

HIGH COURT OF AUSTRALIA

FRENCH CJ,
GUMMOW, HEYDON, CRENNAN AND BELL JJ

E. & J. GALLO WINERY

APPELLANT

AND

LION NATHAN AUSTRALIA PTY LIMITED
(ACN 008 596 370)

RESPONDENT

E. & J. Gallo Winery v Lion Nathan Australia Pty Limited [2010] HCA 15
19 May 2010
S189/2009

ORDER

1. *Appeal allowed.*
2. *Orders 4, 6 and 7 of the orders made by the Full Court of the Federal Court of Australia on 15 April 2009 be set aside, and in lieu thereof order that:*
 - (a) *orders 3 and 5 of the orders made by Flick J on 27 June 2008 be set aside, and in lieu thereof order that the respondent's amended cross-claim be dismissed; and*
 - (b) *the appellant's amended application otherwise be remitted to Flick J for assessment of damages or, at the election of the appellant, the taking of an account of profits pursuant to s 126 of the Trade Marks Act 1995 (Cth).*
3. *It is hereby declared that by advertising, offering for sale and selling in Australia beer under the name BAREFOOT RADLER, without the licence or authority of the appellant, the respondent has infringed the appellant's Australian registered trade mark no 787765 registered in class 33 in respect of "Wines being goods in class 33" ("the appellant's registered trade mark").*
4. *From 28 days after the date of this order, or such further period as may be allowed by the Federal Court of Australia on application made to it within that 28 day period, the respondent, whether by itself, its directors, officers,*

employees, agents or otherwise, be and is hereby restrained from selling, offering for sale, advertising or promoting beer under the name BAREFOOT RADLER or any other name substantially identical with or deceptively similar to the appellant's registered trade mark, without the licence or authority of the appellant.

5. *Special leave in relation to ground four of the respondent's application for special leave to cross-appeal be refused.*
6. *The respondent pay the appellant's costs of the proceedings at first instance, the costs of the appeals to the Full Court of the Federal Court of Australia, and the costs of the appeal and the application for special leave to cross-appeal to this Court.*

On appeal from the Federal Court of Australia

Representation

I M Jackman SC with M J Darke for the appellant (instructed by Corrs Chambers Westgarth)

F M Douglas QC with D T Kell and W A D Edwards for the respondent (instructed by Mallesons Stephen Jaques)

Notice: This copy of the Court's Reasons for Judgment is subject to formal revision prior to publication in the Commonwealth Law Reports.

CATCHWORDS

E. & J. Gallo Winery v Lion Nathan Australia Pty Limited

Intellectual property – Trade marks – Respondent sought removal of appellant's registered trade mark from Register for non-use during prescribed statutory period – Previous foreign registered owner of trade mark authorised by licence attachment of trade mark to goods offered for sale and sold overseas – Goods offered for sale and sold in Australia during statutory period without knowledge of appellant, previous registered owner and licensee of trade mark – Whether trade mark used in Australia by registered owner or authorised user – Whether registered owner or authorised user must knowingly project goods bearing trade mark into course of trade in Australia – Whether use in good faith.

Words and phrases – "in the course of trade", "use in good faith".

Trade Marks Act 1995 (Cth), ss 92(4), 100(1), 100(3).

1 FRENCH CJ, GUMMOW, CRENNAN AND BELL JJ. This matter concerns an application to remove, from the Register of Trade Marks ("the Register"), a trade mark in respect of which the appellant, E. & J. Gallo Winery ("Gallo"), is the registered owner.

2 In the Federal Court of Australia, Gallo claimed that the respondent, Lion Nathan Australia Pty Limited ("Lion Nathan"), had infringed Gallo's Australian trade mark registration no 787765 for the trade mark "BAREFOOT", registered since 9 March 1999 under the provisions of the *Trade Marks Act* 1995 (Cth) ("the Trade Marks Act") in class 33 in respect of "Wines being goods in class 33" ("the registered trade mark"). Gallo was unsuccessful in this infringement claim before the primary judge (Flick J)¹ but successful on appeal to the Full Court of the Federal Court of Australia (Moore, Edmonds and Gilmour JJ) ("the Full Court")².

3 By an amended cross-claim in the proceedings at first instance, Lion Nathan sought an order that Gallo's registered trade mark be removed from the Register on the grounds of non-use during the three year period from 7 May 2004 to 8 May 2007 ("the statutory period"). It is not disputed that this is the relevant period. The Full Court upheld the finding of the primary judge that Lion Nathan's non-use application was made out and that Gallo's registered trade mark should be removed from the Register. It is from that finding that Gallo appeals to this Court. The Full Court found it unnecessary to deal with subsidiary issues now raised in an amended notice of contention brought by Lion Nathan. Lion Nathan also sought special leave to cross-appeal, which will be discussed later.

Gallo's registered trade mark

4 Gallo is a company incorporated in California in the United States of America, whose business is the production and sale of alcohol. The primary judge described it as the second largest wine-producing company in the world, and found that it distributes its alcoholic beverages in over 90 countries. It is the current registered owner of the registered trade mark.

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

2 The principal reasons for judgment are reported as *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386. The reasons for judgment on relief are unreported: *E & J Gallo Winery v Lion Nathan Australia Pty Ltd (No 2)* [2009] FCAFC 47.

French CJ
Gummow J
Crennan J
Bell J

2.

5 Between 9 March 1999 and 17 January 2005 the registered owner of the registered trade mark was Michael Houlihan. Mr Houlihan licensed the registered trade mark to the company of which he was President, Grape Links Inc trading as Barefoot Cellars, based in the United States of America ("Barefoot Cellars"). The other principal of that business was Ms Bonnie Harvey. Grape Links Inc was sold to Gallo by a Stock and Brand Purchase Agreement dated 10 November 2004. The finalisation of the agreement involved an initial closing and a final closing. The initial closing, at which property in a number of trade marks, including the registered trade mark, was transferred, occurred on 17 January 2005. Final closing occurred on 24 January 2005. It can be noted here that there was also a Consulting Agreement of 22 November 2004 between Gallo and Michael Houlihan and Bonnie Harvey, which concluded at final closing, about which more will be said later.

6 By 2000, Barefoot Cellars had international distribution arrangements with a number of companies, including Einig-Zenzen GmbH & Co KG in Germany ("Einig-Zenzen"). On 14 February 2001, 60 cases of wine bearing the registered trade mark were shipped by Barefoot Cellars to Einig-Zenzen. Gallo was unable to give evidence about this consignment's exact trajectory following its sale to Einig-Zenzen. However, what is known is that some of the wine from the 14 February 2001 consignment purchased from Barefoot Cellars by Einig-Zenzen was sold to a Victorian liquor wholesaler, Beach Avenue Wholesalers Pty Ltd ("Beach Avenue"), who imported it into Australia in July 2002.

