



## HIGH COURT OF AUSTRALIA

Manager, Public Information

19 May 2010

E. & J. GALLO WINERY v  
LION NATHAN AUSTRALIA PTY LIMITED (ACN 008 596 370) [2010] HCA 15

The High Court held today that, for a registered owner to "use" a trade mark in Australia within the meaning of s 94(2)(b) of the *Trade Marks Act 1995* (Cth), the owner need not "knowingly project" the goods bearing the mark into the course of trade in Australia. In the case of an overseas manufacturer who registers a trade mark in Australia, affixes the trade mark to goods and then sells them to an overseas trader (without any knowledge as to where the goods will ultimately be sold), the manufacturer can be said to be a "user" of the trade mark in Australia when those same goods are offered for sale and sold in Australia.

E. & J. Gallo Winery ("Gallo") is a California-based producer and seller of alcohol and the owner of the trade mark "BAREFOOT". Since 1999 that trade mark has been registered under the *Trade Marks Act 1995* (Cth) ("the Act") in relation to wines. During 2006 and 2007, Lion Nathan Australia Pty Limited ("Lion Nathan") developed a new beer which was intended to be less bitter than traditional beers (using lemon and lime flavours) and was targeted at non-beer drinkers. It applied to register the trade mark "BAREFOOT RADLER" ("radler" being a German word used to describe a drink of beer mixed with lemonade) and commenced selling the beer under that mark in January 2008.

In February 2008 Gallo commenced proceedings in the Federal Court of Australia alleging that Lion Nathan had infringed its "BAREFOOT" mark contrary to s 120(2) of the Act. Lion Nathan denied there had been an infringement and filed a cross-claim contending that there had been a non-use of the "BAREFOOT" mark within the terms of s 92(4)(b) of the Act and seeking an order for the removal of the trade mark from the Register under s 101(2) of the Act. Section 92(4)(b) provides that a person may apply to have a trade mark removed from the Register on the ground that "the trade mark has remained registered for a continuous period of 3 years ending one month before the day on which the non-use application is filed" ("the non-use period") if at no time during that period the registered owner "used the trade mark in Australia" or "used the trade mark in good faith in Australia". The relevant non-use period was 7 May 2004 to 8 May 2007.

Between 9 March 1999 and 17 January 2005 (when Gallo became the registered owner of the "BAREFOOT" mark) the registered owner was Michael Houlihan. Mr Houlihan licensed the mark to a United States company ("Barefoot Cellars") of which he was president. Under the terms of that licence, Barefoot Cellars applied the "BAREFOOT" mark to its wine and, in 2001, exported 60 cases of the wine to a German distributor without any limitation as to where it could be resold. Some of that wine was ultimately sold to a Victorian liquor wholesaler who commenced selling it in Australia from 2003. During the non-use period, the wholesaler offered for sale 144 bottles of the wine, sold 41 and gave away 18. Gallo conceded that there was no evidence that it, or Barefoot Cellars, or Mr Houlihan knew that, during the non-use period, wine was being offered for sale or sold in Australia under the "BAREFOOT" mark.

The primary judge dismissed Gallo's infringement claim but allowed Lion Nathan's non-use claim, finding that the "BAREFOOT" mark had not been "used" within the meaning of s 92(4)(b) and

ordering its removal from the Register. The Full Court of the Federal Court of Australia allowed Gallo's appeal regarding the infringement claim but dismissed its appeal regarding the non-use claim. Gallo's application for special leave to appeal to the High Court was granted on 31 July 2009. Lion Nathan later sought special leave to cross-appeal regarding the infringement claim and that application was heard together with Gallo's appeal.

Gallo sought to rebut the allegation of non-use primarily by characterising the attachment of the mark to wine bottles by Barefoot Cellars as a "use" of the trade mark. It submitted that the term "used" refers to use of a trade mark as a badge of origin indicating a connection between goods and the registered owner, and that the "BAREFOOT" mark continued to be "used" in that sense until the wine was purchased from the wholesaler. It contended that it did not matter that neither Mr Houlihan nor Barefoot Cellars knew that the bottles of wine were being offered for sale or sold by the wholesaler in Australia. Lion Nathan submitted that there was no "use" by the registered owner of the trade mark in Australia unless the registered owner had "projected" the goods into the course of trade in Australia.

The High Court held that one function of a trade mark is to "distinguish" the goods of a registered owner from the goods of others and to indicate a connection in the course of trade between the goods and the registered owner. The capacity of a trade mark to perform that function is not dependent on the owner knowingly projecting the goods into the Australian market. It depends on whether the goods are in the course of trade. Each occasion of trade in Australia, while the goods remain in the course of trade, is a use for the purposes of the Act. The Court held that an overseas manufacturer who has registered a trade mark in Australia and who himself (or through an authorised user) places the trade mark on goods which are then sold to a trader overseas can be said to be a user of the trade mark when those same goods are in the course of trade, that is, are offered for sale and sold in Australia. Having found that Barefoot Cellars was an authorised user, the Court held that the circumstances were sufficient to constitute a use of the "BAREFOOT" mark by the registered owner. The Court allowed Gallo's appeal and dismissed Lion Nathan's application for special leave to cross-appeal. The Court declared that, by advertising, offering for sale and selling in Australia beer under the name "BAREFOOT RADLER", Lion Nathan had infringed Gallo's trade mark. It issued an injunction restraining Lion Nathan from doing so and remitted the matter to the primary judge for assessment of damages or an account of profits.

