FEDERAL COURT OF AUSTRALIA

Southcorp Brands Pty Ltd v Australia Rush Rich Winery Pty Ltd   
[2019] FCA 720

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| File number(s): | VID 176 of 2018 |
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| Judge(s): | **BEACH J** |
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| Date of judgment: | 3 May 2019 |
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| Date of publication of reasons: | 21 May 2019 |
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| Catchwords: | **TRADE MARKS** – summary judgment – default judgment – trade mark infringement – meaning of foreign words – meaning and pronunciation of Chinese characters – use as a trade mark – summary judgment granted – application to dispense with r 4.01(2) of *Federal Court Rules 2011* (Cth)– dispensation refused |
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| Legislation: | *Federal Court of Australia Act 1976* (Cth) ss 31A, 37M  *Federal Court Rules 2011* (Cth) rr 1.34, 4.01(2), 4.05(2), 5.22, 5.23(1)(b), 11.02, 26.01  *Trade Marks Act 1995* (Cth) ss 7(3), 88(1)(a), 120(1), 228 |
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| Cases cited: | *Basetec Services Pty Ltd v CPB Contractors Pty Ltd* [2017] FCA 510  *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* (2014) 254 CLR 337  *Osgaig Pty Ltd v Ajisen (Melbourne) Pty Ltd* (2004) 213 ALR 153  *Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd* (2017) 251 FCR 379  *Tolkien Estate Ltd v Saltalamacchia* [2016] FCA 944  *Upaid Systems Ltd v Telstra Corp Ltd* (2016) 122 IPR 190; [2016] FCAFC 158 |
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| Registry: |  |
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| Counsel for the Applicant/Cross-Respondent: | Mr EJC Heerey QC and Mr PJT Creighton-Selvay |
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| Solicitor for the Applicant/Cross-Respondent: | Herbert Smith Freehills |
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| Counsel for the First and Second Respondents/Cross-Claimants: | Mr L Merrick (15 February 2019) |
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| Solicitor for the First and Second Respondents/Cross-Claimants: | Kain Lawyers (15 February 2019) |
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| Counsel for the Third Respondent: | The Third Respondent did not appear |
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| Counsel for the Fourth Respondent: | The Fourth Respondent did not appear |
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ORDERS

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|  | | VID 176 of 2018 |
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| BETWEEN: | SOUTHCORP BRANDS PTY LTD (ACN 005 156 945)  Applicant | |
| AND: | AUSTRALIA RUSH RICH WINERY PTY LTD (ACN 611 615 108)  First Respondent  AUSTRALIA R&R GROUP PTY LTD (ACN 620 278 702)  Second Respondent  RUSH RICH INTERNATIONAL TRADING INC., LTD (and another named in the Schedule)  Third Respondent | |
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| AND BETWEEN: | AUSTRALIA RUSH RICH WINERY PTY LTD (ACN 611 615 108) (and another named in the Schedule)  First Cross-Claimant | |
| AND: | SOUTHCORP BRANDS PTY LTD (ACN 005 156 945)  Cross-Respondent | |

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| JUDGE: | BEACH J |
| DATE OF ORDER: | 3 MAY 2019 |

THE COURT ORDERS THAT:

1. Summary judgment be given in favour of the Applicant against each of the Respondents pursuant to r 26.01(1)(e) of the Federal Court Rules and s 31A(1) of the *Federal Court of Australia Act 1976* (Cth).
2. The First and Second Respondents/Cross-claimants’ cross-claim be dismissed, pursuant to r 5.23(1)(b) of the *Federal Court Rules 2011* (Cth).

THE COURT DECLARES THAT:

1. The Respondents, by using the following Chinese characters:
   1. 奔富;
   2. 奔富酒园;
   3. 奔富酒庄;
   4. 澳大利亚奔富酒庄; and/or
   5. 澳洲大利亚奔富 酒庄

(**the Impugned Chinese Characters**)

as a trade mark, have infringed each of:

* 1. Australian trade mark no. 37674 for PENFOLDS (**Penfolds TM**);
  2. Australian trade mark no. 1762333 for BEN FU (**Ben Fu TM**); and
  3. Australian trade mark no. 1762317 for 奔富 (**Chinese Character TM**).

1. The Fourth Respondent has acted in concert with, and aided, counselled, directed and joined with, the First, Second and Third Respondents in furtherance of a common design, namely, the use of the Impugned Chinese Characters on Infringing Bottles (as defined in the Further Amended Statement of Claim) in contravention of s 120(1) of the *Trade Marks Act 1995* (Cth).