7 Beach Avenue commenced selling the bottles of wine under the registered trade mark in Australia on 14 March 2003. Beach Avenue imported and offered 144 bottles for sale in Australia during the statutory period. Fifteen bottles were sold after 7 May 2004 but prior to the transfer of the registered trade mark from Barefoot Cellars to Gallo on 17 January 2005. Another 26 were sold after that date but before 8 May 2007. Further, some 18 bottles were given away.

8 Gallo conceded that there was no evidence that it, Barefoot Cellars, or Mr Houlihan knew that, during the statutory period, wine was being offered for sale or sold in Australia under the registered trade mark. The labelling under which the wine was offered for sale in Australia showed, in addition to the word BAREFOOT, a stylised device of a bare foot ("the device"). As well, the bottles of wine acquired by Beach Avenue bore a label at the back of the bottle which was printed for the purpose of importation into Germany. It identified the name and location of the German importer. The labels were in the form shown below.

French CJ
 Gummow J
 Crennan J
 Bell J

3.



9 In September or October 2006, Gallo commenced discussions with McWilliam's Wines Group Ltd ("McWilliam's") in Australia, regarding a potential licensing arrangement using Australian wine from McWilliam's to be sold under the registered trade mark, or alternatively an import and distribution structure selling wine from California under the registered trade mark. Arrangements were not finalised. By March 2007 there had been further discussions between the two companies, where the idea of launching wine in Australia under the trade mark "BAREFOOT ON THE BEACH" was considered. By this point, McWilliam's had allocated some of its wine production for wine to be sold under the registered trade mark. In September 2007 Gallo licensed the registered trade mark to McWilliam's, which first placed products on the market under the registered trade mark on 14 September 2007.

Lion Nathan's trade mark

10 Lion Nathan is a large Australian company, whose chief business is in the production of alcohol, especially beers. During 2006 and 2007, Lion Nathan developed what was referred to as a concept beer intended to be less bitter to the

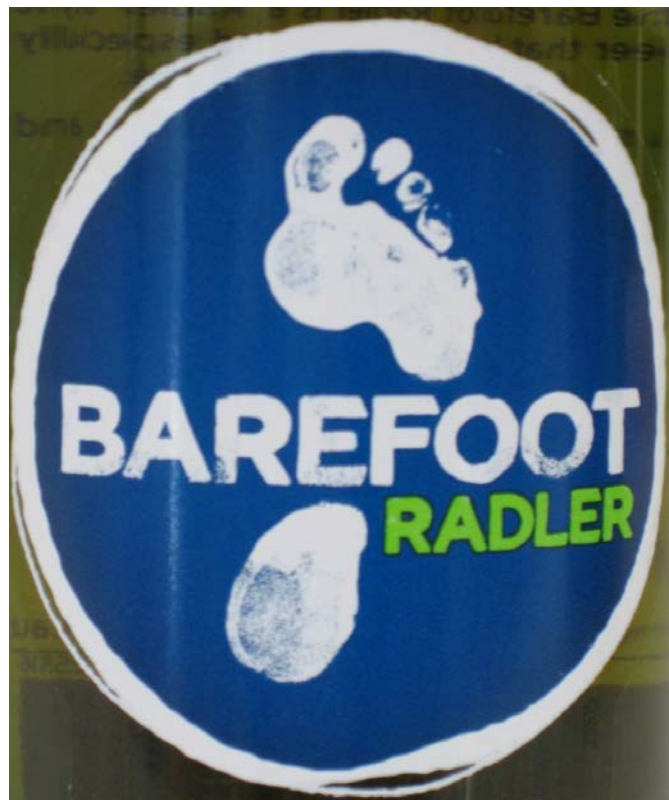
French CJ
Gummow J
Crennan J
Bell J

4.

taste than traditional beers, targeted at non-beer drinkers and incorporating lemon and lime flavours.

11 On 5 September 2007 Lion Nathan lodged Australian trade mark application no 1197378 for the trade mark "BAREFOOT RADLER" in relation to beers and other goods in class 32. On 20 September 2007 Lion Nathan lodged application no 1200269 to register the trade mark "LIFE'S BETTER BAREFOOT" in relation to beers and other goods in class 32 and "alcoholic beverages (except beers)" in class 33, and on 17 December 2007 it lodged application no 1215965 to register the trade mark BAREFOOT RADLER, with a bare foot device, in relation to beers and other goods in class 32, and "alcoholic beverages (except beers)" in class 33. By its amended defence Lion Nathan stated that it intends to offer for sale and sell an alcoholic product (not wine) under the trade mark BAREFOOT RADLER, the subject of application no 1197378.

12 Lion Nathan began selling beer under the trade mark BAREFOOT RADLER in January 2008. The packaging of the beer, including the bottles and the outer cardboard packaging, displays the words BAREFOOT RADLER and a bare foot device. The label on the bottles is in the form shown below.



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13 The primary judge found that the combination of the words "Barefoot" and "Radler" in the trade mark BAREFOOT RADLER had its creative origin as follows. Radler is the German word for cyclist, and the term is traditionally used to describe a drink of beer mixed with lemonade developed in Germany in 1922, to meet the demand of groups of cyclists who "wanted a more refreshing drink so they could continue on their journey without falling off their bicycles!"³ The primary judge found that it had occurred to Lion Nathan's Consumer Insight Manager to use the word "Barefoot" in connection with "Radler" after he saw a horse-racing "Form Guide" in which one of the racehorses was named "Barefootonbondi".

14 In February 2007, searches were made of the Register by Lion Nathan which revealed the registered trade mark. It appears that the use by Lion Nathan of the trade mark BAREFOOT RADLER on beer, in the light of the discovery of the registered trade mark, did not concern those responsible at Lion Nathan because the principal focus of the company's attention was beer, not wine.

The proceedings below and this appeal

15 Gallo commenced proceedings in the Federal Court by further amended application and further amended statement of claim, alleging that Lion Nathan had infringed the registered trade mark contrary to s 120(2) of the Trade Marks Act. Gallo sought declaratory and injunctive relief and damages, or alternatively an account of profits from Lion Nathan.

16 Lion Nathan denied that there had been infringement and filed a cross-claim contending that there had been a non-use by Gallo of the registered trade mark in terms of s 92(4)(b) and seeking an order for the removal of the trade mark as available under s 101(2) of the Trade Marks Act.

17 Gallo denied Lion Nathan's non-use claim, relying on the offering for sale and sale of wine bearing the registered trade mark in Australia by Beach Avenue, and alternatively claiming that if there had been a non-use, the Federal Court should exercise its discretion under s 101(3) of the Trade Marks Act not to remove the registered trade mark from the Register.

18 In the Federal Court the primary judge found that Gallo failed in its alleged infringement case, and that relief should be ordered as claimed in Lion

3 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2008) 77 IPR 69 at 73 [14].

Nathan's cross-claim for removal of the registered trade mark from the Register. Gallo appealed. In a unanimous judgment, the Full Court overturned the primary judge's decision that Gallo's wine and Lion Nathan's beer were not goods of the same description within the meaning of s 120(2)(a) of the Trade Marks Act, thereby finding for Gallo on the infringement action. However, the Full Court upheld Lion Nathan's application for removal of the registered trade mark for non-use.

