

23 JUNE 2010

Parallel Importation of Trade Marked Goods: The High Court redefines 'use' in *E & J Gallo Winery v Lion Nathan Australia Pty Limited*

Last month, the High Court partly overturned a decision of the Full Federal Court, upholding Gallo Winery's appeal. The anticipated decision has far-reaching implications for trade mark owners, particularly in relation to what constitutes 'use' of a trade mark in the importation context in Australia. In summary, the court held that:

- (i) An overseas manufacturer with a registered trade mark in Australia is a user of a trade mark when goods bearing that mark are sold to an authorised overseas trader and then offered for sale in Australia.
- (ii) Use in Australia of a trade mark by an overseas manufacturer does not require the registered owner to knowingly 'project' the goods into the course of trade in Australia. Instead, the use of a trade mark to distinguish the owner's goods depends on the goods being 'in

the course of trade' in Australia (ie, being sold or offered for sale in Australia). The wine sold by Gallo bearing the mark was in the course of trade when it was imported into Australia.

- (iii) Although the quantity of wine bearing the 'BAREFOOT' trade mark was relatively small, it was a commercial quantity and the use was genuine and sufficient to establish use in good faith.
- (iv) The beer and wine in question were goods of the same description within the meaning of s120(2)(b) of the *Trade Marks Act 1995* (Cth) (**Act**), despite falling within different classes of goods.

For these reasons, the High Court declared that: in advertising, offering for sale and selling in Australia, beer under the 'BAREFOOT RADLER' mark, Lion Nathan had infringed Gallo's 'BAREFOOT' mark in respect of wine.



Background

In January 2005, Gallo, an American wine company, acquired the Australian trade mark 'BAREFOOT' (registered in class 33 for wine) from a US company trading as Barefoot Cellars. Barefoot Cellars exported some of the 'Barefoot' wine to Germany. Wine bearing the Gallo mark was then imported from Germany by the Australian liquor wholesaler Beach Avenue Wholesalers Pty Ltd (**Beach Avenue**). Between 7 May 2004 and 8 May 2007, Beach Avenue imported into Australia, and offered for sale, a limited quantity (144 bottles) of wine under the Gallo mark. Importantly, there was no evidence that Gallo or its predecessor knew about these sales.

Meanwhile, between September 2007 and December 2007, Lion Nathan lodged three trade mark applications that incorporated the word 'barefoot'. In January 2008, Lion Nathan launched its new beer under

the registered trade mark 'BAREFOOT RADLER' (registered in class 32). Gallo commenced proceedings against Lion Nathan for trade mark infringement, alleging that use of the word 'Barefoot' in respect of beer infringed Gallo's mark in respect of wine. Lion Nathan cross-claimed and sought an order for removal of the Gallo mark from the Register on the basis that the Gallo mark had not been 'used' in Australia by the registered owner for a three-year period from 7 May 2004 to 8 May 2007.

In the initial Federal Court decision, Flick J found in favour of Lion Nathan in both its defence to infringement and its counter-claim to have Gallo's 'BAREFOOT' trade mark removed from the Register for non-use. In July 2008, Gallo appealed with respect to the decision regarding: (i) alleged non-use of the 'BAREFOOT' trade mark; and (ii) whether the goods in question – beer and wine – were 'goods of the same description'. Lion Nathan's cross-appeal concerned the date upon which the removal order should commence, arguing that the date should be 8 May 2007 rather than 27 June 2008 (the date of the decision). The Full Federal Court held that the sale of imported goods bearing a trade mark, in circumstances where neither the trade mark owner nor its predecessor in title contemplated this importation and sale, amounted to non-use for the purposes of s 92(4)(b) of the Act. The Full Court also held that beer and wine were goods of the same description and that removal of a mark from the Register takes effect, without retrospective operation, after the removal order is made.

