FEDERAL COURT OF AUSTRALIA

Skyy Spirits LLC v Lodestar Anstalt [2015] FCA 509

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| Citation: | Skyy Spirits LLC v Lodestar Anstalt [2015] FCA 509 |
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| Appeal from: | Rare Breed Distilling LLC v Lodestar Anstalt [2013] ATMO 85 |
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| Parties: | **SKYY SPIRITS LLC v LODESTAR ANSTALT** |
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| File number: | NSD 2340 of 2013 |
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| Judge: | **PERRAM J** |
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| Date of judgment: | 26 May 2015 |
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| Catchwords: | **TRADE MARKS** – application for removal of trade marks based on non-use – whether use by another entity ‘authorised use’ – whether discretion should be exercised so as to permit continuance of marks in any event  |
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| Legislation: | *The* *Constitution* s 92 *Trade Marks Act 1955* (Cth)*Trade Marks Act 1995* (Cth) ss 7, 8, 17, 92(4)(b), 101*Marrakesh Agreement Establishing the World Trade Organization*. Opened for signature 15 April 1994. 1867 UNTS 3 (entered into force 1 January 1995). Annex 1C (‘Agreement on Trade-related Aspects of Intellectual Property Rights’) art 19*Treaty Establishing the European Economic Community*. 298 UNTS 11 (entered into force 25 March 1957) arts 30, 36  |
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| Cases cited: | *Asia Television Ltd v Yau’s Entertainment Pty Ltd (No 2)* (2000) 49 IPR 264*CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42*E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144*Einstein Trade Mark* [2007] RPC 23*GE Trade Mark* [1969] RPC 418*Holly Hobbie Trade Mark* [1984] RPC 329*IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* [1994] ECR I-2789*Independent Commission Against Corruption v Cunneen* (2015) 318 ALR 391*K & S Lake City Freighters Pty Ltd v Gordon & Gotch Ltd* (1985) 157 CLR 309*McGregor Trade Mark* [1979] RPC 36*Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670*Saeed v Minister for Immigration and Citizenship* (2010) 241 CLR 252*Scandecor Developments AB v Scandecor Marketing AB* [2001] UKHL 21 *Toddler Kindy Gymbaroo Pty Ltd v Gymboree Pty Ltd* (2000) 100 FCR 166*Yau’s Entertainment Pty Ltd v Asia Television Ltd* (2002) 54 IPR 1Commonwealth, *Parliamentary Debates*, House, 27 September 1995, 1909-1913 (Michael Lee)Craig P and de Búrca G, *EU Law: Text, Cases, and Materials* (2nd Ed, Oxford University Press, 1998)Dwyer, JW, “Trade Mark Licences – Is the “Authorised User” System under the *Trade Marks Act 1995* (Cth) working?” (1997) 8 AIPJ 174  |
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| Date of hearing: | 1-2 December 2014 |
|  |  |
| Place: | Sydney |
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| Division: | GENERAL DIVISION |
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| Category: | Catchwords |
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| Number of paragraphs: | 68 |
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| Counsel for the Applicant: | Mr M Hall SC |
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| IN THE FEDERAL COURT OF AUSTRALIA |  |
| NEW SOUTH WALES DISTRICT REGISTRY |  |
| GENERAL DIVISION | NSD 2340 of 2013 |

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| BETWEEN: | SKYY SPIRITS LLCApplicant |
| AND: | LODESTAR ANSTALTRespondent |

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| JUDGE: | PERRAM J |
| DATE OF ORDER: | 26 MAY 2015 |
| WHERE MADE: | SYDNEY |

THE COURT ORDERS THAT:

1. The appeal be allowed.
2. Stand over for any argument on costs and the making of orders to 2 June 2015 at 9:30 am.

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

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| BETWEEN: | SKYY SPIRITS LLCApplicant |
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| JUDGE: | PERRAM J |
| DATE: | 26 may 2015 |
| PLACE: | SYDNEY |

