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Removing a Competitor's Mark from the Register for Non-Use

Stephens Lawyers & Consultants: Trade Mark Update - May 2011

This update provides an overview of the legislative provisions and recent case law in regards to removing a trade mark from the register for non-use. The landmark 2010 decision in *E&J Gallo Winery v Lion Nathan Australia Pty* offers the first consideration of this aspect of trade mark law by the High Court of Australia since 1977. This decision emphasises that trade mark owners or authorised users must use their trade marks in respect of the goods/services for which they are registered in Australia or face the risk of an application for removal on the grounds of non-use.

Australia, unlike United States and other countries does not require a Statement of Intended or actual use to be filed with the IP Australia (Trade Mark Office) in order to have a trade mark registered. However, trade mark owners when applying for trade mark registration must act in good faith having an intention to use the mark in Australia. Actual use in Australia is required to maintain registration and to avoid removal of the trade mark from the register.

What is removal of a trade mark for non-use all about? Legislative Framework

From a practical perspective, the issue of removing a trade mark for non-use under Part 9 of the *Trade Marks Act 1995* can arise when:

- 1. trade mark infringement proceedings have been commenced by the registered trade mark owner and the defendant seeks to defend those proceedings alleging that the trade mark owner has not used the registered trade marks in Australia or any use made has not been in good faith;
- 2. a party is seeking to register a trade mark that is substantially identical/deceptively similar to a trade mark that is already on the register in relation to the same/similar goods/services, in which case that applicant can apply to the Registrar of Trade Marks or the court to have the registered trade mark removed for non-use; or
- 3. where a party has registered a foreign trade mark in Australia, with the no intention of using the trade mark but with the view of seeking compensation from overseas owner upon that owner entering or wishing to enter the Australian market.

Making an application for removal of a trade mark for non-use

Who can make the application?

A person can seek to remove a trade mark from the register by making an application to the Registrar of Trade Marks or by applying to the court for an order directing the Registrar to remove the trade mark from the Register.

[1] If the trade mark in question is the subject of pending legal proceedings the application must be made to the court. [2]

On what grounds can you make the application?

An application for non-use can be made on either or both of the following grounds:

- 1. The day the registered trade mark owner filed their application for registration of their trade mark in relation to the goods/services to which the non-use application relates the registered owner had no intention in good faith to:
 - (a) use the trade mark in Australia; or
 - (b) to authorise the use of the trade mark in Australia; or
 - (c) to assign the trade mark to a body corporate for use by the body corporate in Australia; **and has neither**
 - (d) used the trade mark in Australia or
 - (e) used the trade mark in good faith in Australia. [3]
- 2. The trade mark has remained registered for a continuous period of 3 years ending 1 month before the filing date of the non-use application, during which time the registered owner has not used the trade mark in Australia or used the trade mark in good faith in Australia on the goods/services in respect of which the trade mark is registered. An application for removal of a trade mark for non-use, relying on this ground may not be made before a period of 5 years has passed from the filing date in respect of the application for registration of the trade mark. [4]

What does the trade mark owner whose mark is being challenged need to prove?

The trade mark owner bears the onus of rebutting any allegations to have their mark removed for non-use, made under section 92(4)(a) and (b) of the Trade Marks Act. [5]

The trade mark owner (or assignee of the trade mark) will have successfully rebutted an allegation made under section 92(4)(a) if they can establish that:

- (1) the trade mark was used in good faith [6];
- (2) if the trade mark has been assigned but a record of the assignment has not been recorded on the Register, that the assignee has used the trade mark in good faith in accordance with the terms of the assignment and the Court is believes that it is reasonable having regard to all the circumstances of the case to treat the use of the trade mark by the assignee as use by the registered owner; [7]
- (3) if the registered trade mark owner has authorised another person to use the mark, an authorised use of the trade mark has occurred. [8]

The trade mark owner (or assignee of the trade mark) will have successfully rebutted an allegation made under section 92(4)(b) of the Trade Marks Act if they can establish that:

- (1) the trade mark was used in good faith [9];
- (2) if the trade mark has been assigned but a record of the assignment has not been recorded on the Register, that the assignee has used the trade mark in good faith in accordance with the terms of the assignment and the Court is believes that it is reasonable having regard to all the circumstances of the case to treat the use of the trade mark by the assignee as use by the registered owner; [10]

- (3) trade mark was not used during the 3 year statutory period because of circumstances which were an obstacle to the use of the trade mark during the statutory period; [\[11\]](#)
- (4) if the registered trade mark owner has authorised another person to use the mark, an authorised use of the trade mark has occurred. [\[12\]](#)

Powers of the Court or Registrar?

