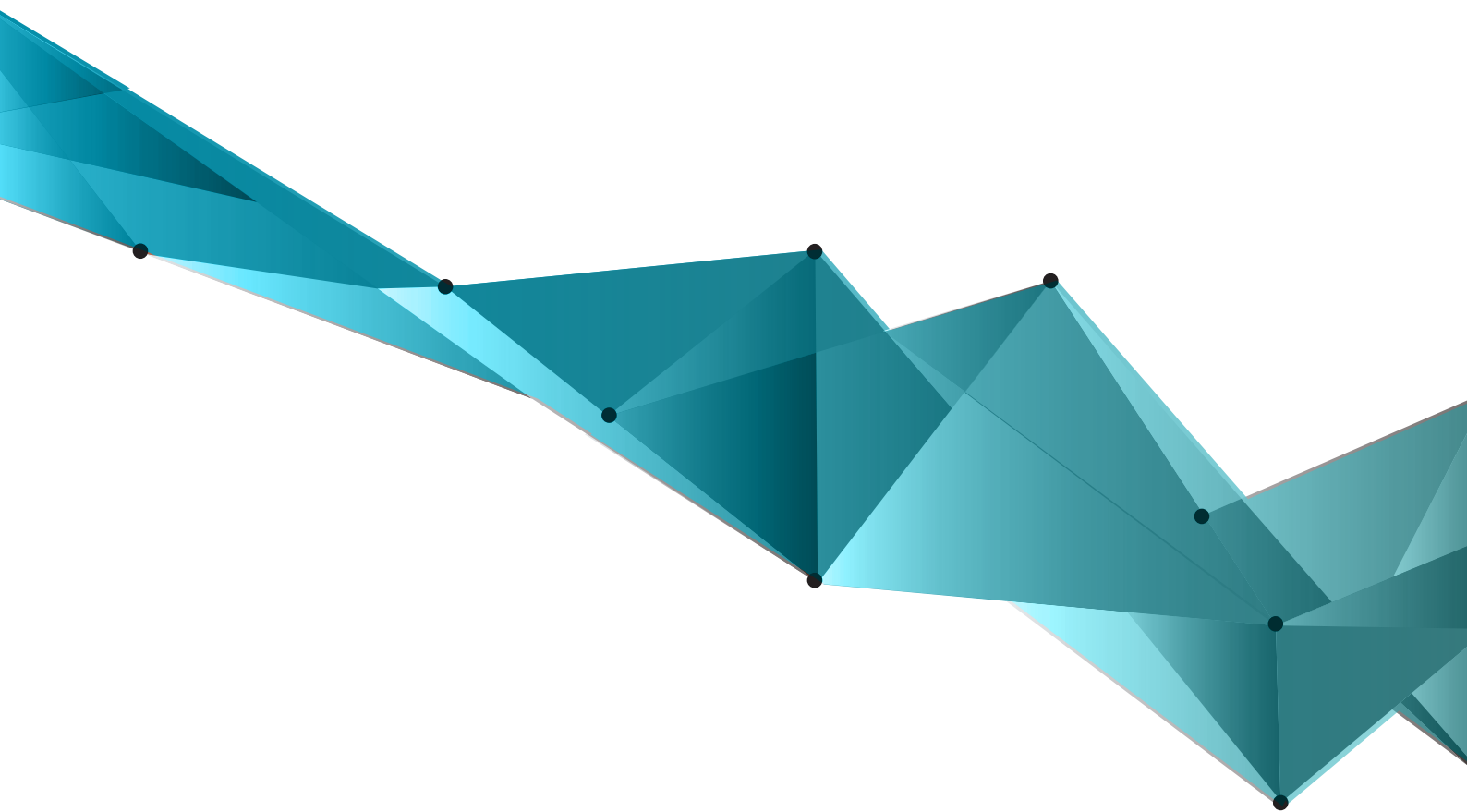


# 2018

## Intellectual Property Newsletter



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# Welcome

Welcome to the 2018 Recap Edition of Gadens' Intellectual Property Newsletter.

In this edition we explore the impact on intellectual property owners of changes to Australian laws and shine the spotlight on three Australian cases which provide insight to the Australian position on colour trade marks, geographical place names and establishing trade mark ownership. We appreciate the opportunity to provide insights into the Australian landscape to our international colleagues and welcome suggestions for articles of particular interest.