THE COURT FURTHER ORDERS THAT:

1. The Respondents, whether by themselves, or by their servants, agents, related bodies corporate or otherwise, be restrained from using, or aiding, counselling or directing the use of the Impugned Chinese Characters or any other mark substantially identical with, or deceptively similar to, the Chinese Character TM, Penfolds TM or Ben Fu TM, in relation to wine.
2. The First Respondent pay the Applicant the sum of $351,916.75.
3. The First Respondent pay the Applicant interest on the sum in paragraph 6 above in the amount of $23,385.59.
4. The Fourth Respondent forthwith withdraw Australian Trade Mark Application Nos. 1916426, 1916427 and 1916428.
5. The Respondents pay the Applicant’s costs of and incidental to the Applicant’s interlocutory application dated 18 April 2019 (**Interlocutory Application**) to be taxed in default of agreement.
6. The Respondents pay the Applicant’s costs of and incidental to the proceeding to be taxed in default of agreement.
7. The time for service of the Interlocutory Application, and the affidavit of Shaun Daniel McVicar dated 18 April 2019, be abridged to midday on Wednesday 24 April 2019.
8. The trial listed to commence on 3 June 2019 be vacated.

13. Liberty to apply.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

BEACH J:

1. By interlocutory application the applicant (Southcorp) applied for both default judgment and summary judgment against the respondents, including dismissal of the cross-claim filed by the first and second respondents.
2. These reasons set out the basis upon which earlier this month I granted summary judgment against the respondents in respect of Southcorp’s claims and default judgment on the cross-claim. They also deal with my dismissal of the first and second respondents’ application to dispense with the requirements of r 4.01(2) of the *Federal Court Rules 2011* (Cth).
3. Now on the material before me, although I granted summary judgment on Southcorp’s claims Southcorp was also entitled to default judgment for reasons that I will now explain.

## (a) Default judgment

1. For the purposes of determining an entitlement to default judgment, r 5.22 provides that a party will be in default if they fail to do an act required to be done, or to do an act in the time required, by the Rules, they fail to comply with an order of the Court, they fail to attend a hearing in the proceeding or they fail to prosecute or defend the proceeding with due diligence.
2. If one or more of these conditions is satisfied, the Court may grant default judgment. Moreover, in this context the Court has power to grant both declaratory and injunctive relief by way of default judgment, as well as to grant a pecuniary remedy.
3. Let me set out some background.
4. On 16 February 2018, Southcorp initiated the present proceeding against the first to third respondents. On 21 February 2018, the first to third respondents each filed a notice of address for service, identifying their address for service as Kain Lawyers, 315 Wakefield Street, Adelaide, South Australia 5000. Southcorp then served its originating application and statement of claim on the first to third respondents by delivering them to Kain Lawyers.
5. On 28 March 2018, the first to third respondents filed a defence, and the first respondent also filed a notice of cross-claim including a statement of cross-claim. The cross-claim was amended on 27 April 2018 to add the second respondent as the second cross-claimant.
6. By 29 May 2018, Southcorp filed and served its trial evidence in support of its claims.
7. On 31 May 2018, I made orders joining the fourth respondent to the proceeding, providing for substituted service on it, and providing for the filing of amended pleadings. All of the respondents were required to file a defence by 22 June 2018.
8. On 1 June 2018, Southcorp filed and served an amended originating application and statement of claim. Substituted service was effected on the fourth respondent in accordance with my orders made on 31 May 2018. Upon receipt of the documents the subject of the substituted service orders, the patent and trade marks attorney firm Spruson & Ferguson which now incorporates Cullens, which had acted for the fourth respondent in pursuing trade mark registrations in Australia, confirmed that “The documents have been passed on to our instructing lawyers in China”.
9. On 22 June 2018, the first to third respondents filed an amended defence. But the fourth respondent did not file any defence, in contravention of the orders made on 31 May 2018. Nor did the fourth respondent file any address for service as required by r 11.02 or otherwise appoint a lawyer as required by r 4.01(2). Nor has the fourth respondent subsequently taken any step to defend any of the claims made against it or otherwise participate in this proceeding.
10. As at 20 July 2018, the first to third respondents had filed their trial evidence in answer to Southcorp’s claims and the first and second cross-claimants had also filed their evidence in support of their cross-claim. But the fourth respondent had not filed any trial evidence as required by my previous orders.
11. On 10 August 2018, I made orders which, inter-alia, granted Southcorp leave to file and serve a further amended originating application and statement of claim, provided for substituted service on the fourth respondent, and required the respondents to file and serve any amended defences and cross-claims by 24 August 2018. Substituted service was effected on the fourth respondent in accordance with those orders. Again, upon receipt of the relevant documents Spruson & Ferguson confirmed that “The documents have been passed on to our instructing lawyers in China”.
12. On 24 August 2018, the first to third respondents filed a further amended defence. But the fourth respondent again failed to file any defence in contravention of my orders.
13. On 30 October 2018, Kain Lawyers filed a notice of ceasing to act as lawyers for the third respondent, which notice also specified the last known address of the third respondent. But in contravention of r 4.05(2), the third respondent did not file a notice of address for service within 5 days. Further, and in contravention of r 4.01(2), the third respondent did not appoint a lawyer to act on its behalf in the proceeding.
14. On 22 November 2018, the solicitors for Southcorp wrote to the third respondent at its last known address as specified by Kain Lawyers in the notice of ceasing to act, and advised the third respondent that Southcorp may be entitled to seek default judgment if the third respondent did not file a notice of address for service or appoint a new legal representative. But the third respondent did not respond to that correspondence, and has not subsequently taken any step to defend any of the claims made against it or otherwise participate in this proceeding.
15. On 13 February 2019, the first and second respondents filed an interlocutory application seeking an order that I dispense with the requirement under r 4.01(2) that they be represented by a lawyer. That application was dismissed on 15 February 2019 for the reasons that I will explain later. On 15 February 2019 I also ordered that the first and second respondents were to file any further evidence in the proceeding by 1 March 2019 and were to file their outline of opening submissions by 18 April 2019. Subsequently:
    1. on 25 February 2019, Kain Lawyers filed notices of ceasing to act as lawyers for both the first and second respondents;
    2. in contravention of r 4.05(2), the first and second respondents did not then file a notice of address for service within 5 days;
    3. further, and in contravention of r 4.01(2), the first and second respondents did not then appoint a lawyer to act on their behalf in the proceeding;
    4. the first and second respondents did not file any further evidence by 1 March 2019 or at any other time; and
    5. in contravention of the orders made by me on 15 February 2019, the first and second respondents did not file any outline of opening submissions by 18 April 2019 or at any other time.
16. In summary, none of the respondents have legal representation, none of the respondents have been granted leave to proceed without legal representation or have made any further application for dispensation, none of the respondents have filed current notices of address for service, and none of the respondents have filed any opening submissions.
17. It is not in doubt that each of the respondents is in default within the meaning of rr 5.22(a), (b) and (d). Accordingly, my power to enter default judgment was enlivened. Nonetheless, I decided to deal with Southcorp’s claims by way of summary judgment rather than default judgment. But if I had not granted summary judgment on Southcorp’s claims as I will justify in a moment, I would have entered default judgment on Southcorp’s claims by reason of the numerous identified acts of default.
18. As for the cross-claim, it was appropriate to dismiss it on the basis of the said defaults.