- 19 Gallo appeals to this Court on the ground that the Federal Court erred in its findings on non-use. Lion Nathan filed a notice of contention on a number of grounds. Lion Nathan also sought special leave to cross-appeal from the decision of the Full Court regarding its findings on whether, in the absence of a non-use claim, Lion Nathan's use of the trade mark BAREFOOT RADLER infringed Gallo's registered trade mark.

Relevant legislation

- 20 Central to this appeal are the concepts of "use of a trade mark" and "authorised use". Part 2 of the Trade Marks Act deals with "Interpretation". Section 7 in Pt 2, under the heading "Use of trade mark", provides that the Registrar of Trade Marks ("the Registrar") or a prescribed court may decide that a person has used a trade mark despite additions or alterations, provided the same do not substantially affect the identity of the trade mark (s 7(1)). An authorised use of a trade mark is use by the owner (s 7(3)). "[U]se of a trade mark in relation to goods" means the use of the trade mark upon, or in physical relation to, the goods (s 7(4)).

- 21 Authorised use is defined in s 8. A person is an "authorised user" of a trade mark if the person uses the trade mark in relation to goods or services "under the control of the owner of the trade mark" (s 8(1)). Such control can take the form of "quality control over goods" (s 8(3)). An authorised user may use the trade mark in relation to the goods in respect of which the trade mark is registered (s 26(1)(a)) and may bring an infringement action in certain circumstances (s 26(1)(b)). An authorised user may also give (or revoke) a notice under s 136 objecting to the importation of goods that infringe the mark. Whilst it was accepted by Gallo that Beach Avenue was not an authorised user within the meaning of s 8(1), Gallo's case on use relied on use by Barefoot Cellars as an authorised user of the registered trade mark, the registered owner of which was Mr Houlihan.

- 22 Part 3 deals with "Trade marks and trade mark rights". Section 17 in Pt 3 defines a trade mark as "a sign used, or intended to be used, to distinguish goods ... dealt with or provided in the course of trade by a person from goods ... so

7.

dealt with or provided by any other person." A registered owner of a trade mark has exclusive rights to use the trade mark (s 20(1)(a)).

23 Part 9 deals with "Removal of trade mark from Register for non-use". Section 92 in Pt 9 relevantly provides:

"(1) Subject to subsection (3), a person may apply to the Registrar to have a trade mark that is or may be registered removed from the Register.

(2) ...

(3) An application may not be made to the Registrar under subsection (1) if an action concerning the trade mark is pending in a prescribed court, but the person may apply to the court for an order directing the Registrar to remove the trade mark from the Register.

...

(4) An application under subsection (1) or (3) (*non-use application*) may be made on either or both of the following grounds, and on no other grounds:

(a) ...

(b) 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, and, at no time during that period, the person who was then the registered owner:

(i) used the trade mark in Australia; or

(ii) used the trade mark in good faith in Australia;

in relation to the goods ... to which the application relates."

24 As mentioned, during the statutory period under s 92(4)(b), some of the wine exported from the United States bearing the registered trade mark found its way to Australia, via Germany, and was offered for sale and sold in Australia.

25 Section 100 relevantly provides:

"(1) In any proceedings relating to an opposed application, it is for the opponent to rebut:

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- (a) ...
- (b) ...
- (c) any allegation made under paragraph 92(4)(b) that the trade mark has not, at any time during the period of 3 years ending one month before the day on which the opposed application was filed, been used, or been used in good faith, by its registered owner in relation to the relevant goods ...

(2) ...

(3) For the purposes of paragraph 1(c), the opponent is taken to have rebutted the allegation that the trade mark has not, at any time during the period referred to in that paragraph, been used, or been used in good faith, by its registered owner in relation to the relevant goods ... if:

(a) the opponent has established that the trade mark, or the trade mark with additions or alterations not substantially affecting its identity, was used in good faith by its registered owner in relation to those goods ... during that period; or

(b) ...

(c) ..."

26 If a court is satisfied that the grounds upon which the non-use application has been made have been established, then, under s 101(2) of the Trade Marks Act:

"... the court may order the Registrar to remove the trade mark from the Register in respect of any or all of the goods ... to which the application relates."

27 The court also has a discretion not to remove a trade mark even if grounds for removal are established (s 101(3)).

Principal issue

28 As framed by Gallo, the principal issue raised on the appeal is whether, within the terms of s 100(3)(a), there was use by Gallo or its predecessor in title, Mr Houlihan, of the registered trade mark in respect of wines, in good faith

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during the alleged statutory period. In our opinion, for the reasons which follow, there was such use.

29 The Full Court correctly recognised that the offer for sale and selling, by Beach Avenue, of the bottles of wine which bore the registered trade mark constituted "use" of the trade mark in Australia within the meaning of s 7(4)⁴. Accordingly, the principal issue turns on whether that use was use by the registered owner.

Other issues

30 Four related issues arise under Lion Nathan's amended notice of contention. First, whether Barefoot Cellars was an "authorised user" within the meaning of sub-ss (1) and (3) of s 8 of the Trade Marks Act. Secondly, whether the use of the registered trade mark had been "use in good faith". This overlaps with the principal issue. Thirdly, whether the wine sold in Australia by Beach Avenue remained at all times "in the course of trade" following its sale by Barefoot Cellars in 2001. Fourthly, whether the use of the registered trade mark in Australia was not in fact use of the registered trade mark, because it was use of the word BAREFOOT in combination with the device as seen in the label reproduced above⁵.

Submissions on the principal issue

Gallo

31 Under s 100(1) of the Trade Marks Act, it fell to Gallo to rebut the allegation of non-use of the registered trade mark. It sought to do so primarily by characterising the attachment of the mark to wine bottles by Barefoot Cellars (under licence from Mr Houlihan) as use of the trade mark, that is, employment of the registered trade mark to distinguish the goods. It was contended that the products were not bought for consumption until they were purchased from Beach Avenue and that it did not matter that neither Mr Houlihan nor Barefoot Cellars knew that the bottles of wine in question were being offered for sale or sold by Beach Avenue in Australia.

4 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at 396 [26].

5 At [8].

32 That analysis was said to be consistent with what was said by both Windeyer J and the Full Court of the High Court in *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd*⁶ ("*Estex*"). The analysis was also said to depend on three basic propositions, none of which is controversial.

33 The first proposition was that the term "used" as it occurs in ss 92(4)(b) and 100(3)(a) refers to use as a trade mark, that is, as a badge of origin indicating a connection between goods and the registered owner. The second proposition, with which Lion Nathan agreed, was that use of a trade mark is to be determined objectively without reference to the subjective trading intentions of the user. That is consistent with authority⁷. The third proposition was that goods relevantly remain "in the course of trade" until they are acquired for consumption. That is also consistent with authority⁸.