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The primary judge dismissed Gallo's infringement claim but allowed Lion Nathan's non-use claim, finding that the "BAREFOOT" mark had not been "used" within the meaning of s 92(4)(b) and

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The High Court held that one function of a trade mark is to "distinguish" the goods of a registered owner from the goods of others and to indicate a connection in the course of trade between the goods and the registered owner. The capacity of a trade mark to perform that function is not dependent on the owner knowingly projecting the goods into the Australian market. It depends on whether the goods are in the course of trade. Each occasion of trade in Australia, while the goods remain in the course of trade, is a use for the purposes of the Act. The Court held that an overseas manufacturer who has registered a trade mark in Australia and who himself (or through an authorised user) places the trade mark on goods which are then sold to a trader overseas can be said to be a user of the trade mark when those same goods are in the course of trade, that is, are offered for sale and sold in Australia. Having found that Barefoot Cellars was an authorised user, the Court held that the circumstances were sufficient to constitute a use of the "BAREFOOT" mark by the registered owner. The Court allowed Gallo's appeal and dismissed Lion Nathan's application for special leave to cross-appeal. The Court declared that, by advertising, offering for sale and selling in Australia beer under the name "BAREFOOT RADLER", Lion Nathan had infringed Gallo's trade mark. It issued an injunction restraining Lion Nathan from doing so and remitted the matter to the primary judge for assessment of damages or an account of profits.

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## HIGH COURT OF AUSTRALIA

Manager, Public Information

19 May 2010

E. & J. GALLO WINERY v  
LION NATHAN AUSTRALIA PTY LIMITED (ACN 008 596 370) [2010] HCA 15

The High Court held today that, for a registered owner to "use" a trade mark in Australia within the meaning of s 94(2)(b) of the *Trade Marks Act 1995* (Cth), the owner need not "knowingly project" the goods bearing the mark into the course of trade in Australia. In the case of an overseas manufacturer who registers a trade mark in Australia, affixes the trade mark to goods and then sells them to an overseas trader (without any knowledge as to where the goods will ultimately be sold), the manufacturer can be said to be a "user" of the trade mark in Australia when those same goods are offered for sale and sold in Australia.

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Manager, Public Information

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Manager, Public Information

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ordering its removal from the Register. The Full Court of the Federal Court of Australia allowed Gallo's appeal regarding the infringement claim but dismissed its appeal regarding the non-use claim. Gallo's application for special leave to appeal to the High Court was granted on 31 July 2009. Lion Nathan later sought special leave to cross-appeal regarding the infringement claim and that application was heard together with Gallo's appeal.

Gallo sought to rebut the allegation of non-use primarily by characterising the attachment of the mark to wine bottles by Barefoot Cellars as a "use" of the trade mark. It submitted that the term "used" refers to use of a trade mark as a badge of origin indicating a connection between goods and the registered owner, and that the "BAREFOOT" mark continued to be "used" in that sense until the wine was purchased from the wholesaler. It contended that it did not matter that neither Mr Houlihan nor Barefoot Cellars knew that the bottles of wine were being offered for sale or sold by the wholesaler in Australia. Lion Nathan submitted that there was no "use" by the registered owner of the trade mark in Australia unless the registered owner had "projected" the goods into the course of trade in Australia.

The High Court held that one function of a trade mark is to "distinguish" the goods of a registered owner from the goods of others and to indicate a connection in the course of trade between the goods and the registered owner. The capacity of a trade mark to perform that function is not dependent on the owner knowingly projecting the goods into the Australian market. It depends on whether the goods are in the course of trade. Each occasion of trade in Australia, while the goods remain in the course of trade, is a use for the purposes of the Act. The Court held that an overseas manufacturer who has registered a trade mark in Australia and who himself (or through an authorised user) places the trade mark on goods which are then sold to a trader overseas can be said to be a user of the trade mark when those same goods are in the course of trade, that is, are offered for sale and sold in Australia. Having found that Barefoot Cellars was an authorised user, the Court held that the circumstances were sufficient to constitute a use of the "BAREFOOT" mark by the registered owner. The Court allowed Gallo's appeal and dismissed Lion Nathan's application for special leave to cross-appeal. The Court declared that, by advertising, offering for sale and selling in Australia beer under the name "BAREFOOT RADLER", Lion Nathan had infringed Gallo's trade mark. It issued an injunction restraining Lion Nathan from doing so and remitted the matter to the primary judge for assessment of damages or an account of profits.

- *This statement is not intended to be a substitute for the reasons of the High Court or to be used in any later consideration of the Court's reasons.*