

Legal Update | Innovations

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Trade marks – Use it or lose it

In June this year, the Federal Court of Australia delivered judgment in favour of Lion Nathan Australia in their dispute against Californian wine makers E&J Gallo Winery. The win for Lion Nathan reinforced the Australian 'use it or lose it' approach to registered trade marks.

Businesses seeking to protect intellectual property rights in their goods and services have traditionally been attracted to the registration of trade marks as a cost effective form of protection. As a result, many international businesses intending to provide their goods and services in Australia have registered their trade marks in Australia.

However, under the Trade Mark Act 1995 (Cth) an application can be made to the Court for the removal of a trade mark for 'non-use' where:

- the trade mark is not 'used in good faith' for a consecutive period of 3 years
- it has been at least 5 years since the trade mark's filing date.

E&J Gallo Winery v Lion Nathan Pty Limited [2008] FCA 934 – The Facts

Gallo Winery produces a range of wines labelled 'Barefoot' in California and registered an Australian trade mark for 'Barefoot' wine products in 2005. However, as of mid 2007, Gallo Winery had not actively distributed Barefoot wines in Australia, either themselves or through a licensee. Although small quantities of Barefoot wines found its way to Australia and were sold between 2005 and 2007, this occurred without the direct knowledge of Gallo Winery.

In mid 2007, Lion Nathan filed an application to remove Gallo Winery's 'Barefoot' trade mark for non-use. In response, Gallo Winery immediately began importing wines to Australia and brought an action in the Federal Court of Australia against Lion Nathan for trade mark infringement in relation to Lion Nathan's new line of beer – the 'Barefoot Radler'.

Infringement

Justice Flick dismissed Gallo Winery's infringement claim as beer and wine were not considered "goods of the same description". In coming to this decision, his Honour considered:

- the nature of the goods, including their origin and characteristics
- the uses of the goods
- the trade channels through which the goods are bought and sold.

His Honour accepted Lion Nathan's arguments that beer and wine were made differently, consumed on different occasions and placed in different sections of a supermarket. The fact that consumers may drink both beer and wine, and that deliberate steps were undertaken by Lion Nathan to entice wine drinkers into drinking beer, did not help Gallo Winery's claim.

Deregistration

True to the Australian 'use it or lose it' regime, Justice Flick granted Lion Nathan's application to remove 'Barefoot' from the trade mark registry. His Honour stated that a 'use' in the context of deregistration needed to be a use "under the control of the owner of the trade mark".

As Gallo Winery had not consciously made any sale of Barefoot wine in Australia prior to Lion Nathan's deregistration application, the necessary connection between Gallo Winery and the use of the 'Barefoot' trade mark in Australia was not established.

The fact that Barefoot wine arrived for sale via other channels was insufficient to show that Gallo Winery had projected it into the Australian market. To establish 'used in good faith' required a substantial and genuine use, as opposed to a token use in a commercial sense.

Points to take away

Lion Nathan's win demonstrates that it is essential for businesses to carefully plan and monitor the use of their trade marks in connection with the goods and services for which protection has been granted.

Trade mark owners: should they bear the burden of policing their rights on the internet?

The internet has generated new commercial opportunities for businesses: some good and some bad. Brand owners who invest millions of dollars developing the reputation and goodwill of their product lines have been exposed to the effects of counterfeiters, who are increasingly utilising the efficiencies of internet trade.

Online auctioneering website eBay has been the subject of various legal attacks by brands including Tiffany & Co., Louis Vuitton and L’Oreal for providing a forum which enables counterfeiters to sell merchandise quickly and in large volumes to consumers, who are often subject to the seller’s product descriptions and claims of authenticity.

To combat counterfeiting, eBay employs more than 2,000 staff worldwide, utilises software to remove counterfeit listings and assists brand owners when alerted to suspicious product listings. While eBay takes these steps, a court’s conclusion on whether eBay is taking sufficient action against counterfeiters will depend on the jurisdiction.

The French Courts have recently decided in favour of Hermès and Louis Vuitton against eBay for allowing sales of counterfeit goods on its website. In the case involving Hermès, eBay was ordered to pay €20,000 for inadequately vetting the sale of counterfeit handbags. A Paris Court also found in favour of Louis Vuitton, finding eBay was not doing enough to eradicate counterfeit sales, ordering the auctioneer to pay €38.6 million for damage caused to the brand’s image and for causing moral harm.

Conversely, in a recent US case launched by jewellery giant Tiffany & Co., a New York judge found that eBay was not guilty of trade mark infringement for using Tiffany & Co.’s trade marks on sponsored links at search engines Google and Yahoo!. eBay was found not guilty of contributory trade mark infringement for counterfeit sales which took place on its website. The New York District Court concluded that Tiffany & Co. could have further utilised the anti-counterfeiting measures made available by eBay, monitored the website or developed its own measures to reduce counterfeit sales on eBay.