34 Alternatively, it was contended by Gallo that such use of the mark as actually occurred in Australia was not use by Beach Avenue, and therefore must have been use by the registered owner via Barefoot Cellars. This was said to be consistent with a line of cases commencing with *Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton*⁹ ("*Champagne Heidsieck*") which held that a trade mark is not infringed by a third party importing, offering for sale and selling, without the owner's consent, goods to which the registered owner (or its licensee) has affixed the mark¹⁰.

35 Gallo's main case in this Court is an allegation of error in the Full Court's finding that for a use of a trade mark to occur in Australia in the circumstances of

6 (1967) 116 CLR 254; [1967] HCA 51.

7 *The Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407; [1963] HCA 66; *Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton* [1930] 1 Ch 330. See also *Edward Young & Co Ltd v Grierson Oldham & Co Ltd* (1924) 41 RPC 548.

8 *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254.

9 [1930] 1 Ch 330.

10 Section 123 of the Trade Marks Act, which provides that it is not an infringement of a trade mark if a trade mark in respect of goods has been applied with the consent of the registered owner, reflects the principle established by *Champagne Heidsieck et Cie Monopole Societe Anonyme v Buxton* [1930] 1 Ch 330.

11.

this case there must be (by the overseas manufacturer, here the registered proprietor):

"some act that was known either to have had, or potentially have, the result that the goods to which the mark was attached would be dealt with in some way within Australia in the course of trade"¹¹.

36 In a similar vein, the Full Court said that for there to be a use of a trade mark there needed to be "a conscious resolve on the part of the person alleging ownership of future use in Australia"¹².

Lion Nathan

37 In seeking to uphold the decision of the Full Court in relation to the allegation of non-use of the registered trade mark during the statutory period, Lion Nathan relied on *Estex* and in particular statements by the Full Court in *Estex* about the "projection" of goods. Lion Nathan developed an argument that there was no conduct or act by the registered owner which amounted to use in Australia because a registered owner of a trade mark uses the mark in Australia only if it projects the goods into the course of trade in Australia.

38 It was accepted by Lion Nathan that when considering whether a trade mark owner has "projected" goods into Australia, such as to satisfy the statutory requirement of use of the mark (if that be the test), it is sufficient to consider the matter without regard to the subjective intention or knowledge of the registered owner. Lion Nathan nevertheless asserted that in all the circumstances it could not be said that the registered owner had "projected" the goods into Australia.

39 In so framing its arguments and in relying on *Estex*, Lion Nathan did not appear to support a finding of the Full Court, challenged as an error by Gallo, that for a use of a trade mark in Australia it was necessary that there be "a course of trade in Australia between a person, in that case the registered owner, and someone else not being the ultimate consumer"¹³. *Estex* is authority to the

11 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at 400 [43].

12 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at 401 [47].

13 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at 403 [55].

contrary. There the relevant dealing in the course of trade between a registered owner and (in that case) a retailer took place overseas.

- 40 Reduced to essentials, the dispute between the parties is over whether the circumstances in this case are sufficient to establish use in Australia as required by the relevant sections set out above. Did the circumstances fall short of constituting a use within the meaning of those sections because neither the registered owner nor Barefoot Cellars engaged in any act or conduct known by them to have had, or potentially to have, the result that the goods to which the registered trade mark was attached would be dealt with in some way within Australia in the course of trade?

Use of a trade mark

- 41 The concept of "use" of a trade mark which informs ss 92(4)(b), 100(1)(c) and 100(3)(a) of the Trade Marks Act must be understood in the context of s 17, which describes a trade mark as a sign used, or intended to be used, to "distinguish" the goods of one person from the goods of others.

- 42 Whilst that definition contains no express reference to the requirement, to be found in s 6(1) of the *Trade Marks Act 1955* (Cth)¹⁴, that a trade mark indicate "a connexion in the course of trade"¹⁵ between the goods and the owner, the

14 Section 6(1) of the *Trade Marks Act 1955* (Cth) as passed provided:

"'trade mark' means:

- (a) except in relation to Part XI, a mark used or proposed to be used in relation to goods for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the goods and a person who has the right, either as proprietor or as registered user, to use the mark, whether with or without an indication of the identity of that person; and
- (b) in relation to Part XI, a mark registrable, or registered, in Part C of the Register".

- 15** The definition of a trade mark by reference to "a connexion in the course of trade" derives from s 68 of the *Trade Marks Act 1938* (UK), which referred to "a connection in the course of trade". That definition was introduced into s 4 of the *Trade Marks Act 1905* (Cth) by s 3 of the amending *Trade Marks Act 1948* (Cth). The Dean Report, being the *Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alterations are* (Footnote continues on next page)

13.

requirement that a trade mark "distinguish" goods encompasses the orthodox understanding that one function of a trade mark is to indicate the origin of "goods to which the mark is applied"¹⁶. Distinguishing goods of a registered owner from the goods of others and indicating a connection in the course of trade between the goods and the registered owner are essential characteristics of a trade mark¹⁷. There is nothing in the relevant Explanatory Memorandum¹⁸ to suggest that s 17 was to effect any change in the orthodox understanding of the function or essential characteristics of a trade mark.

43 In *Coca-Cola Co v All-Fect Distributors Ltd*¹⁹ a Full Court of the Federal Court of Australia said:

"Use 'as a trade mark' is use of the mark as a 'badge of origin' in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods ... That is the concept embodied in the definition of 'trade mark' in s 17 – a sign used to distinguish goods dealt with in the course of trade by a person from goods so dealt with by someone else."

Desirable in the Trade Marks Law of the Commonwealth, (1954) at 4 [7] supported uniformity between Australian trade marks legislation and the legislation in the United Kingdom. The *Trade Marks Act 1955* (Cth) retained the requirement of "a connexion in the course of trade". Section 1 of the *Trade Marks Act 1994* (UK), which contains a definition of a trade mark, omits any reference to "a connection in the course of trade". The principal basis for the *Trade Marks Act 1994* (UK) is the First Council Directive of the Council of the European Communities 89/104 dated 21 December 1988; s 1 derives from Art 2, which is set out in *Kerly's Law of Trade Marks and Trade Names*, 14th ed (2005) at 929.

- 16 *Aristoc Ltd v Rysta Ltd* [1945] AC 68 at 91 per Viscount Maugham, 96 per Lord Macmillan, 102 per Lord Wright.
- 17 *The Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 at 425 per Kitto J. See also *Davis v The Commonwealth* (1988) 166 CLR 79 at 96 per Mason CJ, Deane and Gaudron JJ; [1988] HCA 63.
- 18 Australia, Senate, Trade Marks Bill 1995, Explanatory Memorandum at 4.
- 19 (1999) 96 FCR 107 at 115 [19] per Black CJ, Sundberg and Finkelstein JJ. See also *Koninklijke Philips Electronics NV v Remington Products Australia Pty Ltd* (2000) 100 FCR 90 at 103 [15] per Burchett J.