## (b) Summary judgment

1. Rule 26.01 provides that a party may apply for an order that judgment be given against another party on the basis, inter-alia, that:
   1. an applicant including a cross-claimant has no reasonable prospect of successfully prosecuting the proceeding or part of the proceeding; or
   2. a respondent has no reasonable prospect of successfully defending the proceeding or part of the proceeding.
2. Further, ss 31A(1) and (2) of the *Federal Court of Australia Act 1974* (Cth) provide that the Court may enter judgment for one party against another if a claim or defence has no reasonable prospect of success. And s 31A(3) makes clear that a claim or defence does not have to be hopeless or bound to fail to lack a reasonable prospect of success. Moreover, some investigation of the facts and the evidence is permissible in order to assess whether there are reasonable prospects of success.
3. The relevant principles concerning summary judgment are well established. In *Tolkien Estate Ltd v Saltalamacchia* [2016] FCA 944 at [21], I summarised the principles in the following terms:

(a) The Court must assess the strength of the allegations made by reference to the pleadings, the affidavits and any other evidence adduced.

(b) The applicant bears the onus of demonstrating that the respondent has no reasonable prospect of successfully defending the proceeding. However, if the applicant establishes a prima facie case for summary judgment, the respondent must identify factual or evidentiary matters which necessitate a trial. The respondent has not done so in the present case.

(c) In order to have reasonable prospects of success, the respondent must have prospects of success that are “real” and not “fanciful” or even “merely arguable”.