**REASONS FOR JUDGMENT**

## I. Introduction

1. This appeal represents the most recent bout in the ongoing international trade mark war between the respective purveyors of Wild Turkey Bourbon and Wild Geese Rare Irish Whiskey. This war has stretched for nearly 15 years and shows few signs of abating. The Wild Turkey trade mark has been owned by several different corporate groups over the years and currently roosts in the Campari Group of companies. I will refer to all of the various owners, over time, of the ‘Wild Turkey’ trade mark as the Wild Turkey interests, except where the context otherwise requires.
2. The Wild Turkey interests have vigorously opposed the use by the makers of Wild Geese Rare Irish Whiskey of the words ‘Wild Geese’ and they have done so in many different countries. The underlying antipathy seems driven by the possibility that not everyone might distinguish a wild goose from a wild turkey. The intellectual property lying behind Wild Geese Rare Irish Whiskey is owned by an entity incorporated in the Duchy of Lichtenstein called Lodestar Anstalt. Lodestar is the respondent in the present case and an ‘Anstalt’ is a form of corporate entity under the laws of Lichtenstein. I will call Lodestar, and those behind Wild Geese Rare Irish Whiskey, the Irish Whiskey interests, except where the context otherwise requires.
3. The present case is an appeal from the Trade Marks Office and is entitled *Skyy Spirits LLC v Lodestar Anstalt*, however it is best understood as a dispute between the Wild Turkey interests (through Skyy Spirits LLC) and the Irish Whiskey interests (through Lodestar Anstalt) over the words ‘Wild Geese’.
4. On 21 June 2000 the Irish Whiskey interests registered the word mark WILD GEESE as registered trade mark No 839740 in classes 32 and 33. This set in train a cascading series of events which has led to the present appeal. Those events have intersected with the presence in Australia since around 2000 of a small South Australian vineyard selling merlot and pinot noir under the name ‘Wild Geese Wines’. The man behind this operation is Mr Patrick O’Sullivan QC, an Adelaide barrister. Both Mr O’Sullivan and the Irish Whiskey interests happened upon the name ‘Wild Geese’ for related reasons: ‘Wild Geese’ is a turn of phrase sometimes used to describe the Irish diaspora. Mr O’Sullivan identifies himself as Irish in descent so it was a natural appellation for his wine. Further, so far as the Irish Whiskey interests are concerned (and despite their apparent connections to the Duchy of Lichtenstein through their Anstalt, Lodestar) the advantages of selling an Irish whiskey to the often bibulous Irish diaspora under a self-referent name will be apparent, maybe even self-evident.
5. It was only natural that in due course Mr O’Sullivan would seek to register the trade marks WILD GEESE and WILD GEESE WINES, and this he sought to do on 26 July 2005 through his own company, Wild Geese Wines Pty Limited (‘Wild Geese Wines’). Of course, Mr O’Sullivan had the difficulty that the Irish Whiskey interests had already registered WILD GEESE nearly 5 years earlier. However, he had an answer to this – it appeared to him that the Irish Whiskey interests had never sold any of their whiskey in Australia and that they had never used the trade mark WILD GEESE in Australia either. As it happens, if a trade mark is not used for three years it can be removed from the register of trade marks under Part 9 of the *Trade Marks Act 1995* (Cth) (‘the Trade Marks Act’). It was this provision that Mr O’Sullivan then sought to utilise to remove the Irish Whiskey interests’ WILD GEESE trade mark from the register, a tactic which, if successful, would then have permitted the registration of his own WILD GEESE and WILD GEESE WINES trade marks.
6. When Mr O’Sullivan caused Wild Geese Wines to file an application to remove the Irish Whiskey interests’ WILD GEESE trade mark, he discovered that the Wild Turkey interests had already been to the Trade Marks Office and had filed their own application to remove WILD GEESE from the register. It was at that time that Mr O’Sullivan first appreciated that his use of the words ‘Wild Geese’ had potentially embroiled him in a much larger debate.