The District Court was therefore not prepared to find that eBay’s use of the ‘Tiffany’ marks on sponsored links amounted to trade mark infringement as the marks were only used to indicate that these products were available at eBay. It was held that eBay only used the ‘Tiffany’ marks as was necessary to identify the goods and the marks were not used to suggest affiliation between the label and eBay. The District Court was also not prepared to find eBay liable for contributory trade mark infringement as eBay only had “generalised knowledge that counterfeit goods might be sold on its website” rather than “specific knowledge as to which items are infringing and which sellers are listing those items”. The District Court was persuaded by evidence that eBay was quick to remove suspicious listings when notified by Tiffany & Co.

In 2006, Louis Vuitton launched a case in Australia against the owner and operator of the Queensland Carrara markets. The Federal Court found that by warning individual stallholders against engaging in counterfeit activities, the market owner and operator had done enough to satisfy that they did not share a common purpose with the individual stallholders.

Although decisions in this area provide brand owners with mixed messages regarding the extent to which they can rely on online website operators to assume responsibility for reducing counterfeit sales, Australian brand owners must remain vigilant and invest the necessary resources into policing these activities. Once counterfeit activities are detected and brought to the attention of the website operator, the onus shifts to the website operator to take steps to remove the offending items.

However, it is impractical for the courts to pass the burden of eradicating counterfeit activities on eBay alone, as the auctioneer is simply the host for independent vendors and has limited means to monitor the sales made via its auction site. Although enforcing registered trade mark rights provides some grounds for brand owners to contest counterfeit sales online, trade mark law is not designed for this purpose and a policy review is needed in this area, particularly given that internet trade is increasing and is unlikely to slow anytime soon.

Parallel importation: recent case law

In February this year, the Federal Court delivered an important judgement which considered the question of when a parallel importer of genuine goods featuring a copyright work logo can be held liable under the parallel importation provisions of the Copyright Act. Also in February, the Federal Court held in another case that parallel importation of Eveready and Energizer branded batteries infringed the local trade marks in those products.

More designers and brand owners are becoming familiar with the growing problem of importing genuine goods into Australia through channels other than the brand owners' approved distributors (otherwise known as 'parallel importation'). These goods, while genuine, are often obtained overseas at extremely discounted prices and subsequently distributed cheaply via channels not approved by the designer or brand owner. Other than lost sales to the Australian brand owners and/or distributors, the effect of this practice is to cheapen the brand and dilute its exclusivity by making products available at low prices and from unapproved outlets.

Under the Copyright Act, it is generally an infringement of copyright to import goods into Australia featuring copyright works without the approval of the copyright owner. There are, however, several defences under the Copyright Act which, if made out, legitimise such practices.

The Polo/Lauren Case

Ziliani Holdings Pty Ltd (Ziliani) imported a quantity of genuine Ralph Lauren garments into Australia, which it had obtained in the United States at a very low price. Ziliani then commenced retailing the garments at prices below the usual price for the same garments which were offered by mainstream Australian retail outlets via the applicant company, Polo/Lauren Company L.P. (Polo/Lauren). The garments featured an embroidery of the famous Ralph Lauren polo player logo, which, as well as being a well-known trade mark associated with goods made by the fashion house, is a copyright work owned in Australia by Polo/Lauren.

Polo/Lauren applied for an injunction to prevent Ziliani from importing and selling the garments in Australia. This was based on the grounds that Ziliani had infringed Polo/Lauren's copyright in the Ralph Lauren polo player logo by importing the garments featuring the work into Australia without the licence of Polo/Lauren, the copyright owner in Australia.

Ziliani argued that it had not infringed copyright on the basis that it had satisfied the elements of 2 defences relevant to parallel importation found in the Copyright Act.

The Court held that both defences were made out and dismissed the proceeding. The Court agreed with Ziliani that the Ralph Lauren polo player logo as embroidered to the garments was a non-infringing accessory, being a 'label', and accordingly the importation of the garments did not infringe the Copyright Act.

The Court also found that the copyright/design overlap provisions applied, to the effect that there was no copyright infringement because the Ralph Lauren polo player logo was registrable as a design.

The decision may be seen as a blow to brand owners' attempts to stamp out the practice of parallel importing under the Copyright Act. However, it should be remembered that in cases where there is a label which is not classified as a 'non-infringing accessory' or a corresponding design, the provisions may still be applied in favour of brand owners or licensees to stop this conduct.