1. But I do accept that the exercise of power under s 31A should be used with caution where complex questions of fact or law are involved (*Upaid Systems Ltd v Telstra Corp Ltd* (2016) 122 IPR 190; [2016] FCAFC 158 at [48] per Perram, Jagot and Beach JJ).
2. The evidence adduced before me, aspects of which were drawn to my attention by Mr Edward Heerey QC for Southcorp, establishes the following matters.
3. Southcorp is the owner of the following trade marks, each of which is registered in class 33 in relation to wine (Southcorp TMs):
   1. Australian trade mark no. 37674 for PENFOLDS (Penfolds TM);
   2. Australian trade mark no. 1762333 for BEN FU (Ben Fu TM); and
   3. Australian trade mark no. 1762317 for 奔富 (Chinese Character TM).
4. Southcorp’s case is that the respondents have within the ambit of ss 120(1) and 228 of the *Trade Marks Act 1995* (Cth) (TMA) infringed each of the Southcorp TMs by using 奔富, 奔富酒园, 奔富酒庄, 澳大利亚奔富酒庄and 澳洲大利亚奔富酒庄 (Impugned TMs) as trade marks in relation to wine.
5. The primary issues raised on the pleadings have been:
   1. whether any of the Impugned TMs have been used “as a trade mark”;
   2. whether any of the Impugned TMs are substantially identical with, or deceptively similar to, the Southcorp TMs;
   3. the liability of the third and fourth respondents; and
   4. the quantum of pecuniary relief to which Southcorp is entitled.
6. In summary and in my view, Southcorp has established its claims under ss 120(1) and 228 of the TMA, and is entitled to an order that the first respondent pay $351,916.75 by way of an account of profits, together with interest of $23,385.59. It is also entitled to relevant declarations and injunctions against the respondents. Let me set out some of the facts as disclosed in the evidence addressing the said issues.
7. There are two significant background facts. First, consumers of wine include many Mandarin and Cantonese speakers (M&C Speakers). Second, the Mandarin and Cantonese language phonetic approximation of “Penfolds” is “Ben Fu” and the characters 奔富 are pronounced by M&C Speakers as, and transliterate to, “Bēn Fù”, and those characters are used and understood by M&C Speakers to refer to “Penfolds”.
8. Let me say something further about the significance of M&C Speakers.
9. As at 30 June 2016, 526,000 Australian residents had been born in China, which represented the third highest country of foreign birth behind England and New Zealand. Further, Mandarin was the most common foreign language spoken at home and Cantonese was the third most common foreign language spoken at home. In addition, in the 2016 calendar year, there were over 1.2 million short term visitor arrivals to Australia from China (an increase of 284.1% since 2006) and more than 450,000 short term departures from Australia to China (an increase of 80.6% since 2006).
10. M&C Speakers are of significance to Southcorp, its holding company, Treasury Wine Estates Ltd (TWE), and the Australian wine industry more generally. Insofar as Southcorp and TWE are concerned, TWE reported net sales revenue of $297.5 million in Asia for the first half of the 2018 financial year alone. Further, data recorded by Southcorp reveals that 23% of all visitors in 2015/16, 26% of all visitors in 2016/17, and 29% of all visitors in 2017/18, to its Magill Estate Cellar Door, were from China. In addition, approximately 8% of all visitors were Australian resident M&C Speakers. As a result, Southcorp employs and trains M&C speaking staff, runs M&C language tours every day, and uses Mandarin language signage at its cellar door.
11. Insofar as the Australian wine industry is concerned, China is the most significant export market. In 2017, the value of Australian wine exports to China was $848 million, representing 33% of total wine exports, and was almost double the value of exports to the second largest export market. Further, 35% of Chinese visitors to Australia identified good food and wine as one of the most important factors when choosing a holiday destination. Indeed, 42% of Chinese visitors to South Australia visited a winery during their trip.
12. So much for the background. Let me turn to the question of the translation and transliteration of the Impugned TMs and Southcorp TMs.
13. In terms of establishing the ordinary signification of a trade mark consisting of a foreign word, what is important is the meaning conveyed by the foreign word to those who will be concerned with the relevant goods (*Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* (2014) 254 CLR 337 at [48] per French CJ, Hayne, Crennan and Kiefel JJ).
14. Accordingly, when assessing questions of trade mark infringement or misleading or deceptive conduct concerning Chinese language including Chinese characters, emphasis is to be placed on the meaning and pronunciation of Chinese characters used in the relevant trade marks. More particularly, it is necessary to consider the appearance and sound as well as the meaning of Chinese characters when assessing allegations of trade mark infringement. Further, misleading or deceptive conduct can be established by the use of Chinese characters even though the class of potential customers who might be misled is essentially confined to those who speak and/or read only Chinese, and even though no misrepresentation has been communicated to anyone who could not read those characters (*Osgaig Pty Ltd v Ajisen (Melbourne) Pty Ltd* (2004) 213 ALR 153 at [112] per Weinberg J).
15. In the present context and having regard to the fact that the Impugned TMs are solely constituted by Chinese characters, it is important to consider the ordinary signification, pronunciation, transliteration and translation of the Impugned TMs and Southcorp TMs.
16. By way of summary, in my view the evidence establishes that the Chinese characters 奔富, which comprise the Chinese Character TM and are used in each of the Impugned TMs, are pronounced by M&C Speakers as “Bēn Fù”, that is, ‘Ben’ with a rising tone and ‘Fu’ with a falling tone, and are written “Bēn Fù” in pinyin, which is the official system for writing Chinese characters using the Roman alphabet. “Ben Fu” is the only way to write the Chinese characters 奔富 in Roman characters without the tonal marks, the absence of which does not affect M&C Speakers’ ability to understand its meaning. The pronunciation by M&C Speakers of the Chinese characters 奔富, “Bēn Fù”, is phonetically very similar to, and an approximation of how to say, Penfolds, which cannot be precisely replicated in Mandarin or Cantonese. Importantly, the ordinary signification of the Chinese characters 奔富, to many M&C Speakers, is the brand “Penfolds”. In this respect, the evidence establishes the following.
17. In 1995, Southcorp, upon the recommendation of its exclusive distributor in China, adopted the Chinese characters 奔富 as the Chinese translation of the brand name “Penfolds”.
18. Many M&C Speakers refer to the brand “Penfolds” as “Bēn Fù”, rather than “Penfolds”.
19. The Chinese characters 奔富 both in their written and verbal form are widely used to refer to the brand “Penfolds”, including in: (a) the Mandarin language versions of the Tourism Australia and South Australian Tourism Commission websites; (b) Mandarin language tourist maps and brochures; (c) M&C language tours offered by Southcorp at its Magill Estate Cellar Door; (d) Mandarin language news websites targeted at Australian residents; (e) the Mandarin language version of a book regarding the “Penfolds” brand and wines; (f) various publications distributed within Australia to persons in the Asian business community; (g) China generally; and (h) a variety of popular Chinese travel planning websites.
20. Even “Google Translate” translates the brand name “Penfolds” into the Chinese characters 奔富, and vice versa.
21. Further, insofar as the other elements of the Impugned TMs are concerned, the evidence establishes that:
    1. the last two Chinese characters in 奔富酒园 translate to “winery” or “wine park”;
    2. the last two Chinese characters in 奔富酒庄 translate to “winery” and are more commonly used to translate “winery” than 酒园 referred to in sub-paragraph (a);
    3. the first four Chinese characters in 澳大利亚奔富酒庄 translate to “Australia”, with the last four characters being the same as those referred to in sub-paragraph (b); and
    4. the first two Chinese characters in 澳洲大利亚奔富 酒庄 are a less formal translation of “Australia”, the first, third, fourth and fifth Chinese characters are a more formal translation of “Australia”, but it is a typographical error to use these five characters together, although they would still be understood as referring to “Australia”; the last four characters are the same as those referred to in sub-paragraph (b).
22. Alternatively expressed, with the exception of the Chinese characters 奔富, which are pronounced “Bēn Fù” and used and understood by M&C Speakers to refer to “Penfolds”, the remaining Chinese characters used in each of the Impugned TMs are entirely descriptive, and translate to “winery”, “wine park” or “Australia”.
23. Let me turn to the question of trade mark infringement (ss 120(1) and 228) and the various issues that arise.