The Registrar or the court has the power to:

- (1) remove the mark from the register, [\[13\]](#) or
- (2) exercise their discretion not to remove the mark even if an application for non-use is successfully made out. In this circumstance, the Registrar or the court will consider whether the registered owner has used the trade mark in relation to similar goods or closely related services; or similar services or closely related goods; to those to which the application relates will be taken into account. [\[14\]](#)

E&J Gallo Winery v Lion Nathan Australian Pty Ltd

The facts

E&J Gallo Winery ('Gallo') was a large American wine producer and the registered owner of the Australian trade mark "BAREFOOT" in respect of wines. Lion Nathan Australia ('Lion Nathan'), a large Australian company, produced and sold alcoholic beverages. Lion Nathan lodged three trade mark applications for trade marks incorporating the word "BAREFOOT". In January 2008, Lion Nathan began selling beer under the trade mark "barefoot radler"

Gallo instigated proceedings against Lion Nathan for infringement of their trade mark "BAREFOOT". Lion Nathan cross-claimed alleging that Gallo's trade mark should be removed from the register for non-use during the 3 year statutory period ('statutory period', being 7 May 2004 to 8 May 2007). [\[15\]](#)

Between 9 March 1999 and 17 January 2005 Michael Houlihan was the registered owner of the "BAREFOOT" trade mark. Mr Houlihan licensed the trade mark to company Grape Links Inc, trading as Barefoot Cellars. Mr Houlihan sold Grape Links to Gallo on 10 November 2004 and the trade mark was transferred on 17 January 2005. Mr Houlihan was retained by Gallo as a consultant one of his responsibilities was to overlook the quality of the wine produced. On 14 February 2001, 60 cases of wine bearing the "BAREFOOT" trade mark were shipped to and purchased by a Germany. However, some of the wine in that consignment was purchased by an Australian company called Beach Avenue Wholesalers ('Beach Avenue') who imported the wine into Australia. Beach Avenue commenced selling the wine during the statutory period. Gallo conceded that neither they nor Mr Houlihan had any knowledge of the fact that Beach Avenue was importing goods under the BAREFOOT trade mark.

First instance

On the issue of trade mark infringement, Flick J held that Lion Nathan had not infringed Gallo's trade mark as the goods were not of the same description. On the issue of non-use, Flick J ordered Gallo's mark to be removed from the Register for non-use. [\[16\]](#)

Federal Court Decision

The Full Court of the Federal Court rejected Flick J's reasoning on the issue of infringement finding that the goods were of the same description and deceptively similar. [\[17\]](#) However, the Federal Court upheld the primary's judge's decision to remove Gallo's mark from the register for non-use. [\[18\]](#)

The main issue in regards to non-use was **what constituted use** for the purposes of s 92(4)(b) and s 100(3)(a). Gallo argued that "use" referred to use of the trade mark **as a badge of origin** meaning that the trade mark indicates a connection in the course of trade between the goods and the owner of the trade mark. This use begins when goods bearing the trade mark enter the market and ends when they are purchased (which is to be determined objectively). [\[19\]](#)

Gallo argued that their trade mark had been used in Australia during the stipulated non-use period because Beach Avenue imported the goods bearing the trade mark and sold them in Australia. [\[20\]](#)

This argument was rejected by the Court. The court stated:

"...the failure of a registered owner to continue to use the trade mark directly or indirectly or to give effect to the intention to use the trade mark which ordinarily is presumed at the time registration is sought unless an opponent discharges the burden of proving the absence of intention exposes the mark to removal from the Register for non-use." [\[21\]](#)

The Full Court was not attracted to the idea that a registered trade mark owner could use their trade mark lacking the intention to do so yet still claim ownership of the mark. In this regard the Full Court felt that Gallo's conceptualisation of 'use' was in conflict with the concept of 'ownership' under the Trade Marks Act. The Full Court stated:

"No authority of which we are aware suggests that inadvertent, unknown unintended use in Australia results in ownership of the mark for the purposes of registration under Australian law. A person cannot unwittingly intend to do something, unwittingly authorise someone else to do something or unwittingly intend to assign something. Context strongly suggests likewise that use by the person claiming to be the owner is not unwitting or inadvertent use but deliberate use of the mark in Australia as a badge of origin." [\[22\]](#)

Consequently, the Federal Court found that Gallo had not used the mark "BAREFOOT" within the three year statutory and thus the mark should be removed from the register. [\[23\]](#)

A further point in contention was whether Lion Nathan was exposed to liability for infringement while the BAREFOOT mark was registered (irrespective of whether it was being used). The Federal Court held that Lion Nathan would be liable for infringement because the **order of the Court to remove the mark from the register does not act retrospectively**. [\[24\]](#) In other words, the effect of entering on the Register that the BAREFOOT mark is no longer valid has no bearing on events that occurred when the BAREFOOT mark was registered.

High Court Decision:

On appeal Gallo needed to establish either:

- 1. use in good faith of the mark BAREFOOT during the statutory period; or
- 2. authorised use of the mark by an authorised user;

to ensure its mark was not removed from the Register.

1. Concept of "Use of a Trade Mark"

Fundamental to Gallo's appeal was the concept of "use of a trade mark". [25] According to the High Court, the concept of use, which underpins the non-use provisions in the Trade Mark Act 1995, [26] must be interpreted in the context of s 17 of the Act. [27] A trade mark must:

- 1. *distinguish* the goods to which it is attached: this ensures that the trade mark indicates the origin of the goods;
- 2. be used *in the course of trade*: the trade mark must be used in respect of vendible goods.

The High Court stated:

"Each occasion of trade in Australia whilst goods sold under the trade mark remain in the course of trade is a use of the purposes of the Trade Marks Act. A registered owner who had registered a trade mark under the provisions of the Trade Marks Act can be taken in general terms to have an intention to use that trade mark on goods in Australia." [28]

Therefore, the High Court held that on the facts of the case, there had been 'use' of the trade mark BAREFOOT.

2. Concept of "Authorised Use"

Similarly, the concept of "authorised use" [29] was crucial to Gallo's claim. Gallo argued that Barefoot Cellars was an authorised user of the mark BAREFOOT because Gallo exercised quality control over the goods sold under the BAREFOOT mark in both circumstances when Mr Houlihan owned Barefoot Cellars and when Gallo retained him as a consultant which required him to monitor the quality of the wine produced. [30]

This argument was accepted by the High Court and consequently there had been 'authorised use' by Barefoot Cellars as it was considered to have used the registered mark BAREFOOT *whilst Mr Houlihan was the registered owner*. [31]

3. Concept of "Use in Good Faith"

The concept of "use in good faith" means that the use occurring must be genuine.

Lion Nathan argued that this required the registered trade mark owner to consider how much use of the trade mark was occurring which should be substantial coupled with the knowledge that the use of the trade mark was in fact occurring. [32] Conversely, Gallo argued that once a registered trade mark owner has established that they have used the trade mark this should satisfy the requirement of use in good faith. [33]

The High Court held that Gallo's use of the mark was genuine and sufficient to satisfy the requirement of "use in good faith" for the purposes of s 101(c). The High Court stated that whilst a single act of sale/single use of the trade mark *may not be sufficient 'use' to prevent removal*, "a relatively small amount of use may be sufficient to constitute 'ordinary and genuine' use judged by commercial standards". [34] Gallo was able to prove that 144 bottles were imported and offered for sale by Beach Avenue and approximately 41 sales were made. [35]

Implications

1. What constitutes use? What "use" is required?

The High Court decision in E&J Gallo sheds light on the type of "use" required for the purposes of making an application to remove a trade mark for non-use. The High Court emphasized that in order to establish "use", **the goods/services bearing the trade mark must be used in the market place by the registered owner of the mark or an authorized user of the mark.** Further, trade mark owners do not need to show an intention to use the mark in the market place. This will be assumed.