7. He made contact with the Wild Turkey interests and, at least at first, they were not especially friendly. In stern correspondence they alleged that his company was infringing the Wild Turkey trade mark by selling its wine under the name ‘Wild Geese Wines’. Mr O’Sullivan had no appetite for an entanglement in the hostilities between the Irish Whiskey and Wild Turkey interests and he, through his company, therefore reached an accommodation with the latter in 2007. His company agreed to assign to the Wild Turkey interests whatever its interest in the WILD GEESE and WILD GEESE WINES trade marks was and they, in turn, agreed to licence those self same marks back to his company in perpetuity for a one-off fee of $1. They also took an assignment of the company’s application to remove the Irish Whiskey interests’ WILD GEESE trade mark from the register. Mr O’Sullivan then went back to making wine and, I assume, the practise of law, leaving the Irish Whiskey interests and Wild Turkey interests to sort out their differences. His role in the litigation was, however, not yet concluded.
8. This is because the licence agreement between Mr O’Sullivan’s company and the Wild Turkey interests gives rise to the central issue in the present case. While Mr O’Sullivan tended his vineyards the chief protagonists struggled on. After much litigation, the Wild Turkey interests finally succeeded in having the Irish Whiskey interests’ WILD GEESE trade mark removed from the register for non-use because it turned out that they had not sold their whiskey in Australia using the WILD GEESE mark in the non-use period. Fresh from that victory, the Wild Turkey interests then secured the registration of the word marks WILD GEESE and WILD GEESE WINESas trade marks (Nos 1066650 and 1066646 respectively) It is these marks which have been licensed to Mr O’Sullivan’s company for $1. Since the Wild Turkey interests’ successful elimination of the Irish Whiskey’s WILD GEESE mark from the register, events have moved on. In particular, the Irish Whiskey interests have been selling their whiskey in Australia since around 2007 and they would very much like to use the WILD GEESE marks on that product. Consequently, they now desire to remove the Wild Turkey interests’ WILD GEESE and WILD GEESE WINES marks. They seek to do so on the basis of non-use.
9. Whilst the Wild Turkey interests do sell Wild Turkey bourbon in Australia, they do not sell anything under the name WILD GEESE. The only person using that name in Australia in relation to alcoholic beverages seems to be Mr Sullivan’s company, and then only in respect of merlot and pinot noir. It is this fact which leads the Irish Whiskey interests to argue that it is Mr O’Sullivan’s company which has, in fact, been using those trade marks and not the Wild Turkey interests. In response, the Wild Turkey interests argue that Mr O’Sullivan’s company has been using the marks under licence from them and that its use is therefore authorised by them. If Mr O’Sullivan’s company’s use was authorised by the Wild Turkey interests then this will defeat the allegation that the Wild Turkey interests have not used the trade marks during the three year non-use period, for they will have then been used with their authority. Why? Under s 7 of the Trade Marks Act ‘use’ includes ‘authorised use’. The basic question then concerns Mr O’Sullivan’s company’s use of the WILD GEESE and WILD GEESE WINES trade marks under the $1 licence granted to it by the Wild Turkey interests and whether its use can be said to be authorised. It is quite a short question.
10. The two substantive issues which need to be decided are: (a) what is meant by authorised use and (b) is Mr O’Sullivan’s company’s use authorised in that sense. There is a third issue: (c) whether, even if otherwise satisfied that the WILD GEESE and WILD GEESE WINES trade marks have not been used by the Wild Turkey interests, they should nevertheless be permitted to remain on the register as a matter of discretion. There were several reasons why the Wild Turkey interests said this should occur, one of which was that removal of the trade mark might now be rather unfair to Mr O’Sullivan and his company.