We hope you enjoy our end of year edition and wish you all a happy holiday season.

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# New Trade Mark Requirements in the Wine Equalisation Tax (WET) Rebate Regime

Authored by: Erica Huntley, Associate

If you produce wine for export or wholesale into Australia, you will generally have to account for wine equalisation tax (WET). WET is a tax of 29% of the wholesale value of wine. The WET is applicable to both Australian produced wine and imported wine. It is generally only payable if your business is registered or is required to be registered for Goods and Services Tax (GST) in Australia. See <https://www.ato.gov.au/Business/Wine-equalisation-tax/> for more information.

Changes to the WET legislation in Australia came into effect on 1 July 2018. These changes include certain trade mark requirements that producers must abide by in order to take advantage of the WET Rebate. Wine producers may be entitled to a WET Rebate of the WET amount they have paid on a dealing with wine, or the amount of WET they would have paid on the dealing if the buyer did not quote their Australian Business Number.

In order to qualify for the WET Rebate, the labelling and packaging of wines must be branded with a trade mark owned by your business (or an associated entity). The trade mark must be a trade mark within the meaning of the *Trade Marks Act 1995* (Australia) or, if you are an approved New Zealand participant, within the meaning of the *Trade Marks Act 2002* (New Zealand). Common law trade marks in use since 1 July 2015 may also be qualifying trade marks in certain circumstances.

Notwithstanding the WET Rebate regime, if you are exporting to Australia, it is a good idea to register your trade mark in Australia, as this will give you the strongest protection for your brand, and prevent third parties from using your trade marks. Our team can assist your clients to develop an appropriate filing strategy.



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# Protecting colour trade marks in Australia is notoriously difficult

Authored by: Lisa Haywood, Lawyer

The recent decision of the Federal Court in *Frucor Beverages Limited v The Coca-Cola Company* [2018] FCA 993 confirms that colour marks remain difficult to register in Australia, and highlights the importance of ensuring that a trade mark is accurately defined at the time of filing.

In 2012, Frucor Beverages Limited (**Frucor**) applied to register the colour Pantone 376c Green in relation to energy drinks. Coca-Cola opposed Frucor's application on two grounds, namely that the colour Pantone 376c Green is not inherently adapted to distinguish Frucor's energy drinks, and Frucor's application was defective on the basis that it used the wrong colour swatch in its application. Coca-Cola succeeded in establishing that the colour Pantone 376c Green is not capable of distinguishing Frucor's energy drinks. The Delegate accordingly refused to register Frucor's trade mark.

On appeal, the Federal Court found in favour of Coca-Cola, holding that Frucor had not demonstrated that the colour green was inherently adapted to distinguish its energy drinks. Yates J found that, because the mark applied for was defined ambiguously, it was not possible for Frucor to discharge the onus on it to establish that the mark distinguished Frucor's goods due to the extent to which the mark was used before the filing date and, for that reason alone, registration should be refused. Further, even if the trade mark were defined properly in the application, his Honour found that, on the evidence submitted, Frucor failed to establish that the colour green had functioned as a trade mark.

Frucor's survey evidence also did not assist, as the Court held that participants were asked about colours that were identified with brands, rather than colours presented as brands. Frucor's request to amend its application so that the description of the mark was consistent with the colour representation was denied on the basis that the amendment would substantially affect the identity of the trade mark.

Frucor can appeal this decision to the Full Court, but only with leave. In the meantime, Frucor has other pending trade mark applications for a green coloured can and the colour GREEN which are still under examination.



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# Geographical references in trade marks found to lack distinctiveness

Authored by: Cassandra Krylov, Lawyer

The decision in *Bohemia Crystal Pty Ltd v Host Corporation Pty Ltd* [2018] FCA 235 concerned the validity and infringement of Bohemia Crystal Pty Limited's (BCP) registered trade marks, BOHEMIA and BOHEMIA CRYSTAL (the **BOHEMIA Marks**) in relation to glassware and crystal products. Bohemia is a location, which forms part of the Czech Republic, and it is renowned for its production of high quality crystal and glass. BCP sued Host Corporation Pty Ltd (**Host**) for trade mark infringement, misleading or deceptive conduct and passing off, for uses of "Bohemia" in phrases such as "Banquet Crystal by Bohemia".

