

# Mixing your Drinks

## *E & J Gallo Winery v Lion Nathan Australia Pty Ltd [2010] HCA 15*



The High Court recently handed down its decision in respect of an appeal brought by E & J Gallo Winery from the Full Federal Court's decision in *EJ Gallo Winery v Lion Nathan Australia Pty Ltd [2009] FCAFC 27*.

The decision deals with the following trade mark concepts:

- » Trade mark use and in particular, authorised use, use in good faith and use in the course of trade;
- » The date of effect of a removal order; and
- » Whether beer and wine are goods of the same description.

### Background

Gallo commenced proceedings in the Federal Court alleging that Lion Nathan had infringed its BAREFOOT trade mark (registered in respect of wine). Lion Nathan filed a cross-claim seeking that Gallo's BAREFOOT trade mark be removed from the Register for non-use of the trade mark. In response to Lion Nathan's non-use application, Gallo relied on the offering for sale and sale of wine bearing the registered mark in Australia, even though the relevantly marked wine had been introduced into Australia without the knowledge of the registered proprietor (being Gallo and prior to its acquisition of the registered trade mark, its predecessor in title).

At first instance, the primary judge found that Gallo had not made out its infringement action on the basis that Lion Nathan's use of the

mark in respect of beer, did not constitute use in respect of "goods of the same description" as wine (wine being the registered goods). The primary judge also ordered that Gallo's BAREFOOT trade mark be removed from the Register for non-use.

On appeal, the Full Court overturned the primary judge's finding that wine and beer were not goods of the same description and therefore found in favour of Gallo on the infringement action. The Full Court also found that the primary judge was correct in concluding that the BAREFOOT mark the subject of the registration had not been used and should therefore be removed from the Register. The Full Court was of the view that use of a trade mark (for the purposes of a removal application) requires the registered proprietor to have knowledge of the use of the mark in Australia.

Gallo appealed the finding of the primary judge (upheld by the Full Court) that its registered BAREFOOT trade mark should be removed from the Register for non-use.

### The High Court decision

#### Trade mark use

The appeal to the High Court focused upon whether there had been use by Gallo (or its predecessor in title) of the registered trade mark "BAREFOOT" in respect of wines, in good faith, during the alleged statutory period.

The Court considered that the importation and sale of a commercial quantity of wine (some 144 bottles) during the relevant statutory period, constituted genuine and sufficient use of the trade mark.

Importantly, the High Court found that the capacity of a trade mark to distinguish a registered owner's goods from those of other traders, does not depend on whether the owner knowingly "projects" the goods into the Australian market (adopting the terminology used in the Full Court's decision of *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd (1967) 116 CLR 254*), but depends on the goods being in the course of trade in Australia. The fact Gallo (and its predecessor in title) did not have knowledge of the use of the trade mark in Australia, did not preclude the High Court from finding that there had been

use of the trade mark, in good faith, during the relevant period.

#### Date of effect of removal order

The High Court also refused Lion Nathan's application for special leave to cross-appeal in respect of the Full Court's finding that the effective date of removal from the Register should be the date of judgment rather than the date of the conclusion of the alleged statutory non-use period.

The above could lead to issues with regard to infringement. The situation arose briefly following the Full Court's decision which was in favour of Gallo on the infringement action but in favour of Lion Nathan in respect of its removal application. Had the Full Court's decision been upheld by the High Court, notwithstanding Lion Nathan's success in respect of its removal application, it still would have been liable for infringement of Gallo's registered trade mark up until the date of the final order for removal of that mark from the Register.

#### Goods of the same description

Lion Nathan's application for special leave to cross-appeal in respect of the Full Court's finding that beer and wine are goods of the same description was refused. The Full Court's decision may therefore be relied upon as authority to the effect that beer and wine are goods of the same description.



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