

## Intellectual Property Alert June 2010

### A little vino saves the day for Barefoot

In May 2010, the High Court of Australia handed down a decision under the *Trade Marks Act, 1995* (**ACT**) for the second time only.

The [case](#) concerns the non-use provisions of the Act and shows that relatively slight sales of goods under a trade mark, even without the knowledge of the owner, may suffice to protect it from removal.

One of the messages for brand owners is that limited use of their trade marks, if genuine, may render them invulnerable to removal from the Register. However, it is crucial that brand owners regularly review their trade mark portfolios, consider whether any of their trade marks are vulnerable to removal and, if so, what action is required to safeguard the registrations.

#### Background

A large Californian wine producer E & J Gallo Winery (**Gallo**) was the registered owner of the Australian trade mark Barefoot (**Barefoot Mark**), in respect of wines. It had acquired the trade mark in 2005. Gallo took trade mark infringement action against Lion Nathan Australia Pty Ltd (**Lion Nathan**) which was using the similar trade mark Barefoot Radler (**Barefoot Radler Mark**) in respect of a specialty beer.

Lion Nathan denied infringement, arguing, among other things, that beer and wine were not similar goods. Lion Nathan also applied for removal of the Barefoot Mark on the grounds of non-use during a consecutive 3-year period. That period was from 7 May 2004 to 8 May 2007 (**Non-Use Period**).

In an appeal from the [decision](#) of a single judge of the Federal Court of Australia, the Full Court of the Federal Court found that the Barefoot Radler Mark was deceptively similar to the Barefoot Mark and that beer

and wine were goods of the same description. Therefore, the use of the Barefoot Radler Mark, in respect of beer, did infringe the registration of the Barefoot Mark for wine. However, in the [Full Court appeal case](#), the Full Court also found that neither Gallo nor its predecessor in title had used the Barefoot Mark in the Non-Use Period and ordered that it be removed from the Register for non-use. Gallo appealed to the High Court.

#### Marketing of Barefoot wine during the Non-Use Period

From March 1999 to January 2005, the registered owner of the Barefoot Mark was Michael Houlihan of the United States (**Houlihan**). He licensed the trade mark to a US company he operated which traded as Barefoot Cellars. That business was also based in the United States. Gallo acquired the Barefoot Cellars business and the Barefoot trade mark in 2005.

In February 2001, Barefoot Cellars sold wine under the Barefoot Mark to a German company for resale, without limitation on where the wine might be resold. In July 2002 a Victorian liquor wholesaler, Beach Avenue Wholesalers Pty Ltd (**Beach Avenue**), imported some of that wine from the German company into Australia.

During the Non-Use Period, Beach Avenue imported and offered for sale in Australia 144 bottles of Barefoot wine and sold 41 bottles: 26 when Gallo was the registered owner and 15 when Houlihan was the registered owner. There was no evidence that Gallo, Houlihan or Barefoot Cellars knew of these Australian sales.

## Principal Issue

The principal issue for the High Court was whether the use of the Barefoot Mark in respect of the offer for sale, and sale, of the Barefoot wine by Beach Avenue was use by the registered owner of the Barefoot Mark, as required by the Act.

The High Court found that during the Non-Use Period *"there was use of the registered trade mark on vendible products offered for sale and sold in Australia by ...Beach Avenue to consumers."* Was this trade mark use by the registered trade mark owner? It would be if the company which originally exported the Barefoot wine to the German company, Barefoot Cellars, was an authorised user of the Barefoot Mark. This is because under section 7(3) of the Act *"an authorised use of a trade mark by a person ... is taken, ... to be a use of the trade mark by the owner ...."*

The High Court accepted that Barefoot Cellars used the Barefoot Mark under the control of Houlihan when he was the registered owner of the trade mark and therefore, the use by Barefoot Cellars was authorised use of the Barefoot Mark.

The Full Court of the Federal Court of Australia found that the owner of the Barefoot Mark had not projected the Barefoot wine into the Australian market; only the German market. However, the High Court stated that *"the capacity of a trade mark to distinguish a registered owner's goods ... does not depend on whether the owner knowingly projects the goods into the Australian market" but "on the goods being in the course of trade in Australia."*

While only 41 bottles of Barefoot wine were sold during the Non-Use Period, there was no evidence that sales overseas or in Australia were other than for *"making profit and establishing goodwill"* in the Barefoot Mark. This was genuine, good faith use for the purpose of defeating Lion Nathan's removal application.

## Comment

Trade mark non-use action is commonly employed to remove an obstacle to the use or registration of another party's similar trade mark. As of 29 June 2010, there were 393 non-use applications pending in IP Australia. Evidence of use of the registered trade mark during the alleged period of non-use is crucial to protecting the trade mark from removal and brand owners should take care to retain all evidence of the use of their trade marks. Relatively slight evidence may suffice to prevent the removal of a trade mark.

As discussed above, brand owners should also regularly conduct audits of their trade mark portfolios to identify trade marks which may be or become vulnerable to removal for non-use and to determine appropriate action to protect them.

### Catherine Chant Special Counsel

For further information, please contact:

**Peter Le Guay**  
Partner  
+61 2 8248 3424  
pleguay@thomsonslawyers.com.au

**Catherine Chant**  
Special Counsel  
+61 2 8248 3427  
cchant@thomsonslawyers.com.au

**Matthew Prescott**  
Senior Associate  
+61 8 8236 1147  
mprescott@thomsonslawyers.com.au

**Andrew Roff**  
Associate  
+61 8 8236 1149  
aroff@thomsonslawyers.com.au

**Katarina Smolic**  
Lawyer  
+61 2 8248 3439  
kamolic@thomsonslawyers.com.au

[www.thomsonslawyers.com.au](http://www.thomsonslawyers.com.au)