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WHAT'S IN A NAME? "THREDBO" GEOGRAPHIC LOCATION OR BUSINESS NAME?

The Full Federal Court of Australia handed down a decision which will interest many SME's. The decision provided a discussion on whether the use of the word "Thredbo" amounted to misleading or deceptive conduct under section 18 of the Australian Consumer Law or passing off. Further, could a contract (in this case a lease) prohibit the use of a geographic location name "Thredbo", and was such a prohibition a restraint of trade? The case was *Kosciuszko Thredbo Pty Ltd v ThredboNet Marketing Pty Ltd [2014] FCAFC 87*.

Thredbo is a town in the Kosciusko National Park in the Snowy Mountains of New South Wales and a popular centre for snow sports and other recreational activities. Kosciusko Thredbo Pty Ltd (KT) and Thredbo Resort Centre Pty Ltd (TRC) sought to restrain ThredboNet Marketing Pty Ltd (TM) and Glenn Smith (GS) the Principal Director of TM from using the word "Thredbo" in various domain names, company and business names and on websites. TRC is a wholly owned subsidiary of KT and provides a central booking service for accommodation. KT holds a lease over land in the national park in which Thredbo Village is located and operates the Thredbo Resort. KT also owns and operates a ski school, the Thredbo Alpine Hotel and an accommodation complex as well as various other enterprises carrying on business in Thredbo Village (including the Thredbo Leisure Centre and the Thredbo Childcare Centre). KT also provides certain public amenities such as water supply, sewerage systems, public roads and infrastructure. KT owns and operates the website www.thredbo.com.au

TM runs an online business in competition with KT and TRC managing and leasing accommodation in Thredbo. The business has been conducted through a number of websites. The domain names incorporate the word "Thredbo" e.g www.thredboreservations.com.au and www.thredbo.com

TM and GS held two subleases from KT over two properties in the village. Clause 4.3 in each of the subleases purports to prevent TM and GS from using the word "Thredbo" "in connection with any business carried on" by TM and GS unless with the prior written consent" of KT.

TM carried a disclaimer on its "primary" website (www.thredbo.com) which read:-

> *"About thredbo.com*
>
> *This website is operated by ThredboNet Marketing Pty Ltd. Our company manages more than 50 properties in Thredbo and has provided booking and accommodation services in Thredbo since 2001. Please note this is NOT the official website of the owner and operator of the Thredbo Alpine Village or the Thredbo Ski Resort, Kosciusko Thredbo Pty Ltd and is not approved, endorsed or sponsored by them."*

In the appeal to the Court, 3 broad issues arose:-

1. Had KT and TRC established an exclusive and secondary meaning in the word "Thredbo" that consumers associated with their business as being synonymous with the name "Thredbo";

2. Whether KT and TRC had proved that TM and GS conduct was misleading or deceptive or likely to mislead or deceive; and

3. Whether Clause 4.3 of each sublease was invalid as an unreasonable restraint of trade.

The Court held that:-

1. KT and TRC did not have to establish a monopoly over the right to use the word "Thredbo" but rather they had to establish that TM and GS by using the word "Thredbo" "was likely to lead ordinary or reasonable consumers seeking accommodation or services in Thredbo into believing that" TM and GS "were offering was the same or were that or those of" KT and TRC;

2. The conduct of TM and GS was not misleading or deceptive. KT and TRC did not have a monopoly of the word "Thredbo", nor was the "get-up" and appearance of the websites likely to mislead. The disclaimers on TM's website distinguished the business. Whilst the parties were in competition in the same geographic location when the conduct was viewed in its entirety it was not likely to mislead; and

3. It was significant that clause 4.3 of the sublease did not apply to restrict the use of the demised premises rather "it prohibits the use of that name "in connection with" any business carried on by the sublessee". The words "in connection with" create a very wide ambit in which the prohibition will operate. KT and TRC had not discharged the onus of proof that the clause was a reasonable clause to protect its legitimate business interests or the demised

premises and therefore was unreasonable. Accordingly TM and GS were not bound by the clause and could continue their business activities.

Many shopping centre leases carry limitations on tenants using the shopping centre name and therefore tenants who may wish to apply the principles of this decision to their circumstances should heed the warning of the Court:-

> *"It may well be that some other shopping centres and resort complexes have some form of restraint clause in leases, but those clauses would have to be construed as part of those leases as a whole, in accordance with the ordinary principles of contractual construction. The way in which any such restraint may operate and its validity in its own actual context are not matters that can be assumed without evidence".*

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