



CONFERENCE 2022

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MEANJIN

CHAMPIONSHIP MOOT

Adidas Australia v HMD

Jurisdiction:

High Court of Australia

Problem Author:

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ADIDAS AUSTRALIA v HMD

AGREED FACTS

1. Adidas introduced the 'Stan Smith' model tennis shoe in 1978. In 1979 the Adidas Stan Smith tennis shoes were first imported and offered for sale in Australia.
2. The shoes were named after the then well-known American tennis player Stan Smith. Stan Smith retired in 1985.
3. The Stan Smith tennis shoes have been continually offered for sale in Australia since 1979. Only very minimal changes have been made to the design and branding of the shoes in the intervening period.
4. The Stan Smith shoe is made with a white leather upper and laces and has a simple low edge design. It does not have the well-known three-stripe adidas mark on it. It does have three rows of perforations on both sides of each shoe's leather upper. However, it does have the Adidas device mark and the words Stan Smith on the tongue of the shoe. The tongue is always in a green colour.
5. Below are two representations of the Stan Smith shoe:



6. The name Stan Smith is not registered as a trademark in Australia, nor is the shape, colour or any other aspect of the Stan Smith shoe itself.
7. Since 2000 the advertising for Stan Smith shoes in Australia has consistently referred to them as 'Stan Smith Classics'. The only advertising for the Stan Smith shoes as such has been in specialist tennis-related publications, both online and in traditional magazines. However, the only words on the shoes themselves and their boxes remain 'Stan Smith' (in the position seen in the representations above, and on the short side of the shoe box).

8. HMD designs and manufactures cheap footwear for sale in Australia under the brand 'Haberdash', and that since 2016. The CEO of HMD is Anne Subramaniam.
9. HMD also runs shoe stores in all Australian capital cities under the 'HMD Quality Footwear' brand. All HMD advertising is conducted by reference only to the 'HMD Quality Footwear' store brand and no advertising is conducted in relation to the Haberdash branded shoes as such. All of HMD's 20 discount shoe stores around Australia are branded 'HMD Quality Footwear'.
10. The Haberdash branded footwear is only sold in HMD's own chain of 20 'HMD Quality Footwear' shoe stores. The Haberdash brand is used in relation to a wide range of shoes suitable for different sports, all designed and manufactured by HMD.
11. The 'Haberdash' mark itself is typically embossed on the sole of the shoes only. It does not appear anywhere else on any shoe. The embossed mark is in the same colour as the sole itself.
12. Since the inception of the business, 'HMD Quality Footwear' stores have also sold other brands, including Adidas branded shoes.
13. However, during 2018 Adidas Australia management became increasingly concerned about the low-quality image of the HMD stores. On 17 January 2019 Anne Subramaniam of HMD receives a letter as an email attachment from Adidas Australia CEO Amy Tanaka stating inter alia that 'Adidas Australia has decided to concentrate its Australian sales in a select list of high quality and directly controlled stores only, and that from 1 February 2019. We have decided not to include HMD from the list and no further orders from HMD will therefore be actioned from 1 February 2019 onwards. No correspondence will be entered into about this matter, and we thank you for your understanding.'
14. Anne is furious about the tone and contents of this letter and the short notice it gives. In her anger she sends an email in reply instantly, saying inter alia that HMD has 'plenty of options anyway', that 'it won't have any effect on our sales because we know how to fill the hole in our catalogue', that 'Adidas will come to regret their decision' and that 'Adidas products have become so bland and commonplace that anybody can produce them anyway'.
15. Immediately after sending the reply email to Adidas Australia, Anne also sends an email to her HMD Operations Manager, Candalice Given, which in part reads 'get a pair of those Stan Smith's, send them to Korea and get them to make as close a copy as they can. Then we will put Dan on them and just Haberdash on the soles.' This email is 'discovered' by the other side (Adidas) during the disclosure process pre-trial.
16. The reference to 'Dan' above is explained as follows.
17. Dan Smith was born in 2005 in Rockhampton, Queensland. He was soon recognised as a tennis 'prodigy'. He moved to Brisbane in 2015 with his parents, Sue and Fred Smith, to train with a well-known tennis coach. He has had a successful junior competitive career, winning many trophies.