### II. Was there authorised use of the Wild Geese marks by the Wild Turkey Interests?

1. The Irish Whiskey interests will be entitled to have the WILD GEESE marks removed from the register if the Wild Turkey interests did not use them in Australia in the three years preceding the date upon which the Irish Whiskey interests applied for their removal. That date was 27 September 2010. The three year window to be examined is, therefore, the period between 27 August 2007 and 27 August 2010. So much flows from s 92(4)(b), which provides as one of the grounds justifying removal:

‘(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 and/or services to which the application relates.’

1. This refers to ‘use’, but s 7(3) makes clear that ‘authorised use’ is also ‘use’. Section 8 then explains what an ‘authorised user’ and ‘authorised use’ are in these terms:

‘(1) 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.

 (2) The use of a trade mark by an authorised user of the trade mark is an ***authorised use*** of the trade mark to the extent only that the user uses the trade mark under the control of the owner of the trade mark.

 (3) If the owner of a trade mark exercises quality control over goods or services:

(a) dealt with or provided in the course of trade by another person; and

(b) in relation to which the trade mark is used;

the other person is taken, for the purposes of subsection (1), to use the trade mark in relation to the goods or services under the control of the owner.

 (4) If:

(a) a person deals with or provides, in the course of trade, goods or services in relation to which a trade mark is used; and

(b) the owner of the trade mark exercise financial control over the other person’s relevant trading activities;

 the other person is taken, for the purposes of subsection (1), to use the trade mark in relation to the goods or services under the control of the owner.

 (5) Subsections (3) and (4) do not limit the meaning of the expression ***under the control of*** in subsections (1) and (2).’

(emphasis in original)

1. This provision throws up two inquiries: first, whether the marks have been used during the period 27 August 2007 to 27 August 2010 at all; and, secondly, assuming that they were, whether that use was authorised use. It is necessary to deal with these separately.

### (a) Use of the marks during the period 27 August 2007 to 27 August 2010

1. There is no suggestion that the Wild Turkey interests directly used the WILD GEESE or WILD GEESE WINES trade marks during this period. The only evidence of use was by Mr O’Sullivan’s company, Wild Geese Wines. Mr O’Sullivan is a director of that company. He testified that Wild Geese Wines has used both marks continuously since 2001 to sell wine by applying them to labels which were then affixed to bottles containing its wine. In 2001, 2002, 2003 and 2004 Mr O’Sullivan’s company produced a merlot which was sold in bottles bearing both marks. A bottle of the 2004 Merlot became Exhibit SPO-3 and its label looked like this:



1. In 2005, Mr O’Sullivan stopped bottling new wine for sale because he had surplus stock of the 2004 Merlot on hand, because there was a wine glut and because there were some events taking place in his personal life which prevented him devoting as much time to winemaking as he would have liked. He did not take up bottling any more wine until 2010, when his company bottled a pinot noir. Nevertheless, he did continue to sell the 2004 Merlot throughout the period 2005-2009, two years of which, it will be observed, lie in the non-use period of 27 August 2007 to 27 August 2010.
2. The sales were modest; a few cases here, a few cases there. Many of the sales were to persons associated with either the company Wild Geese Wines or Mr O’Sullivan, but genuine sales they remained nonetheless. As I have mentioned, the pinot noir was bottled in 2010. Mr O’Sullivan agreed under cross-examination that the pinot noir, whilst bottled in 2010, was not in fact sold until the end of 2011 which lies outside the non-use period. There were other later vintages too which I have not mentioned but they are not relevant since they also lie outside the non-use period.
3. This case then is really about the 2004 Merlot. It is appropriate, therefore, to tell a little more of its story. It was produced at Oakbank, near Balhannah in the Adelaide Hills. Only about 375 cases were bottled. In addition to the label set out above, the cardboard cartons in which the 2004 Merlot was packaged also bore the trade marks. In 2008, Mr O’Sullivan entered the 2004 Merlot at the Cowra Wine Show and the Adelaide Hills Wine Show at both of which it was awarded a bronze medal. Most of the sales which occurred were to private individuals but there do appear to have been some commercial sales, most notably to the Crayfish Hotel which bought seven cases but also to some other restaurants in Adelaide. As might naturally be expected in the case of such a modest vintage, the trading sales were small as the financial records of Wild Geese Wines attest:

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| 2007-2008 | $3,465 |
| 2008-2009 | $2,479 |
| 2009-2010 | $5,538 |

1. In my view these modest sales were, nevertheless, commercial sales of the 2004 Merlot and the use of the trade marks on the bottles constituted use of the trade mark in relation to goods within the meaning of s 7(4). As the High Court observed in *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at 168-169 [64], ‘Whilst a single act of sale may not be sufficient to prevent removal, in the case of genuine use, a relatively small amount of use may be sufficient to constitute “ordinary and genuine” use judged by commercial standards’ (references omitted). In those circumstances, I am satisfied that Mr O’Sullivan’s company used the trade marks to sell the 2004 Merlot during the non-use period.