The Energizer case

Energizer sued a number of parties for importing counterfeit batteries. The respondents had argued that it was legitimate for them to sell the 'Energizer' batteries in Australia which they had purchased overseas.

The proceeding was eventually settled by consent, with the respondents consenting to orders that they had infringed Energizer's trade marks and agreeing to pay A\$180,000 in damages and costs to Energizer.

The respondents forfeited approximately 150,000 Energizer batteries which had been imported and seized by the Australian Customs Service, with such batteries subsequently being destroyed.

Is the shape of your product distinctive of your brand?

The decision of the Federal Court of Australia in *Global Brand Marketing Inc v YD Pty Ltd* has highlighted the benefits and difficulties of filing trade mark applications for shapes.

Shape trade marks offer protection for the look of a product if the shape of the product identifies the commercial origin of those goods. The benefits of registering shape trade marks have been known within the beverage and perfume industries for many years, many of whom have registered bottle shapes as shape trade marks, with other industries now also catching on.

The principal benefits of registering a shape trade mark as opposed to other forms of intellectual property protection are:

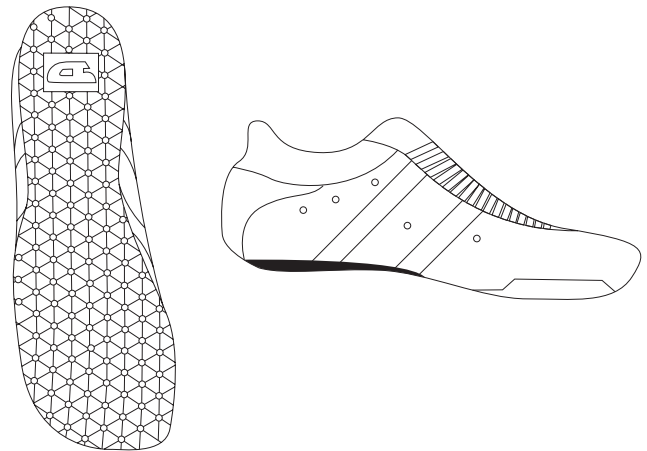
- unlike design and patent protection, there is no limit to the length of time for which protection can be granted for a registered trade mark
- there are no obligations on a trader to ensure that the trade mark application is filed before any public disclosures have been made
- trade mark applications are generally a much cheaper form of protection than patent or design registration.

However, shape trade marks are not always the most appropriate form of protection. In particular, a shape will not be capable of registration as a trade mark where:

- the shape is purely functional and therefore incapable of distinguishing the goods from those of other traders. Recent decisions have further muddied the waters on this point by considering attractiveness of a shape to be a functional feature
- the shape is not capable of being perceived as a trade mark by a consumer
- there are policy reasons for not allowing the shape trade mark to be granted.

Businesses should be especially wary of the final point mentioned above, as this is a consideration which often makes the success of a shape trade mark application very uncertain.

An example of the complications which can arise in the use of shape trade marks is found in the case of *Global Brand Marketing Inc. v YD Pty Ltd*. Diesel SpA alleged that YD Pty Ltd (YD) had copied some of the Diesel footwear range which was the subject of registered shape trade marks, specifically, a shape trade mark for a shoe shape and a sole pattern. Diesel SpA alleged that by copying the relevant footwear, YD had infringed these shape trade marks. YD argued that it's shoes were not substantially identical or deceptively similar to the Diesel shoes, and also that the shape trade marks did not function as trade marks and therefore were not valid. The Diesel shape marks are shown below:



YD's argument that the shape marks were invalid was based principally on the idea that the shape of a shoe and the sole of a shoe are functional elements which do not operate as trade marks. YD contended that the cross-hatched pattern on the sole was for grip, while the elements of the shape of the shoe itself were defined by the style of the shoe and the manufacturing process. If anything, they argued, the element of the shoe which operated as a trade mark was the Diesel logo. The Court rejected this argument and found that though the shape and sole of a shoe did have functional elements, they still had elements which could be considered to be worthy of trade mark protection.

There are many trade marks for shapes which have been registered including the following:

- Weber Stephen Product Co – the Weber BBQ
- Cadbury Limited – the Caramello Koala Shape
- The Grolsch beer bottle
- General Motors – The "Hummer".

In our experience, a trade mark application for a shape will invariably require submission of evidence of use of the trade mark within the marketplace. In most circumstances, significant evidence of use is required to establish that the shape trade mark has come to identify or represent that the relevant goods are associated with the applicant.

While the benefits of filing a trade mark application for a shape trade mark are considerable, an application should be drafted and filed by professionals to ensure the maximum chance of success both in registration and in the event of litigation.