The BOHEMIA Marks were held to be invalid because they comprised a geographic name and there was insufficient use before the filing date. The Court found that the word "Bohemia", when used in relation to glassware, would ordinarily signify to consumers a region where glassware is made. BCP's evidence did not establish acquired distinctiveness because there was a lack of evidence prior to the filing date, and much of the evidence submitted demonstrated use of a composite mark, rather than the BOHEMIA Marks as filed. Therefore, The BOHEMIA Marks were found to be not capable of distinguishing the relevant goods and, accordingly, were ordered to be removed from the Register.

Nevertheless, the Court still considered BCP's infringement claim in *obiter*, in the event that the Court was wrong about the validity of the BOHEMIA Marks. The Court held that, if the marks were valid, Host's use of the phrases such as "Banquet Crystal by Bohemia" would have infringed BCP's trade mark rights. The Court also held that Host's defence of

use in good faith to indicate a geographical origin would not be established, as the words "by Bohemia" would not be considered to denote a geographical location. However, the Court dismissed BCP's claim that Host's conduct was misleading or deceptive or amounted to passing off.

This decision highlights the difficulties of maintaining and enforcing trade marks which comprise geographical locations. It also highlights the importance of submitting evidence that demonstrates use of the trade marks in issue (and not of related, composite trade marks).



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# Establishing the true trade mark owner

Authored by: Madeleine McMaster, Lawyer

In February 2018, the Full Court of the Federal Court provided guidance on how to establish ownership of a trade mark in the decision of *Anchorage Capital Partners Pty Ltd v ACPA Pty Ltd* [2018] FCAFC 6.

## Background

In May 2011, Anchorage Capital Partners Pty Ltd (**Anchorage**) registered trade marks for ANCHORAGE, ANCHORAGE CAPITAL and ANCHORAGE CAPITAL PARTNERS in respect of, *inter alia*, financial services. One month later, ACPA Pty Ltd (**ACPA**) opened in Sydney, operating as the Australian subsidiary of a US company, Anchorage Capital Group LLC (**Anchorage Capital**). It was not until June 2013, when Anchorage moved into the same building as ACPA, that Anchorage took legal action to enforce its trade mark rights. However, ACPA cross-claimed, seeking cancellation of the registered marks on the basis that Anchorage was not the *bona fide* owner of the marks, because Anchorage Capital was in fact the first user of a "substantially identical" mark (being, ANCHORAGE FUNDS) in Australia.

## Establishing ownership

The Court confirmed that, in order to establish ownership, it is necessary to establish first use in Australia of the trade mark (or a substantially identical trade mark), in relation to the goods or services for which the trade mark is registered, or goods or services "of the same kind". The Court also confirmed that it is not necessary that there be an actual dealing in Australia in the goods or services

at the relevant date, provided that it is possible to establish an offer to trade, or an existing intention (capable of being fulfilled) to supply the goods or services.

In this case, although the use was slight, it was held that a PowerPoint presentation sent to potential institutional investors in January 2007 amounted to prior use of a substantially identical mark for the same kind of services, because the presentation was sent with the intention of engaging in the financial services industry in Australia. This was sufficient to establish prior ownership and all three registrations were ordered to be cancelled.

## Discretion

The Court considered whether a discretion is available which can be exercised in determining whether to remove a mark from the Register. The Court determined there was such a discretion and the primary judge did not err in the decision not to exercise that discretion.

## Infringement and defences

Given that a decision was made to cancel the registered trade marks, a determination on whether use of the marks by ACPA and Anchorage Capital amounted to infringement were not strictly required, because cancellation provides, in effect, a complete defence to past infringement, but the Court nevertheless expressed their views in *obiter*.

The majority took the view that Anchorage Capital's conduct amounted to infringement. However, the Court also considered whether the following defences were available:

- the defence of use in good faith of one's own name would have been available to Anchorage Capital for use of ANCHORAGE CAPITAL GROUP, but not for ANCHORAGE and ANCHORAGE CAPITAL.
- no defence was available on the basis that Anchorage Capital could obtain registration if it were to apply for its own mark. This consideration raised a previously undecided question, namely, the date at which that theoretical 'entitlement' is assessed. On this point, the Court concluded that it the assessment is at the date of the alleged infringing conduct. Here, it this defence was not available to Anchorage because, as at the date of alleged infringement in mid-2011, ACPA had been using the ANCHORAGE mark for 3 years, which meant that they would have succeeded in an opposition on the ground of having established a reputation in the mark.
- for the prior continuous use defence was not available because this section requires the prior

continuous use be made in Australia, and, in this case, the prior continuous use was made in the US.