French CJ
Gummow J
Crennan J
Bell J

14.

That statement should be approved.

44 It can also be noted that the reference in s 17 to "the course of trade" encompasses the idea that use of a trade mark is use in respect of "vendible articles"²⁰. A mark is used only if it is used "in the course of trade"²¹.

45 In *Estex*²², Windeyer J and then the Full Court considered whether an overseas manufacturer (who was a registered owner of the trade mark in question) uses a trade mark in Australia when the manufacturer sells goods to Australian retailers for delivery in Australia and those retailers import the goods into Australia and sell them.

46 In considering what "use" meant under s 23 of the *Trade Marks Act* 1955 (Cth)²³, a provision similar to, but not identical with, s 92(4)(b), Windeyer J said²⁴:

20 *Jackson & Co v Napper; In re Schmidt's Trade-mark* (1886) 35 Ch D 162 at 179 per Stirling J; *Aristoc Ltd v Rysta Ltd* [1945] AC 68 at 102 per Lord Wright.

21 *Settef SpA v Riv-Oland Marble Co (Vic) Pty Ltd* (1987) 10 IPR 402, affirmed on appeal in *Riv-Oland Marble Co (Vic) Pty Ltd v Settef SpA* (1988) 19 FCR 569.

22 (1967) 116 CLR 254.

23 Section 23 of the *Trade Marks Act* 1955 (Cth) relevantly provided:

(1) Subject to this section and to section ninety-three of this Act, the High Court or the Registrar may, on application by a person aggrieved, order a trade mark to be removed from the Register in respect of any of the goods in respect of which it is registered, on the ground –

(a) ...

(b) that, up to one month before the date of the application, a continuous period of not less than three years had elapsed during which the trade mark was a registered trade mark and during which there was no use in good faith of the trade mark in relation to those goods by the registered proprietor or a registered user of the trade mark for the time being."

24 *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254 at 266-267.

"[W]hen it is said that a trade mark is used to distinguish the goods of one man from those of another, that abbreviated statement obviously does not refer to the goods of the owner of the mark in the sense of goods which he owns or possesses. After the goods have been sold by him his mark may still, using the definition of trade mark in the Act, be used in relation to those goods for the purpose of indicating a connexion in the course of trade between them and him, the registered proprietor of the mark. The manufacturer who sells goods, marked with his mark, to a warehouseman, wholesaler or retailer does not, in my view, thereupon cease to use the mark in respect of those goods. The mark is his property although the goods are not; and the mark is being used by him so long as the goods are in the course of trade and it is indicative of their origin, that is as his products. Goods remain in the course of trade so long as they are upon a market for sale. Only when they are bought for consumption do they cease to be in the course of trade."

47 His Honour distinguished the facts in *Estex* from those in *W D & H O Wills (Australia) Ltd v Rothmans Ltd*²⁵, where the consumers of certain goods concluded their purchases overseas, with the result that the trade mark in question was not used "in the course of trade" in Australia²⁶.

48 In dismissing appeals from the judgment of Windeyer J, the Full Court said nothing to detract from Windeyer J's analysis of use. The Full Court stated that the denotation of use in s 23 was "not limited by any concept of the physical use of a tangible object". The Full Court went on to state²⁷:

"[W]hen an overseas manufacturer projects into the course of trade in this country, by means of sales to Australian retail houses, goods bearing his mark and the goods, bearing his mark, are displayed or offered for sale or sold in this country, the use of the mark is that of the manufacturer."

49 This passage and a similar passage led to Lion Nathan's contention that it was a necessary condition to establish a use in Australia that an overseas

25 (1956) 94 CLR 182; [1956] HCA 15.

26 *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254 at 268-269.

27 *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254 at 271.

manufacturer knowingly "projects" his goods into the course of trade in Australia. This misreads the judgment. In *Estex*, the facts described in the passage set out above were sufficient for establishing a use in Australia. There was no suggestion that what was sufficient in that case was necessary in every case. As Aickin J observed in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks*²⁸, *Estex* was authority for "the proposition that the foreign owner of an Australian mark uses it in Australia when he sells goods for delivery abroad to Australian retailers and those retailers import them into Australia for sale and there sell them".

50 On the facts of this case, there was use of the registered trade mark on vendible products offered for sale and sold in Australia by the trader Beach Avenue to consumers. There was no issue about the registered trade mark's capacity to distinguish the goods to which it was attached. The goods had been on the market for sale under the registered trade mark in the United States of America and had arrived in Australia via Germany. The then registered owner, Mr Houlihan, through Barefoot Cellars, had sold the goods to a German trader for resale without any limitation as to their destination.

51 The capacity of a trade mark to distinguish a registered owner's goods from those of others, as required by s 17, does not depend on whether the owner knowingly projects the goods into the Australian market. It depends on the goods being in the course of trade in Australia. Each occasion of trade in Australia, whilst goods sold under the trade mark remain in the course of trade, is a use for the purposes of the Trade Marks Act. A registered owner who has 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. It is a commonplace of contemporary international trade that prior to consumption goods may be in the course of trade across national boundaries.

52 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, to which the trade mark is affixed, are in the course of trade, that is, are offered for sale and sold in Australia. This is because the trade mark remains the trade mark of the registered owner (through an authorised user if there is one) whilst the goods are in the course of trade before they are bought

for consumption²⁹. As affirmed by Gummow J in *Wingate Marketing Pty Ltd v Levi Strauss & Co*³⁰, "whilst a trade mark remains on goods, it functions as an indicator of the person who attached or authorised the initial use of the mark". During the trading period, the trade mark functions as an indicator of the origin of the goods, irrespective of the location of the first sale.

53 Provided Barefoot Cellars was an authorised user, the facts and circumstances of this case are sufficient to constitute a use of the registered trade mark by the registered owner for the purposes of the relevant sections of the Trade Marks Act set out above. It is not necessary to decide whether by importation and sale Beach Avenue has also used the mark (as was found by the Full Court³¹) because the only relevant question is whether the registered owner used the mark³².

54 Lion Nathan's amended notice of contention raised four points, set out above³³, to which it is now convenient to turn.

Was Barefoot Cellars "an authorised user"?

55 Sub-sections (1) and (3) of s 8 of the Trade Marks Act, which govern authorised use, have already been referred to. Gallo's case in respect of Barefoot Cellars was that Gallo exercised quality control over the wine sold under the registered trade mark first because Mr Houlihan owned Barefoot Cellars and later because he was retained by Gallo as a consultant and his responsibilities included the monitoring of the quality of the wine. To that end it relied on affidavit evidence of Mr Kalabokes, who stated:

"Gallo Winery retained Mr Houlihan and Ms Harvey to provide consulting services during the transition period. This was done to make

29 *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1967) 116 CLR 254 at 266-267.

30 (1994) 49 FCR 89 at 136.

31 *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2009) 175 FCR 386 at 403 [57].

32 *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 688 per Aickin J.