### (b) Was the use authorised use within the meaning of s 8?

1. Without dwelling, at this stage at least, on the detail of s 8 it may be said that the issue it generates is whether Mr O’Sullivan’s company used the trade marks under the control of the Wild Turkey interests. The above description of what Mr O’Sullivan was doing with the 2004 Merlot does not, at first blush, suggest any control but his own.
2. I have set out above the broad circumstances which led Mr O’Sullivan to surrender his interest in the WILD GEESE marks to the Wild Turkey interests and to receive from them, in return, a perpetual licence on 1 June 2007. The first step in this process involved the assignment on 1 June 2007 by Mr Sullivan’s company to a predecessor in title to the Wild Turkey interests, Austin Nichols & Co. Inc (‘Austin Nichols’). At the same time both parties executed a perpetual, royalty free licence agreement.
3. Clause 1.1 of the agreement defined ‘Products’ to mean Australian wine. By clause 2.1 Austin Nichols then granted Mr O’Sullivan’s company an exclusive licence in these terms:

‘2.1. Austin Nichols hereby grants to WGW a perpetual, exclusive license, without right to sublicense, subject to all of the obligations and conditions contained in this Agreement, to use the Trade Marks in connection with the manufacture and distribution of Products sold in the Territory.’

1. The ‘Territory’ was defined as Australia and the ‘Trade Marks’ were the WILD GEESE and WILD GEESE WINES trade marks. Because the licence was both exclusive and perpetual it operated forever to prevent Austin Nichols and its successors in title from using the marks themselves in Australia.
2. Clause 3 then required Mr O’Sullivan’s company to observe certain quality control measures. These were that the wine would be of sufficient quality to obtain continuing export approval from the Australian Wine and Brandy Corporation (‘AWBC’) and that, if requested, Wild Geese Wines would provide Austin Nichols with three bottles of the wine in any 12 month period (cl 3.1); following the provision of the first three bottles, if Austin Nichols requested it then Wild Geese Wines would provide another four bottles to the Australian Wine Research Institute for analysis and further submission of the wine to the AWBC (cl 3.2); finally, if the AWBC did not give its continuing approval, the wine was to be withdrawn and not marketed under the marks (cl 3.3). If the licence agreement was breached in a material way Austin Nichols was entitled to terminate it which would deprive Wild Geese Wines of the right further to use the trade marks (cl 10.1).
3. There were other requirements, too. Wild Geese Wines could not, under cl 2, use the trade marks outside Australia which had implications for what it could do in relation to any export trade. Further, it was not permitted to amend or abbreviate the marks (cll 5.3 and 5.6) or use them in a scandalous fashion (cl 5.4); nor could it use them on anything but Australian wine (cl 5.2).
4. The agreement also imposed an obligation on Wild Geese Wines to maintain liability insurance in respect of its wine and to name Austin Nichols as an additional insured on the policy (cl 8.3). Finally, cl 7.2 provided:

‘7.2 Without Austin Nichols’s prior written approval and subject to clause 4.1 above, WGW shall not identify itself in any way as a licensee of Austin Nichols or represent in any way that WGW or any of the Products or WGW’s packaging or advertising are sponsored or authorized by or affiliated with Austin Nichols.’

1. How did these provisions play out in the real world? To begin with it was Mr O’Sullivan’s evidence that whilst he was aware of his obligations under the agreement they did not have any impact on the way in which he made his wine at a technical level. Indeed, the only effect the agreement had upon Wild Geese Wines, so he thought, was to the extent that he was obliged to provide samples of the wine (under cll 3.1 and 3.2). Insofar as the 2004 Merlot was concerned, Mr O’Sullivan’s evidence was that he had never been requested to provide any samples of it under those clauses. There was evidence that many years later, on 4 April 2011, the Wild Turkey interests had requested samples of the wine that Wild Geese Wines was then bottling, which was then either the 2009 or 2010 vintage. Mr O’Sullivan responded promptly to this letter indicating that when the 2010 vintage was bottled he would provide three bottles to the Wild Turkey interests and it is apparent that he did so. On 21 October 2011 the Wild Turkey interests wrote to Mr O’Sullivan saying, inter alia, that they had received the bottles and that:

‘Following sampling the Wild Geese Wine, I confirm that the wine, in my view, is of sufficient quality to obtain continuing approval to export, as provided by the Australian Wine and Brandy Corporation.’