This decision clarifies certain aspects of what is required to establish ownership of a mark in Australia, and the date at which the defence of entitlement to registration is assessed. It also clarifies that there does not need to be an actual supply of services to establish ownership, but merely evidence of an existing intention to supply such services. These points are of particular importance when considering a client's ability to maintain or enforce its trade mark rights in Australia.



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# Australia's plain packaging laws approved by the WTO

Authored by: Erica Huntley, Associate

The WTO has held Australia's plain packaging laws to be consistent with the WTO's trade obligations.

Australia's plain packaging laws prohibit logos and distinctive packaging on all tobacco products sold in Australia. Rather, tobacco products are required to be sold in olive packaging with prominent health warnings, and the brand name printed in small standard font.

Complaints were brought by Honduras, the Dominican Republic, Cuba, and Indonesia, concerning Australia's tobacco plain packaging laws, on the basis that, *inter alia*, the plain packaging laws unjustifiably infringe the trade mark rights of tobacco companies. After six years of legal proceedings, on 28 June 2018, the WTO released its decision.

The decision is expected to encourage other countries to introduce similar laws, with the UK, Ireland, New Zealand, Norway, France, Hungary and Slovenia having already started the process.



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# IP Australia has recommended that Australia not join the Hague Agreement for the Protection of Industrial Designs

Authored by: Stephanie Manatakis, Lawyer

IP Australia has recommended that Australia not join the Hague Agreement Concerning the International Registration of Industrial Designs (**Hague Agreement**) in its March 2018 report (see the full report [here](#)). In considering whether Australia should join the Hague Agreement, IP Australia conducted a cost-benefit analysis to assess the impacts of the proposal on consumers and the wider IP community. In its findings, IP Australia contends that the costs of joining the Hague Agreement far outweigh any perceived benefits to Australian designers and consumers.

IP Australia observed that joining the Hague Agreement would provide Australian designers easier access to filing in international markets by the filing of a single design application with protection in over 65 countries and regions. In joining the Hague Agreement, Australia would also be required to lift its current protection period for industrial designs from 10 to 15 years. However, IP Australia has doubt as to whether this increase in the protection of designs will incentivise innovation.

IP Australia concluded that the overall costs in joining the Hague Agreement would ultimately outweigh the benefits. It estimates the costs to be approximately \$65 million, with the largest expenditure of approximately \$58 million being attributed to lost revenue being directed to non-resident designers.

IP Australia observed that non-residents currently file triple the amount of designs in Australia compared to their Australian counterparts, with concerns that joining the Hague Agreement will only increase the disproportion in these figures.

IP Australia has sought submissions in respect of the report and the economic analysis, and are developing a response to this consultation. IP Australia will publish the response in due course. Watch this space.



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# Part 1 of Intellectual Property Amendments receive royal assent

Authored by: Alana Long, Senior Associate

*The Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018 Cth (the Act)* commenced on 24 August 2018. Schedule 1 of the Act gives effect to the Government's response to the Productivity Commission's (PC) public inquiry into Australia's IP system. The PC was asked to consider whether current arrangements provided an appropriate balance between access to ideas and products, and encouraging innovation, investment and the production of creative works. Schedule 2 implements measures intended to streamline and align the administration of Australia's IP system.

It is noted that a further round of amendments are expected under the *Intellectual Property Laws Amendment Bill (Productivity Commission Response*

*Part 2 and Other Measures) Bill 2018 (the Bill)* which has recently been circulated for public comment. The Bill introduces a number of important amendments to the *Patents Act 1990* (Cth) (PA), including amending inventive step requirements for Australian patents, introducing an 'objects' clause into the PA and the phasing out of the innovation patent system. The abolition of the innovation patent system is a significant change. Australia is one of few countries that offer a second tier patent; a regime that is heavily relied upon by both local and international patent owners due to its lower threshold requirement of 'innovative step' rather than 'inventive step'. Updates on the Bill will be provided in due course.