In terms of the **amount** of 'use' required it would appear that:

- substantial use is not required;
- a small amount of use may be sufficient but this needs to be interpreted against ordinary commercial standards;
- a single use may or may not be sufficient however relying on a single use to protect your trade mark from removal is highly risky.

E&J Gallo and the High Court's analysis of 'use' reinforces the point that it is imperative for traders who wish to preserve their trade mark registrations **to use their trade marks in the Australian market.**

2. Competitors beware....you can still be liable for infringement

The Federal Court decision confirms that any order of the court to remove a trade mark from the register does not operate retrospectively. As a consequence, a party can be held liable for trade mark infringement up to the date of the court order if it has used a trade mark which is substantially identical with or deceptively similar to the goods/services in respect of which the trade mark is registered.

Stephens Lawyers & Consultants can advise on all aspects of trade mark law, including trade mark protection, registration and infringement .

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[1] *Trade Marks Act 1995* section 92(1) .

[2] *Trade Marks Act 1995* section 92(3) .

[3] *The Trade Marks Act 1995* section 92(4)(a).

[4] *The Trade Marks Act 1995* section 92(4)(b), section 93(2).

[5] *The Trade Marks Act 1995* section 100(1)(a)-(c)

[6] *The Trade Marks Act 1995* section 100(2)(a).

[7] *The Trade Marks Act 1995* section 100(2)(b)(i)(ii)

[8] *The Trade Marks Act 1995* section 100(2) Note 1. An 'authorised user' of a trade mark is a person who uses the trade mark in relation to goods or services *under the control of the owner of the trade mark. When that person uses the trade mark it is considered an 'authorised use' (see Trade Marks Act 1995 section 8) .*

[9] *The Trade Marks Act 1995* section 100(3)(a).

[10] *The Trade Marks Act 1995* section 100(3)(b)(i)(ii)

[11] *The Trade Marks Act 1995* section 100(3)(c).

[12] *The Trade Marks Act 1995* section 100(3) Note 1. An 'authorised user' of a trade mark is a person who uses the trade mark in relation to goods or services *under the control of the owner of the trade mark. When that person uses the trade mark it is considered an 'authorised use' (see Trade Marks Act 1995 section 8) .*

[13] *The Trade Marks Act 1995* section 101(1) and (2).

[14] *The Trade Marks Act 1995* section 101(4).

[15] Gallo brought their infringement proceeding on the basis of s 120(20) and Lion Nathan brought their application for non-use based on s 92(4)(b) and s 101(2).

[16] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd (2008) 77 IPR 69.*

[17] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [74] (Moore, Edmonds, Gilmour JJ).

[18] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [56] (Moore, Edmonds, Gilmour JJ).

[19] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [29] (Moore, Edmonds, Gilmour JJ).

[20] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [32] (Moore, Edmonds, Gilmour JJ). Note this argument was rejected by the Federal Court at [34].

[21] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [48] (Moore, Edmonds, Gilmour JJ).

[22] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [47] (Moore, Edmonds, Gilmour JJ).

[23] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [61] (Moore, Edmonds, Gilmour JJ).

[24] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at [66] (French CJ, Gummow, Crennan and Bell JJ). See also *Trade Marks Act 1995* section 127.

[25] *Trade Marks Act 1995* section 7.

[26] See "What is removal of a trade mark for non-use all about? Legislative Framework" above.

[27] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at [41] (French CJ, Gummow, Crennan and Bell JJ). Note the definition of a trade mark is a sign used or intended to be used to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person: *Trade Marks Act 1995* section 17.

[28] [51] cf fed decision

[29] Section 8, *Trade Marks Act 1995*.

[30] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* 265 ALR 645 at [55]-[58] (French CJ, Gummow, Crennan and Bell JJ).

[31] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* 265 ALR 645 at [59] (French CJ, Gummow, Crennan and Bell JJ).

[32] *Ibid* 60.

[33] *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* 265 ALR 645 at [61] (French CJ, Gummow, Crennan and Bell JJ).

[\[34\]](#) *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* 265 ALR 645 at [64] (French CJ, Gummow, Crennan and Bell JJ).

[\[35\]](#) *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* 265 ALR 645 at [65] (French CJ, Gummow, Crennan and Bell JJ).