33 At [30].

sure that the Barefoot Cellars business continued to function properly while it was assimilated into Gallo Winery's. Because of their familiarity with the flavor profile and wine style of the existing Barefoot Cellars portfolio, one of the responsibilities of Mr Houlihan and Ms Harvey was to continue monitoring the quality of the wine bearing the BAREFOOT mark. This was important to maintain consistency in terms of the quality of BAREFOOT wine during the transition period."

56 There was no objection at trial to the admission of this evidence and it is apparent that one purpose of its tender was to provide evidence as to quality control by Mr Houlihan. Gallo also relied on the Consulting Agreement dated 22 November 2004 entered into between Gallo and Mr Houlihan and Ms Harvey as consultants, particularly cl 5(e). The opening section of cl 5(e) of the Consulting Agreement relevantly provided:

"Quality Monitoring of GLI [Grape Links Inc] Products. As officers and shareholders of GLI, the Consultants established, maintained and are very familiar with the quality standards in effect over the past several years at GLI with respect to production, winemaking, bottling, packaging and distribution of GLI's wine products and with respect to all other aspects of GLI's operations. As such, the Consultants hereby undertake, as part of their duties under this Agreement, to serve as Gallo's designees to monitor the quality of the goods and services produced by GLI until the Final Closing."

57 Lion Nathan contended that the clause was merely a covenant in the nature of a promise to do certain things in the future and that the clause could not be regarded as a representation and warranty of the fact that Mr Houlihan did exercise quality control over the wine that was dealt with or provided by Barefoot Cellars. It was also contended that, since Ms Harvey had a role and was also exercising quality control, some doubt was cast over the extent of Mr Houlihan's quality control.

58 Gallo characterised the relevant part of cl 5(e) as a representation as to past facts. Gallo also relied on the circumstance that the purpose of tendering the Consulting Agreement as a representation as to past facts was always plain at the trial. It was said that the Consulting Agreement had been tendered without objection for the purpose described. No application was made to the trial court, pursuant to s 136 of the *Evidence Act* 1995 (Cth) ("the Evidence Act"), that the use to be made of the evidence should be limited. Under s 60 of the Evidence Act the Consulting Agreement was in evidence for all purposes.

59 In all the circumstances, on the evidence relied on by Gallo, Gallo has established that Barefoot Cellars used the registered trade mark under the control of Mr Houlihan whilst he was the registered owner. Accordingly, the use of the registered trade mark by Barefoot Cellars was authorised use pursuant to sub-ss (1) and (3) of s 8 of the Trade Marks Act.

"Use in good faith"

60 Section 92(4)(b)(ii) has been set out above. Lion Nathan contended that the requirement that use of a trade mark be "use in good faith" involved consideration of the volume of use, which it was suggested should be substantial, and also involved consideration of the state of mind of the registered owner in respect of the use. Lion Nathan's position was that the use of the registered trade mark was neither substantial nor genuine. In terms of volume, Lion Nathan described the sales in Australia as minuscule. It was also submitted that a registered owner should not be taken to have used a trade mark in good faith when the owner was unaware that such use was occurring. The primary judge rejected these arguments and the Full Court did not consider them.

61 Gallo responded with a submission that the use which was proven to have occurred was sufficient to constitute use in good faith.

62 In *Electrolux Ltd v Electrix Ltd*³⁴ ("*Electrolux*") a question arose of *bona fide* use within the meaning of s 26 of the *Trade Marks Act* 1938 (UK). It was held that *bona fide* use must be ordinary and genuine use judged by commercial standards³⁵. In *Imperial Group Ltd v Philip Morris & Co Ltd*³⁶ ("*Imperial Group*"), it was held that use of a trade mark for a purpose other than deriving profit and establishing goodwill is not use as required by the legislation³⁷. It has also been held that contriving use for the purpose of defeating a trade rival's plans will lack the necessary quality of genuineness³⁸. However, a use does not cease to be genuine even if it only occurs after an appreciation that a registration

34 (1953) 71 RPC 23.

35 *Electrolux Ltd v Electrix Ltd* (1953) 71 RPC 23 at 36 per Sir Raymond Evershed MR.

36 [1982] FSR 72.

37 *Imperial Group Ltd v Philip Morris & Co Ltd* [1982] FSR 72 at 83 per Shaw LJ.

38 "*Concord*" Trade Mark [1987] FSR 209.

was vulnerable to an attack on the grounds of non-use³⁹. In deciding that a use is not genuine, a court may be influenced by the quantum of sales⁴⁰. In "*Concord*" *Trade Mark*⁴¹ ("*Concord*"), Falconer J relied on Lawton LJ's summary of the findings in the *Electrolux* case in *Imperial Group*⁴²:

"According to the judgments given in this court in that case [*Electrolux*] a bona fide use should be 'ordinary and genuine' (*per* Lord Evershed MR at p 36), 'perfectly genuine', 'substantial in amount', 'a real commercial use on a substantial scale' (*per* Jenkins LJ at p 41) and not 'some fictitious or colourable use but a real or genuine use' (*per* Morris LJ at p 42)."

63 Lion Nathan relied on a passage in *New South Wales Dairy Corporation v Murray-Goulburn Co-operative Co Ltd*⁴³ in which Gummow J noted that in *Concord*, Falconer J held that, for a use to be *bona fide* within the meaning of s 26 of the *Trade Marks Act* 1938 (UK), the use should be "substantial and genuine judged by ordinary commercial standards considered in relation to the trade concerned". *Concord* concerned the launch of cigarette products under a trade mark which had not been in use for some years. Falconer J found that the sales, in the context of cigarette sales, were "negligible" and therefore could not be regarded as substantial⁴⁴.

64 Whilst a single act of sale may not be sufficient to prevent removal⁴⁵, in the case of genuine use, a relatively small amount of use may be sufficient to constitute "ordinary and genuine"⁴⁶ use judged by commercial standards. It has

39 *New South Wales Dairy Corporation v Murray-Goulburn Co-operative Co Ltd* (1989) 86 ALR 549 at 567 *per* Gummow J.

40 *Imperial Group Ltd v Philip Morris & Co Ltd* [1982] FSR 72 at 79 *per* Lawton LJ, 83 *per* Shaw LJ; see also "*Concord*" *Trade Mark* [1987] FSR 209.

41 [1987] FSR 209 at 219.

42 [1982] FSR 72 at 79.

43 (1989) 86 ALR 549 at 567.

44 "*Concord*" *Trade Mark* [1987] FSR 209 at 226.

45 "*Nodotz*" *Trade Mark* [1962] RPC 1.

46 *Electrolux Ltd v Electrix Ltd* (1953) 71 RPC 23 at 36 *per* Sir Raymond Evershed MR.

been recognised by the Court of Justice of the European Communities, dealing with the expression "genuine use" as used in Arts 10 and 12 of Directive 89/104 of the Council of the European Communities⁴⁷, that use of a mark "need not ... always be quantitatively significant for it to be deemed genuine"⁴⁸. On the facts here, it is not necessary to decide whether a single use of the registered trade mark in good faith would have been sufficient to resist removal⁴⁹.