In the meantime, notable amendments under the Act include the following:

1. clarification of the circumstances in which the parallel importation of trade marked goods does not infringe a registered trade mark (at a high level, these amendments facilitate the parallel importation of goods into Australia);
2. the reduction of the period that must elapse before a trade mark non-use action can be taken (an application for revocation on the basis of non-use for three years or more can now be made three years from the filing date of the trade mark application, instead of five); and
3. adding additional damages for unjustified threats of infringement for patents, trade marks, designs and plant breeder's rights

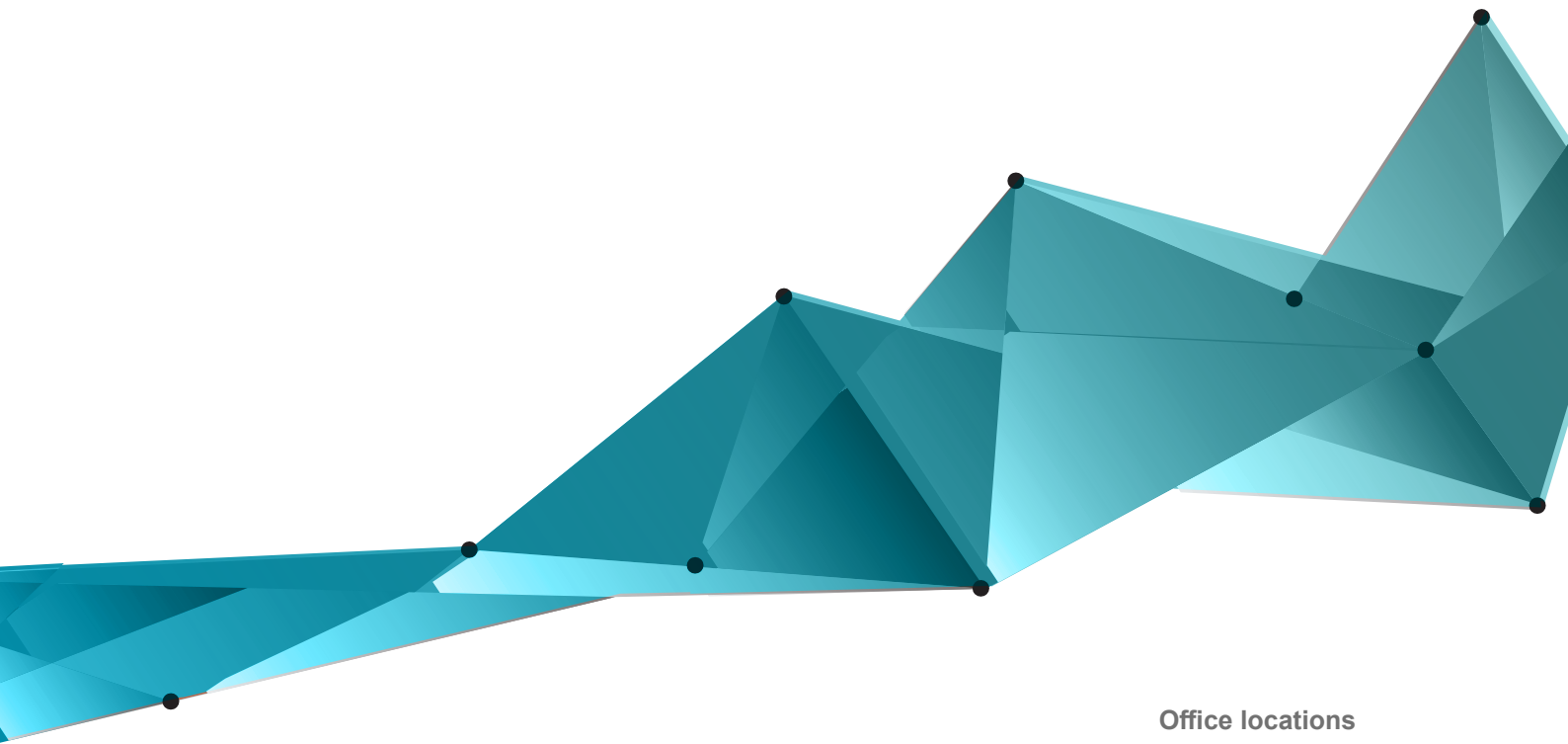
Item 1 applies to any infringement actions brought on or after 25 August 2018, even if the infringing conduct is alleged to have occurred before that date. Items 2 and 3 come into force on a day to be fixed by proclamation, but if no such date is fixed, on 25 February 2019.

For more information about the above amendments and how they may affect your client's or your business' IP strategy, please do not hesitate to contact us.



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