#### Use as a trade mark

1. It is trite to observe that 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. The question of trade mark usage involves assessing the likely reaction of consumers to the impugned use. The appropriate question to ask is whether the impugned words would appear to consumers as possessing the character of the brand.
2. Convenient photographs of the use made by the respondents of the Impugned TMs were the subject of oral submissions made by Mr Heerey QC. I am satisfied based upon his submissions and my review of the photographed wine labels that such usage would be understood by M&C Speakers as indicating trade origin.
3. First, the respondents have used the characters 奔富酒园 and 澳洲大利亚奔富酒庄 in bold centred text, appearing at the top of the Chinese character versions of the wine labels.
4. Second, the respondents have used the ® symbol immediately after those Chinese characters, plainly indicating to all consumers that those characters are being used as a trade mark.
5. Third, the fourth respondent has applied to register the characters 奔富, 奔富酒园 and 奔富酒庄 as trade marks in relation to wine. In my view such conduct is inconsistent with the use of those characters other than as a trade mark.
6. Fourth, to the extent that the characters 澳大利亚奔富酒庄 have not been used on the top of the Chinese character labels, but within the body of those labels, they have been used immediately after the Chinese characters 生产商, which translate to “Producer”. In other words, the characters 澳大利亚奔富酒庄 have been used to indicate to M&C Speakers that “Australia Penfolds Winery” is the producer of the bottles of wine. So much is also reinforced by the English language versions of the wine labels, both of which explicitly identify that the wine is “PRODUCED BY” the first respondent.
7. Fifth and relatedly, the Impugned TMs are used in the conventional location where information regarding a winery is provided on a bottle of wine, namely, on the label on the back of the bottle. In my view the Impugned TMs are used to indicate to M&C Speakers the commercial identity of the winery responsible for creating the wine, along with related information such as “date of production”, “variety” and “country of origin”.
8. Finally, s 228 of the TMA deems the application of a trade mark such as the Impugned TMs to goods that are to be exported “to constitute use of the trade mark in relation to the export goods”.