18. In July 2018 Dan Smith's parents are approached by Anne Subramaniam, the abovementioned CEO of HMD. She has recognised the potential of Dan Smith and offers the Smith family an HMD sponsorship deal, which they accept.
19. The contract between HMD and the Smith family provides that HMD will provide all branded tennis footwear for Dan Smith for 4 years from 1 August 2018. In return HMD will be entitled to commission and use endorsements of the HMD and Haberdash brands by Dan, and Dan consents to any use of his name by HMD in connection with either HMD or Haberdash brands, products, advertisements, and promotions.
20. In the September and November 2018 issues of 'Tennis Sports Illustrated', a widely read tennis magazine available online and in electronic format, appear one-page advertisements, with a picture of Dan Smith with Anne Subramaniam standing in front of an HMD store, underneath which the following phrase appears; 'Up and coming champ Dan Smith endorses HMD footwear. Great quality, great price.'
21. On 12 March 2019, a new sports shoe called the 'Dan Smith Classics' is introduced in the HMD stores across Australia. The shoes are packed in a typical shoe box, plain white with the brand 'Haberdash' across the lid of the box and a sticker with the price, a barcode, the size, the brand Haberdash and 'Dan Smith Classics' on one of the short sides of the box. The shoes have been designed and manufactured by and on behalf of HMD.
22. The shoes themselves are replica copies of the Stan Smith classic produced and sold by Adidas, including the three rows of perforations and the green tongue. The only differences are that on the tongue of the shoe there is no Adidas mark, but only the words 'Dan Smith Classics'. On the sole of the shoes is the word 'Haberdash' in embossed (elevated) lettering integrated into the ribbing of the sole, and in the same colour as the sole itself.
23. In HMD stores all shoe models are set out on simple shelves without their boxes. A customer must ask a shop attendant for the shoes they want to try on. Any sale is completed at the checkout counter where the shoes are presented to the client in their box to collect and take away.
24. In relation to the applicant Adidas, 'notorious facts' can be relied upon (such as the fact that Adidas is a well-known brand in Australia) but not the results of detailed and specific research. All facts pertaining to Adidas above are to be taken as factual and correct.

Federal Court Trial Decision

Adidas Australia brings an action for passing off and breach of s 18 of the Australian Consumer Law against HMD in March April 2019. The trial is expedited and heard in July 2019, with the decision of the Federal Court handed down in October 2019. The Court finds in favour of HMD and in its reasons points to the following:

- the 'Dan Smith Classics' shoes had upon them the 'Haberdash' trademark and therefore the average purchaser of such shoes would not come to an erroneous conclusion as to their commercial origin;

- the shape of the Stan Smith Classic is functional and not distinctive;
- slavish copying of a product is not actionable per se unless an intellectual property right such as copyright or a registered design is infringed;
- where a product is sold with a trademark upon it, it is unlikely that the shape of the product will be seen by consumers as performing the function of indicating the commercial origins of the product;
- that the copying was intentional is not of assistance to the applicant Adidas as the 'principle' in 'Australian Woollen Mills' can do only limited work and should not be used to fill obvious holes in an applicant's case: the tort remains one of deception and not of unfair competition;
- Stan Smith and Dan Smith are common names in Australia and in any any person should be free to use or permit the use of their own name on a product with which they are associated;
- Competition by imitation in relation to functionally shaped goods is beneficial to Australian consumers as it suppresses prices and increases choice; and
- a matter determined on the basis of s 18 is thereby also determined in terms of the common law action for passing off.

Moot Court of Appeal

Adidas Australia applies to the Moot High Court on the following grounds, which imply coextensive error on the part of the trial court:

- The shape of the Stan Smith shoe is distinctive because although functional it has been applied and promoted as a special Adidas product consistently for decades in Australia, so that consumers have come to associate it exclusively with Adidas;
- The fact that the Adidas trademark appears consistently on the shoe does not mean the shoe's shape cannot be distinctive in its own right;
- Stan Smith is a striking name including a memorable alliteration and has over time and by consistent use become the exclusive property of Adidas as part of its goodwill in Australia;
- In any case distinctiveness is not an express requirement in relation to misleading and deceptive conduct under s 18;
- Slavish copying is actionable where it results in consumer deception, as in this case. The 'Dan Smith' branding, and use of the Adidas-like sounding mark 'Haberdash' were not sufficient to distinguish the HMD shoes from the Stan Smith shoes;
- The term 'Classic' was closely associated with the long history of the Stan Smith shoe and thus with Adidas, and its use by HMD took the matter over the line into actionable misrepresentation;
- The principle in Australian Woollen Mills should be applied flexibly and in a common sense manner, and here it is clear in all the circumstances that WMD sought to ride on the coattails of Adidas Australia's reputation in relation to Stan Smith shoes; and
- A trial court is not to concern itself with matters of high policy but must apply the requisite and well-recognised tests to the facts without more.

Authorities

- *Australian Woollen Mills Pty Ltd v Commonwealth* [1954] HCA 20; (1954) 92 CLR 424

- *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* [1982] HCA 44; (1982) 149 CLR 191
- *Re 10th Cantanae Pty Limited & Ors v Shoshana Pty Limited and Sue Smith* [1987] FCA 421
- *Dr Martens Australia Pty Ltd v Figgins Holdings Pty Ltd* [1999] FCA 461
- *Red Bull Australia Pty Limited v Sydneywide Distributors Pty Limited* [2001] FCA 1228
- *Bodum v DKSH Australia Pty Limited* [2011] FCAFC 98

Please note: Teams are not limited to the authorities above; they are merely a guide to assist in research.