65 A commercial quantity of wine, some 144 bottles, was imported and offered for sale under the registered trade mark by Beach Avenue during the statutory period. Some 41 sales during that time were proven by reference to invoices and tax paid. There was no suggestion in the evidence that the offering for sale and selling either overseas or in Australia was for any purpose other than making profit and establishing goodwill in the registered trade mark. It was not contended that the use was fictitious or colourable. In all the circumstances the use was genuine and sufficient to establish use in good faith for the purposes of Lion Nathan's application for removal.

"In the course of trade"

66 Section 17 has been referred to above. Lion Nathan contended that for Gallo to be able to rely on the offering for sale and selling by Beach Avenue as a use in the course of trade, Gallo must establish that the wine remained at all times in the course of trade, from the first sale to a trader in Germany until Beach Avenue's dealings with it. This submission must be rejected. The evidence showed that Barefoot Cellars sold the wine in the course of trade to a trader and that such wine was traded in the course of trade in Australia by Beach Avenue. What is critical is that the wine was in the course of trade when imported into Australia, as it clearly was. In any event it was open to the primary judge to conclude as he did that the evidence established that the wine shipped to Australia was part of the shipment to the trader in Germany.

47 These Articles can be found set out in *Kerly's Law of Trade Marks and Trade Names*, 14th ed (2005) at 934-935.

48 *Ansul BV v Ajax Brandbeveiliging BV* [2005] Ch 97 at 116 [39].

49 Cf *Woolly Bull Enterprises Pty Ltd v Reynolds* (2001) 107 FCR 166 at 172 [17] per Drummond J.

What trade mark was used?

67 Lion Nathan contended before the primary judge that use of a trade mark consisting of the word BAREFOOT in combination with the device was not use of the registered trade mark, which was the word BAREFOOT *simpliciter*. The primary judge correctly rejected this submission. The Full Court did not deal with this issue.

68 In support of this contention Lion Nathan relied on *Colorado Group Ltd v Strandbags Group Pty Ltd*⁵⁰. The registered trade mark in that case was for the word "Colorado", which, by reason of its geographical significance, was not inherently adapted to distinguish the owner's goods from the goods of other persons as required by s 41(3) of the Trade Marks Act⁵¹. As noted by Gyles J, it was difficult to obtain registration of a geographical name as a trade mark under the *Trade Marks Act 1955* (Cth) by reason of s 24(1)(d) of that Act⁵². The trade mark for the word "Colorado" had been used in conjunction with a mountain peak device, which reinforced the geographical connotation of the word. Allsop J found that the mark used was a composite mark and that the mountain peak device was not a mere descriptor but a distinguishing feature⁵³.

69 This is to be contrasted with the position in this case. The addition of the device to the registered trade mark is not a feature which separately distinguishes the goods or substantially affects the identity of the registered trade mark because consumers are likely to identify the products sold under the registered trade mark with the device by reference to the word BAREFOOT. The device is an illustration of the word. The monopoly given by a registration of the word BAREFOOT alone is wide enough to include the word together with a device which does not substantially affect the identity of the trade mark in the word alone. So much is recognised by the terms of s 7(1), which speak of additions or alterations which "do not substantially affect the identity of the trade mark". Except for a situation of honest concurrent use, another trader is likely to be precluded from registering the device alone while the registered trade mark

50 (2007) 164 FCR 506.

51 *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506 at 516 [29] per Kenny J, 519 [41] per Gyles J.

52 *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506 at 517 [36].

53 *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506 at 536 [110].

remains on the Register. The device is an addition to the registered trade mark that does not substantially affect its identity. Accordingly, the use of the registered trade mark with the device constitutes use of the registered trade mark in accordance with s 7(1).

Conclusions on the appeal

70 For the reasons set out the registered trade mark was used in the statutory period and Gallo has succeeded in terms of s 100(3)(a) of the Trade Marks Act in showing that the use was use in good faith.

Lion Nathan's application for special leave to cross-appeal

71 In the course of the hearing, Lion Nathan sought special leave to cross-appeal the decision of the Full Court. This cross-appeal alleged that the Full Court had erred in the following four ways:

- (1) finding that Lion Nathan's BAREFOOT RADLER beer, on the one hand, and wines, on the other hand, are goods of the same description within the meaning of s 120(2)(a) of the Trade Marks Act;
- (2) finding that the trade mark BAREFOOT RADLER is deceptively similar to Gallo's registered trade mark;
- (3) finding that using the sign BAREFOOT RADLER as Lion Nathan did is likely to deceive or cause confusion within the meaning of s 120(2) of the Act; and
- (4) finding that the effective date of removal from the Register of Gallo's registered trade mark should be the date of judgment rather than the date of the conclusion of the alleged statutory period.

72 The Court heard argument from counsel for both parties as to whether special leave to cross-appeal should be granted. The Court refused special leave to cross-appeal on the first three grounds, as the Court was being invited to revisit evaluative findings of the Full Court, and because no general question of public importance arose. During the course of the hearing, the Court reserved its decision on whether special leave should be granted on the fourth ground. In the light of these reasons in respect of the use of the registered trade mark in the statutory period, there would be no utility in a grant of special leave to cross-appeal in relation to ground 4. Special leave to cross-appeal should be refused.

Orders

73 Orders should be made as follows:

1. Appeal allowed.
2. Orders 4, 6 and 7 of the orders made by the Full Court of the Federal Court of Australia on 15 April 2009 be set aside, and in lieu thereof order that:
 - (a) orders 3 and 5 of the orders made by Flick J on 27 June 2008 be set aside, and in lieu thereof order that the respondent's amended cross-claim be dismissed; and
 - (b) the appellant's amended application otherwise be remitted to Flick J for assessment of damages or, at the election of the appellant, the taking of an account of profits pursuant to s 126 of the *Trade Marks Act* 1995 (Cth).
3. A declaration be made that by advertising, offering for sale and selling in Australia beer under the name BAREFOOT RADLER, without the licence or authority of the appellant, the respondent has infringed the appellant's Australian registered trade mark no 787765 registered in class 33 in respect of "Wines being goods in class 33" ("the appellant's registered trade mark").
4. An injunction be issued in terms that, from 28 days after the date of this order, or such further period as may be allowed by the Federal Court of Australia on application made to it within that 28 day period, the respondent, whether by itself, its directors, officers, employees, agents or otherwise, be restrained from selling, offering for sale, advertising or promoting beer under the name BAREFOOT RADLER or any other name substantially identical with or deceptively similar to the appellant's registered trade mark, without the licence or authority of the appellant.
5. Special leave in relation to ground four of the respondent's application for special leave to cross-appeal be refused.
6. The respondent pay the appellant's costs of the proceedings at first instance, the costs of the appeals to the Full Court of the Federal Court of Australia, and the costs of the appeal and the application for special leave to cross-appeal to this Court.