#### Substantial identity and deceptive similarity

1. In my view the Impugned TMs are all substantially identical with or deceptively similar to the Chinese Character TM.
2. First, two of the characters used in all of the Impugned TMs, namely, 奔富, are identical, when assessed based on appearance, sound and meaning, to the Chinese Character TM.
3. Second, those two characters are the first two characters which the respondents have used in bold font on each wine label bearing the impugned Chinese characters. It is well established that the first part of a word or the first part of a composite mark is of principal significance for the purpose of assessing deceptive similarity.
4. Third, those two characters are also the dominant cognitive cue of each of the Impugned TMs, being that part of the Impugned TMs which indicates trade origin (*Pham Global Pty Ltd v Insight Clinical Imaging Pty Ltd* (2017) 251 FCR 379 at [51], [52] and [56] per Greenwood, Jagot and Beach JJ).
5. Fourth, to the extent that the respondents have used a variety of additional characters in conjunction with the characters 奔富, the additional characters translate to mean “Australia”, “winery” or “wine park”. Accordingly, they are only descriptive and relevantly to be discounted.
6. Further, many of the same points can be made in relation to the Ben Fu TM, save that Southcorp does not contend that the Impugned TMs are, as a matter of appearance as opposed to meaning or pronunciation, substantially identical with or deceptively similar to the Ben Fu TM. But in my view, the fact that the characters 奔富 are pronounced by M&C Speakers as “Bēn Fù”, and are written “Bēn Fù” in pinyin, renders the use of those characters, and the Impugned TMs which give primacy to those characters, an infringement of the Ben Fu TM under s 120(1) of the TMA. Put simply, the pronunciation of the first two characters in 奔富酒园, which is the most common of the character marks used by the respondents, involves the wholesale aural reproduction of the whole of the Ben Fu TM. There is a tangible danger that an M&C Speaker with an imperfect recollection of the Ben Fu TM, but confronted with the use made by the respondents of the characters 奔富酒园, would be caused to wonder whether bottles of wine marked with those characters come from the same source as wine branded “Ben Fu”.
7. Finally, each of the Impugned TMs is also substantially identical with or deceptively similar to the Penfolds TM. In this respect, in circumstances where:
   1. the Impugned TMs are targeted at wine drinking M&C Speakers;
   2. the characters 奔富 are pronounced by M&C Speakers as “Bēn Fù;
   3. “Ben Fu” is phonetically very similar to and an approximation of how to say “Penfolds” in Mandarin and Cantonese; and
   4. the meaning conveyed by the Impugned TMs to wine-drinking M&C Speakers is “Penfolds Winery”, “Penfolds Wine Park”, or “Australia Penfolds Winery”,

the use of the Impugned TMs on the Chinese character labels is likely to deceive or cause confusion amongst wine-drinking M&C Speakers who have an imperfect recollection of the trade mark “Penfolds”.

#### The intention of the respondents to deceive M&C Speakers

1. Further and if it is necessary to say so, the intention of the respondents in adopting the Impugned TMs provides some reliable guide on the question whether the use of those marks is likely to deceive. It seems on the evidence that the respondents have adopted the Impugned TMs as part of an attempt to misappropriate both in Australia and China the reputation of Southcorp in the “Penfolds” brand.
2. First, one or more of the respondents established a website located at the URL www.benfucn.com, which featured the “Rush Rich” logo sought to be registered in Australia by both the first and fourth respondents. That website used the English word “Penfolds” and reproduced a photograph of TWE’s winemakers.
3. Second, one or more of the respondents arranged an online store at the URL www.taobao.com which featured the same “Rush Rich” logo, along with a photograph of TWE’s Magill Estate and the words “RAWSON’S RETREAT”.
4. Third, one or more of the respondents arranged the publication of a brochure which also featured the same “Rush Rich” logo and claimed that the winery being promoted was “The most well-known and largest vineyard in Australia”.
5. Fourth, a number of the bottles of wine offered for sale by one or more of the respondents, which have also featured the same “Rush Rich” logo, appear to be intended to mimic Penfolds branded wines, such as “706” (rather than 707) and “368” (rather than “389”).
6. In these circumstances, I infer that the respondents adopted the Impugned TMs to cause deception and confusion amongst M&C Speakers, and that the use of the Impugned TMs is likely to do so.