Grounds of appeal to the High Court

Gallo sought to appeal the Full Federal Court's finding that the mere presence of goods bearing a trade mark in the course of trade does not amount to 'use' of the mark in Australia and that, in order to have used a trade mark, the owner must have 'projected' its goods (ie, the owner

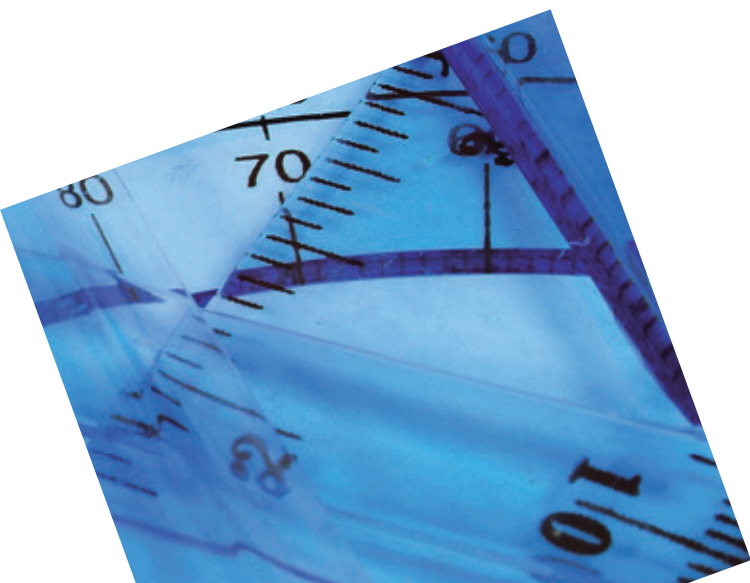
must have engaged in conduct that may lead to its goods being dealt with in Australia). Gallo also sought to reverse the order that the Gallo mark be struck off the Register.

The High Court's decision

The key issue considered by the court was whether there was use in Australia, for the purposes of the Act, by the registered owner (or its predecessor in title), of the Gallo mark in relation to wine between 7 May 2004 and 8 May 2007. It fell to Gallo to rebut the non-use claim under s100(3) of the Act by establishing there was use by Gallo (or its predecessor in title) of the 'BAREFOOT' mark in respect of wines in good faith during the alleged non-use period. The case turned, therefore, on whether Beach Avenue's use was authorised and could be ascribed to Gallo.

1. In the course of trade

The High Court found that whether there has been use of a trade mark under the Act does not depend on whether the owner intentionally 'projects' the goods into the local market. Rather, it is dependant on the goods being 'in the course of trade' in Australia. It was held that Beach Avenue's importing, selling and offering for sale in Australia the trade marked goods amounted to the goods being 'in the course of trade'. The court's decision affirmed the principle that a trade mark operates as a badge of origin of the goods to which it is affixed. The court stated that 'during the trading period, the trade mark functions as an indicator of the origin of the goods, irrespective of the location of the first sale.'



2. Authorised user

The court held that use of the registered trade mark by Barefoot Cellars was authorised use pursuant to s8 of the Act. Consideration was given to the fact that Gallo exercised quality control over the wine sold under the registered trade mark by Beach Avenue.

3. Use in good faith

Lion Nathan argued that 'use in good faith' should involve consideration of the volume of use and the state of mind of the registered owner in respect of the use. The High Court held that, on the facts, a commercial quantity of wine was imported and offered for sale with the registered mark affixed. The use was considered 'genuine and sufficient to establish use in good faith for the purposes of Lion Nathan's application for removal'.

For these reasons, the court held that the sale of 'BAREFOOT' wine under the Gallo mark in Australia by Beach Avenue constituted use of the Gallo mark during the relevant three-year period under the Act.

Court orders

The High Court declared that advertising, offering for sale and selling beer in Australia under the Lion Nathan mark infringed the Gallo mark in respect of wine. The court also issued an injunction to restrain Lion Nathan from selling, offering for sale, advertising or promoting beer under the name 'BAREFOOT RADLER' or any other name that is substantially identical with, or deceptively similar to, the Gallo mark, without being licensed or authorised to do so by Gallo. The court also refused to grant special leave to cross-appeal to Lion Nathan.

Importance of the decision

The decision clarifies the legal position in Australia regarding unintentional or inadvertent use of trade marks that are registered locally, while being owned by overseas companies. It is not necessary for a trade marked product to be 'projected' into a particular jurisdiction by the trade mark owner for the trade mark to operate as a 'badge of origin'. It is more relevant that the product initially originated from the owner or, where the trade mark is licensed, is applied to the product with the consent of the owner on the condition that the trade marked product meets quality specifications prescribed by the owner. If these requirements are met, once the trade marked product enters into the course of trade in Australia with the mark continuing to act as a 'badge of origin', the trade mark may be in use. It seems that trade mark owners may have greater protection afforded to their registered marks following this decision, particularly where their trade marks are being used on products that pass through different jurisdictions.

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