sign was displayed:



Following this, the business received a letter of demand from INOB, in response to which there were denials concerning use of Animal Style and Protein Style. It also denied that use of Down-N-Out infringed any registrations claiming that the business had received legal advice and asserting that:

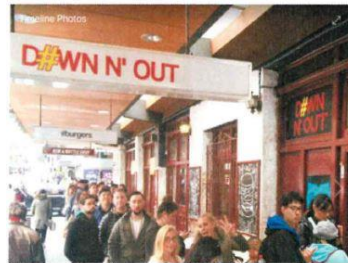
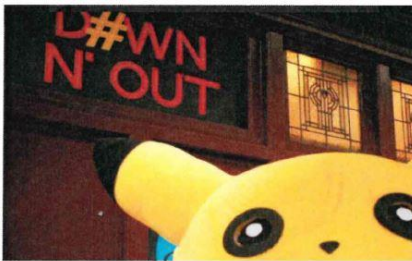
*This expression has its own separate and distinct meaning in the English language which is unlikely to conflict with the meaning of "In-N-Out". Further, the word Down also relates to "Down Under" which relates to the fact that we are an Australian business.*

It was, however, indicated that use of the Arrow designs would cease.

Subsequently, there was use of the following designs:



**DOWN  
-N-OUT**



The inclusion of the word BURGERS in the registered word mark was acknowledged by the parties as not significant. Further, in determining the infringement issue Justice Katzmann did not attribute any significance to the use of the hashtag in D#WN-N-OUT, noting that any verbal references would still be to Down N' Out.

HB argued sufficient differences based on:

- Differing ideas and impressions between DOWN N' OUT and IN-N-OUT with "down and out" referring typically to a person who has fallen on hard times
- That use of the word DOWN was also a deliberate allusion to Australia, which is colloquially referred to "the land down under"
- Visual and phonetic differences
- Differences in essential features, claiming that the essential feature of the registered mark is IN-N-OUT not just N-OUT.

- The absence of any evidence of actual confusion.

Justice Katzmann recognised authority indicating that the first part of a trade mark is often the most important for the purposes of distinction. However, she also referenced cases where similarities in suffixes have been sufficient.

She found that:

- *N-OUT is a distinctive and significant feature and an essential ingredient of all the [INOB] trade marks*
- notwithstanding differences in meanings, imperfect recollection is sufficient to give rise to a likelihood of confusion, noting also that the word “down” can be used in a directional sense, like “in”, and that this was the more likely context of recollection

As regards the evidence presented, she noted:

- Social media posts raising questions concerning whether there is some association with INOB. While not decisive, and noting that their meaning and intent was debatable, they were of some probative value
- The intentions of HB and the failure of the directors to give evidence in the proceedings

On the issue of intention, Justice Katzmann quoted authoritative precedent, which states:

*The rule that if a mark or get-up for goods is adopted for the purpose of appropriating part of the trade or reputation of a rival, it should be presumed to be fitted for the purpose and therefore likely to deceive or confuse, no doubt, is as just in principle as it is wholesome in tendency. In a question how possible or prospective buyers will be impressed by a given picture, word or appearance, the instinct and judgment of traders is not to be lightly rejected, and when a dishonest trader fashions an implement or weapon for the purpose of misleading potential customers he at least provides a reliable and expert opinion on the question whether what he has done is in fact likely to deceive.*

In relation to this, she made the points:

- Cases where intention is relevant are not restricted to cases of “deliberate” dishonesty;
- An imitation of another person’s product does not necessarily signify an intention to deceive;
- The selection of the name was not coincidental, with HB’s own media release referring to the adoption of the name as “cheeky”;
- There was no evidence of use in association with get up or imagery consistent with the claimed meaning of “down and out”;

- There were initial advertising references to Animal Style and Protein Style products;
- Initial logo designs incorporating arrows indicated an intention to reflect similarity;
- No steps were taken to dispel any potential for confusion;
- No evidence was presented to indicate that N-Out or N Out had been used in the brand names of anyone other than INOB, before HB decided to use it in DOWN-N-OUT;
- HB failed to comply properly and fully with their discovery obligations

Consequently, there was a finding of infringement and a likelihood of confusion.

### **Australian Consumer Law and Passing Off**

While reputation is not a factor in determining infringement of a trade mark registration, it is relevant in misleading conduct (Australian Consumer Law) and passing off cases.

Notwithstanding no established business in Australia, Justice Katzmann found sufficient reputation in Australia arising from:

- International trade and notoriety in the United States, resulting in spill over reputation in Australia
- Media references, and the success of pop-up events conducted in Australia

Having found relevant reputation in Australia, Justice Katzmann found a likelihood of HB's conduct misleading or deceiving consumers, for reasons similar to those mentioned in respect of the infringement action.

In relation to changes made to get up used, it was noted this that there was a failure on the part of HB to address the "potential hangover effect" arising from the previous activities using designs similar to those of INOB.

### **Personal liability**

Australian Consumer Law legislation includes fairly broad provisions for recovering damages against persons "involved in" contraventions. Consequently, the directors were liable for breaches of the Act even subsequent to the incorporation of HB.

However, in respect of trademark infringement and passing off, it was necessary to establish that the directors were joint tortfeasors. Notwithstanding the close involvement of the directors of the business with the activities of HB, there was insufficient evidence that the company was merely an instrument

for the perpetration of infringement so that the directors could hide behind the corporate veil. Consequently, there was no finding of personal liability for actions amounting to infringement or passing off that occurred after the incorporation of the company.

## **Conclusion**

There can be a fine line between inspiration and association. In trying to be clever and 'cheeky', in the opinion of Justice Katzmann, HB crossed that line.