#### Liability of the respondents

1. The first and second respondents have admitted that they have labelled bottles of wine with the Impugned TMs. As I say, the necessary infringement has been established. But the respondents have denied any involvement of the third and fourth respondents. But in my view the following matters establish that the third and fourth respondents are also directly liable for infringing the Southcorp TMs.
2. First, so much is made apparent by the bottles of wine themselves. Those bottles explicitly identify the first and third respondents and bear a variety of trade marks sought to be registered in Australia by the second, third and fourth respondents.
3. Second, the first to third respondents have positively averred that the fourth respondent licensed the third respondent, and the third respondent licensed the first and second respondents, to use a number of the Impugned TMs on bottles of wine, being the trade marks which the fourth respondent has also applied to register in Australia. It follows that there has been use of the Impugned TMs by the first and second respondents which has been authorised by the fourth respondent, and accordingly pursuant to s 7(3) of the TMA “is taken…to be a use of the trade mark by” the fourth respondent.
4. Third, the direct involvement of the third respondent in the use made of the Impugned TMs is confirmed by the business cards used by the “R&R GROUP” in Australia, which identify the third respondent as part of that group, and is also confirmed by the website located at www.rrwinery.com.au, which has featured the use of a variety of trade marks sought to be registered in Australia by at least the second and third respondents.
5. Further, the fourth respondent is liable as a joint tortfeasor. Now this requires that it must have acted in concert in committing the tort, and there must be something in the nature of a concerted action or agreed common action albeit that there is no requirement that the fourth respondent intended to infringe the Southcorp TMs. In addition to the matters set out above, in my view the involvement of the respondents in a common design can be inferred from the fact that the fourth respondent is both the founder of, and owner of 49% of the share capital of, the third respondent, and that the CEO and director of the first respondent attended the ATMO hearing concerning the application by the fourth respondent for registration of a trade mark featuring the Chinese characters 奔富.

#### Pecuniary relief

1. The first respondent has admitted that it labelled and exported a total of 1,098,990 bottles of wine bearing the Impugned TMs, and has admitted that this generated a revenue of $3,232,593.80 and profit of $351,916.75.
2. Now it seems clear on the evidence that the entirety of the profit made by the first respondent was attributable to the use of the Impugned TMs. This is also confirmed by the fact that the export contracts held by the first respondent were all terminated by the customers of the first respondent after the commencement of this proceeding, in which the first, second and third respondents gave an undertaking, recorded in my orders dated 9 March 2018, that they would not apply labels bearing the Chinese characters 奔富 to wines in Australia for export from Australia, or for sale or promotion for sale in Australia.

#### Conclusion

1. For the reasons set out above, the respondents do not have any reasonable prospects of defending any of the claims brought by Southcorp.
2. Further, to the extent that the first and second respondents sought by their cross-claim to revoke the registration of two of the three Southcorp TMs, that cross-claim does not have any realistic prospect of success. The cross-claim involved an allegation that the registration of those two marks should be cancelled under s 88(1)(a) of the TMA, on the basis that the registration of those two marks could have been opposed under s 59 of the TMA because Southcorp did not intend at their 1 April 2016 filing date to use or authorise the use of those two marks. But the affidavit evidence adduced by Southcorp makes clear that Southcorp has used those marks for many years, and held the requisite intent at the filing date.
3. Moreover, the cross-claim makes no attack on Southcorp’s registration for PENFOLDS, which provides an independent basis for infringement in any event.
4. It also follows that the cross-claim does not provide any of the respondents with a real or arguable prospect of defending the claims brought by Southcorp for infringement of the Southcorp TMs.
5. Now in respect of the cross-claim, although I could have summarily dismissed it under r 26.01 or s 31A consistently with the above reasoning, it was more convenient to dismiss it as a default judgment.