1. Those presently having control of the Wild Turkey interests (and hence the applicant, Skyy) are the Campari interests. The managing director of Campari’s Business Unit Asia Pacific, the witness Peroni, gave evidence about its dealings with Wild Geese Wines and also, more generally, about the spirits market in Australia. This evidence revealed that whilst Campari had been active in marketing the various brands in its stable such as Wild Turkey, it had never marketed Wild Geese wines or distributed them. Indeed, the only revenue it had ever received in relation to Wild Geese wines was the $1 it was paid on execution of the licence agreement.
2. Mr O’Sullivan had said that the agreement did not cause him to alter his oenological processes at a technical level. In fact, the operation of cl 3.1 was that the wine produced by Wild Geese Wines needed only to be of the quality necessary to obtain export approval from the AWBC. Significantly, it was Mr O’Sullivan, and not the Wild Turkey interests, who had desired that this should be the standard required by the agreement. He gave this evidence at T 38.25-39.15:

‘Yes. Now, do you recall that one of the provisions in the licence agreement, which was clause 3, was a provision which related to having to provide samples of your wine to Austin Nichols if requested? --- Yes, I do recall that.

And also, if necessary, that those samples be provided to the Australian Wine and Brandy Corporation to see whether they satisfied that entity’s export licence requirements? --- Yes. I recall it because it – it was I who insisted that it go to the Australian Wine and Brandy Corporation.

Yes. And why did you insist on that Mr O’Sullivan? --- Because I wasn’t going to be faced with a situation where there was only one strike and you’re out. I wanted some – I didn’t know who was going to taste it at Austin Nichols. I didn’t know their experience. And I wasn’t prepared to put the assessment of a wine that I had produced to someone about show qualifications and experience I knew nothing about, so I wanted the Australian Wine and Brandy Corporation’s export committee to have a look at it.

And at that time what did you know about the requirements for obtaining continuing approval for export from the Australian Wine and Brandy Corporation? --- Very little, other than that they conducted an exercise on all wine that was going to be exported to make sure it was of an appropriate quality.

So the purpose of the control provision – or the provision that you suggested … clause… was to provide you with a measure of protection against any action taken by Austin Nichols to prevent your company form continuing to sell its wine? --- In essence. I’m commercial counsel. I always look at the potential pitfalls and downsides, and that was one of them. So I wanted to make sure there was a backstop.

Yes. Thank, you, Mr O’Sullivan. So, in 2007, you weren’t aware, I take it, of the approximate proportion of wines that passed the test for export licences at the Australian Wine and Brandy Corporation? --- Not at all.

Yes. Well – so you weren’t aware that over 99 per cent of wines submitted in that period obtained the approval of the Australian Wine and Brandy Corporation? --- No, I wasn’t aware of that.’

1. Mr O’Sullivan’s evidence that this quality control criterion emerged from his side of the ledger is strongly corroborated by the correspondence which passed between his solicitors and those acting for the Wild Turkey interests at the same time. On 19 February 2007 Wild Geese Wine’s solicitor, Mr Donaldson, wrote to the solicitors for the Wild Turkey interests in terms which included:

‘**Quality Control (Objective Analysis)**

‘As discussed, I have spoken to the Australian Wine and Brandy Corporation (“AWBC”) and also the Australian Wine Research (“AWR”) in relation to my suggestion that amendments be made to Part 3 of the draft Licence Agreement in relation to quality control to provide an objective standard for the wine, which was to be that the wine would be suitable for export and certified by AWBC. I have confirmed that this is an appropriate process, although the certification will be a two-step process involving a technical analysis of wine (two bottles) by AWRI, followed by a sensory analysis (also of two bottles) and issue of a certificate of continuing approval for export for the wine by AWBC. If this was done then it would be possible for WGW to subsequently apply for an export permit of the wine to particular locations, provided that the wine complied with export requirements to those particular locations. However, this is not of course contemplated unless approval is given for export to another country, as noted above.

I suggest accordingly that the relevant clauses 3.1, 3.2 and 3.3 of the draft Licence Agreement be amended to read as follows’

There then followed the final form of cl 3.