HEYDON J.

Quality control

74 Gallo contended that while Mr Houlihan was the registered owner of the trade mark, when Barefoot Cellars sold the wine to a German distributor in 2001, Barefoot Cellars was an authorised user within the meaning of s 8(1) and (3) of the *Trade Marks Act* 1995 (Cth)⁵⁴. The necessary "control" by Mr Houlihan as registered owner was alleged to take the form of "quality" control.

Did Mr Houlihan exercise quality control?

75 At the trial the issue was apparently not given much attention until final address. As can happen in complex intellectual property cases, in which the parties rivet their concentration more on some issues than others, the evidence is not extensive. But Gallo did point to two pieces of evidence.

76 *Mr Kalabokes's affidavit.* One piece of evidence on which Gallo relied was the passage quoted above from Mr Kalabokes's affidavit⁵⁵. It stated that in the transition period Mr Houlihan's responsibility was to continue monitoring wine quality. This permits a "retrospectant" circumstantial inference that Mr Houlihan had monitored wine quality before the transition period.

77 However, although there was nothing to qualify the impression that Mr Kalabokes was speaking from personal knowledge, it is unlikely that he was. Mr Kalabokes was an employee of Gallo from 1999 on, and seems to have had nothing to do with Barefoot Cellars or Mr Houlihan until Barefoot Cellars was sold to Gallo in 2005. But at the trial Lion Nathan did not object to the evidence on hearsay grounds, and it was admitted. There is no reason for treating it now as inadmissible. On the face of the evidence, it is clear that one purpose of the tender was to prove facts about Mr Houlihan's quality control in the past.

78 It was open to Lion Nathan at the trial, even if it chose not to object to the evidence outright, to seek an order under s 136 of the *Evidence Act* 1995 (Cth) ("the Evidence Act"). It provides:

"The court may limit the use to be made of evidence if there is a danger that a particular use of the evidence might:

(a) be unfairly prejudicial to a party; or

54 See reasons of French CJ, Gummow, Crennan and Bell JJ at [21].

55 See reasons of French CJ, Gummow, Crennan and Bell JJ at [55].

(b) be misleading or confusing."

The basis of an application for an order under s 136 could have been that while one purpose of tendering the evidence was, like the rest of the paragraph of which it formed part, to lay the groundwork for the tender of the Consulting Agreement, that evidence should be received only for that purpose, not for any other, and that the Consulting Agreement would have to speak for itself. But no s 136 order was sought.

79 *Consulting Agreement, cl 5(e)*. The other piece of evidence on which Gallo relied was the first sentence of cl 5(e) of the Consulting Agreement⁵⁶. Gallo characterised the first sentence of cl 5(e) as a representation as to past facts. Lion Nathan, on the other hand, submitted that the first sentence was merely introductory to and part of a promise to monitor quality in the future. Contrary to that submission, the first sentence is more than, and distinct from, the promise in the second sentence. It is not a promise, but a recital. It recites the fact that Mr Houlihan and Ms Harvey established, maintained and were, at the time of entering the Consulting Agreement, very familiar with the quality standards in effect over the previous years with respect to, inter alia, production, wine making and bottling. It may be inferred from that recital of fact that Mr Houlihan had engaged in quality control.

80 Gallo also submitted that the purpose of tendering the Consulting Agreement as a representation as to past facts was always plain at the trial. That is so: the passage quoted from Mr Kalabokes's affidavit, which had that purpose, immediately precedes a statement that the Consulting Agreement is exhibited to him. There is no reason to reject Gallo's submission that the Consulting Agreement had been tendered for the purpose described.

81 So far as the first sentence of cl 5(e) consists of representations by Mr Houlihan and Ms Harvey, it is hearsay, since neither gave evidence. But, contrary to a submission by Lion Nathan, it is admissible under s 69 of the Evidence Act. Section 69(1) provides:

"(1) This section applies to a document that:

(a) either:

(i) is or forms part of the records belonging to or kept by a person, body or organisation in the course of, or for the purposes of, a business; or

(ii) at any time was or formed part of such a record; and

56 See reasons of French CJ, Gummow, Crennan and Bell JJ at [56].

27.

- (b) contains a previous representation made or recorded in the document in the course of, or for the purposes of, the business."

And s 69(2)(a) provides:

- "(2) The hearsay rule does not apply to the document (so far as it contains the representation) if the representation was made:
 - (a) by a person who had or might reasonably be supposed to have had personal knowledge of the asserted fact ..."

The Consulting Agreement is part of, or at one time formed part of, the records belonging to Gallo and kept by it in the course of and for the purposes of its business. The Consulting Agreement contains a previous representation by Mr Houlihan and Ms Harvey (namely the first sentence of cl 5(e)) because the representation was made or recorded in the Consulting Agreement in the course of, or for the purposes of, Gallo's business. The representation of Mr Houlihan and Ms Harvey was made by persons who had or might reasonably be supposed to have had personal knowledge of the facts asserted.

82 Even if Lion Nathan is correct in submitting that the evidence was only admitted to prove what promises were made in the Consulting Agreement, so that it was relevant for that purpose, but not for the purpose of proving the fact asserted in the first sentence of cl 5(e), it was taken outside the hearsay ban in s 59 of the Evidence Act by s 60. At the time of the trial s 60 provided:

"The hearsay rule does not apply to evidence of a previous representation that is admitted because it is relevant for a purpose other than proof of the fact intended to be asserted by the representation."

The first sentence is evidence of a previous representation, but because, assuming this part of Lion Nathan's argument to be correct, it was admitted for a purpose other than proof of the fact intended to be asserted by the representation, the hearsay rule did not apply to it.

83 At the trial not only was there no objection to the first sentence, but no application was made, pursuant to s 136 of the Evidence Act, that the use to be made of the evidence should be limited – for example, limited to proving the operative parts of the Consulting Agreement, as distinct from the statements of fact in it.

84 Lion Nathan then contended that it was not Mr Houlihan who exercised quality control, but Ms Harvey, or the wine maker, Jennifer Wall. The evidence does not show that their roles precluded Mr Houlihan from exercising quality control.

85 Lion Nathan submitted that an inference could be drawn against Gallo for failing to tender the Licence Agreement between Mr Houlihan and Barefoot Cellars, and for failing to call Mr Houlihan. The only significance of those failures might be that an inference capable of being drawn against Gallo could be drawn more strongly. But the evidence does not suggest any inference adverse to Gallo, only to Lion Nathan.

86 Finally, Lion Nathan criticised the vagueness of the evidence and the absence of primary records. The evidence is indeed both vague and indirect. It is not perfect. But it is sufficient.

Other issues

87 On the remaining issues I agree with the substance of the plurality reasoning⁵⁷.

Orders

88 I agree with the orders.

57 That is, reasons of French CJ, Gummow, Crennan and Bell JJ at [1]-[12], [14]-[41], [42] (except last sentence), [43]-[54], [60]-[68], [69] (except last sentence) and [70]-[72].