## (c) Application to dispense with rule 4.01(2)

1. The first and second respondents previously sought orders pursuant to r 1.34 that I dispense with the requirement in r 4.01(2) that they be represented by a lawyer, and that Mr Vincent Zhao be granted leave to represent them. But I dismissed that application for the reason that the first and second respondents did not demonstrate sufficient reason to justify the grant of dispensation.
2. Generally speaking the Court should be cautious before permitting a non-lawyer to appear and represent a corporation, but the guiding principle is the attainment of justice. The discretion conferred by r 1.34 is to be exercised by reference to all relevant considerations. In the present context there are a range of matters which bear upon the exercise of the discretion (*Basetec Services Pty Ltd v CPB Contractors Pty Ltd* [2017] FCA 510 at [8] per White J), including:
   1. the financial capacity of the company and those standing behind it; in this respect, the identity of the shareholders and the spread of the shareholding is relevant;
   2. the capacity of the proposed representative to conduct the case effectively having regard to the skills, qualifications and experience of that representative;
   3. in assessing the capacity of the proposed representative, whether they have any real understanding of Court processes and whether they have any language difficulties which may impede their effective conduct of the case;
   4. the complexities of the case; for example, if the proceeding involves difficult questions of law, leave may not be granted;
   5. whether the overarching purpose prescribed by s 37M of the *Federal Court of Australia Act 1976* (Cth) would be promoted by the grant of dispensation;
   6. whether a lack of disciplinary measures available against the proposed representative may affect the administration of justice;
   7. the manner in which the case has progressed to date and the manner in which it may progress without the company having legal representation; and
   8. whether the proposed representative is also a witness and, if so, whether they will properly be able to conduct the case of the company whilst also being a witness.
3. But I do accept that when the company is a respondent as opposed to being an applicant or a cross-claimant, a more liberal approach may be warranted concerning the grant of dispensation.
4. I did not grant dispensation from r 4.01(2) for the following reasons.
5. First, Mr Zhao did not demonstrate any capacity to conduct the case effectively on behalf of the first and second respondents. To the contrary, Mr Zhao was born in China, became an Australian citizen on 21 March 2016, is more comfortable speaking Mandarin than English, and would need the assistance of a translator. Further, there is no evidence that he has any relevant academic qualifications in either Australia or China. And nor has he demonstrated any understanding of, or capacity to comply with, the processes of the Court.
6. Second, there is a lack of any satisfactory evidence as to the financial capacity of the first and second respondents and their shareholders to fund legal representation. The following may be noted.
7. The second respondent has three shareholders, namely, Ruxian Pan, Mr Zhao, and Emily Guo. But the first and second respondents have not adduced any evidence as to the capacity of those individuals to fund the legal representation of the first and second respondents, let alone their respective financial positions and assets.
8. Moreover, it is apparent that the financial statements of the first and second respondents put into evidence do not provide an accurate summary of the financial position of the first and second respondents. In particular:
   1. the balance sheet for the first respondent records that it owes $59,000 to the second respondent, but that loan is not recorded as an asset in the balance sheet of the second respondent;
   2. in contrast, the balance sheet for the second respondent records that it owes $137,000 to the first respondent, but that loan is not recorded as an asset in the balance sheet of the first respondent; and
   3. the financial statements for the second respondent appear to have a difficulty; they record total assets of $24,091.67, and apparently (there is a difficulty with the sign) total liabilities of $953,352.20, but then curiously record a total equity of $977,443.87.
9. But if the financial statements for the second respondent are indeed correct, then it has total equity of $977,443.87, and should therefore be able to fund legal representation. Indeed, the relevant ASIC company extract records that the second respondent has a paid-up share capital of $1,000,000.
10. Further, the balance sheet of the second respondent records that it owes $610,000 to R&R Lifestyle Pty Ltd. The sole director and secretary of that company is Mr Zhao and the second respondent owns 100% of the issued share capital in that company. But in calculating the true asset position of the second respondent, on one view that liability should be in essence netted out; the second respondent may have the liability, but equally it has the indirect benefit of the corresponding asset of R&R Lifestyle Pty Ltd which is the second respondent’s subsidiary.
11. Third, Southcorp’s claims involve technical questions of trade mark law. Mr Zhao is not legally qualified and would require the assistance of an interpreter. He would not be able to assist the Court in determining those questions.
12. Fourth, Mr Zhao was also proposed to be a witness in the proceeding and lacked the necessary objectivity.
13. Fifth, Southcorp should not be burdened with having to defend the cross-claim brought by the first and second respondents, when represented by Mr Zhao. There is no evidence from which I can be satisfied that Mr Zhao would have the expertise or exercise the objectivity required.
14. Sixth, it would not promote the overarching purpose prescribed by s 37M of the *Federal Court of Australia Act 1976* (Cth) to grant the dispensation sought.
15. Finally, I did accept that in refusing dispensation a possible consequence of my refusal to dispense may be that the matter may be undefended. I took that into consideration. But it was also open for the first and second respondents to make a further application addressing some of the above points. But they failed to do so.
16. For all of the above reasons I made the relevant orders on 15 February and 3 May 2019.

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| I certify that the preceding ninety-six (96) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Beach. |

Associate:

Dated: 21 May 2019

SCHEDULE OF PARTIES

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| Respondents |  |
| Fourth Respondent: | EASTERN TOMORROW (JINJIANG) IMPORT AND EXPORT CO., LTD |
| Cross-Claimants |  |
| Second Cross-Claimant: | AUSTRALIA R&R GROUP PTY LTD (ACN 620 278 702) |