1. There was some evidence about the AWBC. This showed that the AWBC’s testing processes had a very low failure rate. For example, in the year ending 30 June 2010, the AWBC reported to the responsible Minister that of the 18,019 wines which had been assessed only 40 had ultimately failed to receive export approval and in the following year only 43 had ultimately failed out of 14,569.
2. My conclusion on the facts is that the Wild Turkey interests exercised no actual control over Mr O’Sullivan’s company in the way in which it used the marks in relation to the 2004 Merlot, nor actual quality control over the 2004 Merlot itself. The one exception to this is that Mr O’Sullivan’s company would have needed to seek permission for any export trade, but this never arose and it certainly never arose in the case of the 2004 Merlot. Wild Geese Wines never concluded any agreement in relation to such trade because it lacked the capacity to produce sufficient quantities to justify export. A possible arrangement with British Airways foundered for this very reason. However, I do not regard that as material to the reality of what was taking place. The licence agreement was not intended by the parties to it to deliver anything but the appearance of control to the Wild Turkey interests as is amply borne out by the fact that the quality control clause emanated from Mr O’Sullivan’s side. There is not a jot of evidence of the Wild Turkey interests being in the least interested in what Mr O’Sullivan was bottling or in any way supervising what was being done under the marks. This absence of evidence did not bespeak, as in some cases it might, an obedience to the trade mark owner so instinctive and complete that instruction was not necessary – rather it signified a total lack of control or interest in the marks beyond the most formalistic recognition of the licence agreement. The Wild Turkey interests’ ability to control the quality of the wine was entirely theoretical and had no footing in reality.
3. The question then posed by s 8(1) is whether Wild Geese Wines used the marks ‘under the control’ of the Wild Turkey interests. That expression is at large but s 8(3) also makes clear that control in the relevant sense will certainly be shown where the owner of the trade mark ‘exercises quality control’ over goods.
4. The Wild Turkey interests submitted that the use by Wild Geese Wines was under their control within the meaning of the general language of s 8(1) and also as a result of their having exercised ‘quality control’ under s 8(3).
5. As to control under s 8(1) they pointed to the following matters:
* the use by Wild Geese Wines of the trade marks had, since 1 June 2007, been subject to the licence agreement;
* the agreement restricted what it could do with the trade marks by requiring that they only be used to sell wine in Australia (cll 2.1 and 5.2);
* the agreement restricted its right to abbreviate the marks or to amend them (cll 5.3 and 5.6);
* the licence imposed a ‘detailed’ quality control regime (cl 3);
* the licence could be terminated for breach (cl 10.1) which would lead to Wild Geese Wines being unable to use the marks (cl 11.2); and
* Wild Geese Wines’ use of the marks has been in accordance with the licence.
1. As to s 8(3), the Wild Turkey interests relied upon the terms of cl 3 of the licence itself. It was submitted that it was enough for the trade mark owner to have reserved for itself the power to control quality and that the Courts had not been concerned with the additional question of whether there had been actual control. It was emphasised that the connexion between the licensed use and the registered owner of the mark might be slight relying upon a well known passage in the reasons for judgment of Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 683 (‘*Pioneer*’):

‘[T]he essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connexion in the course of trade with the registered proprietor, even though the connexion may be slight, such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary. Use by either the registered proprietor or a licensee (whether registered or otherwise) will protect the mark from attack on the ground of non-user, but it is essential both that the user maintains the connexion of the registered proprietor with the goods and that the use of the mark does not become otherwise deceptive.’

1. The current provisions dealing with authorised use came into effect on 1 January 1996 when the *Trade Marks Act 1995* (Cth) substantively came into force. It replaced the regime which had existed under the *Trade Marks Act 1955* (Cth) (‘the 1955 Act’) (the short-lived *Trade Marks Act 1994* (Cth) may be put to one side). Writing in 1997 one commentator observed of the new authorised use provisions that:

‘It is clear that practitioners and the courts alike will go through a “settling in” phase following the enactment of the 1995 Act.’

(see Dwyer, JW, “Trade Mark Licences – Is the “Authorised User” System under the *Trade Marks Act 1995* (Cth) working?” (1997) 8 AIPJ 174 at 180.)

1. The decisional output of this Court on this issue does not suggest that this settling in phase has been a great success. In particular, the Court’s decisions on whether the new regime differs from the old regime are, to say the least, confused. For example, in *Toddler Kindy Gymbaroo Pty Ltd v Gymboree Pty Ltd* (2000) 100 FCR 166 at 198 [111] the Court held that the new definition of authorised use in s 8:

‘…does not attempt to travel, for present purposes, beyond the bounds of what emerged from English and Australian authorities concerning the effect of licensing surveyed by Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 683…’

1. Almost immediately the Court then held in *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42 at 72-73 [70] that:

‘…the concept of “authorised user” represents a significant departure from the regime of the earlier legislation. The new statutory scheme has not yet been the subject of substantial consideration by the court; we were referred only to *McHattan v Australian Specialised Vehicle Systems Pty Ltd* (1996) 34 IPR 537, an interlocutory decision in which the question which arose in this case did not have to be considered. It remains to be decided to what extent those earlier authorities which were concerned with whether use, authorised by the registered owner, by someone other than a registered user, sufficiently indicated a connection with the registered owner remain significant in relation to questions of “control” under s 8. It may be that “control” within s 8(5) has a reach substantially as wide as the “connection” which would be held to be sufficient under the old regime, applying the observations of Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 680-3; 1A IPR 520 and of Burchett J in *Polo Textile Industries Pty Ltd v Domestic Textile Corporation Pty Ltd* (1993) 42 FCR 227 at 237-9; 26 IPR 246. Because, in our view, his Honour gave a separate, independent, ground for his decision (to which we shall come) and because argument concerning the effect of the present statutory scheme was relatively brief, we prefer to say no more about this aspect of the case, than that, if the principles stated in *Pioneer* and *Polo* remain substantially applicable, there is a good deal to be said for his Honour’s conclusion.’

1. Earlier that same year the Court held in *Asia Television Ltd v Yau’s Entertainment Pty Ltd (No 2)* (2000) 49 IPR 264 at 268 [11] (‘*Yau (No 2)*’) that the passage in *Pioneer* was ‘no doubt the source of the drafting of the present section’.
2. What then do ss 8(1) and (3) require? Both are couched in the language of control. The 1955 Act operated so that a trade mark could be licensed to another so long as this did not result in the misleading of the public and so long as the mark continued to conform with the then statutory definition of a trade mark. This required that the mark indicate a connexion in the course of trade between the goods and the registered owner of the trade mark. The 1955 Act, therefore, did not use the language of control. Its language was that of a connexion in the course of trade. ‘Control’ was a judicial exegesis of that concept.
3. Nevertheless, it was held in relation to equivalent English provisions that the relevant connexion in the course of trade would be satisfied if the registered proprietor remains ‘in a position to exercise the necessary control’ over the use of the trade mark: *GE Trade Mark* [1969] RPC 418 at 454 per Graham J. It was thought that the relevant control might be provided by way of quality control or selection or direct ownership, but it was not suggested that these were the only ways of establishing the necessary connexion. It was to these control tests that Aickin J was referring in *Pioneer.*
4. The passage of the Trade Marks Act of 1995 removed the concept of connexion in the course of trade from the definition of a trade mark: see s 17. However, it inserted a new concept of authorised use and with it a new s 8 which now reintroduced the concept of control as an express element in the definition of authorised use. Its explicit reference to the ‘exercise of quality control’ in s 8(3) appears to have reproduced in a statutory form the effect, if not the analytical substructure, of the authorities culminating in *Pioneer.*
5. Unassisted by authority, I would conclude:
6. the words in s 8(1), ‘control’, and s 8(3), ‘exercise of quality control’, are not ambiguous and require control in fact;
7. the position under the 1955 Act can permissibly be examined in construing s 8; and
8. it was established under the 1955 Act that actual, not theoretical, control was required.
9. As to (a), ‘control’ is an ordinary word and its ordinary meaning is to exercise restraint or direction over another. It is not a theoretical concept signifying a capacity to control. If I say that the police are controlling the traffic I do not mean that they are sitting in a nearby coffee shop reading the paper but able to step out on to the road at any moment and control the traffic if they choose.
10. As to (b), in *Saeed v Minister for Immigration and Citizenship* (2010) 241 CLR 252 at 265 [33] five Justices said in a joint judgment that ‘As was pointed out in *Catlow v Accident Compensation Commission* [(1989) 167 CLR 453 at 550] it is erroneous to look at extrinsic materials before exhausting the application of the ordinary rules of statutory construction’. However, it also seems that in construing a provision one is required to consider the context at the outset. Very recently the High Court has emphasised this in *Independent Commission Against Corruption v Cunneen* (2015) 318 ALR 391 at 405-406 [57] where four Justices approved the statement made by Mason J in *K & S Lake City Freighters Pty Ltd v Gordon & Gotch Ltd* (1985) 157 CLR 309 at 315 in these terms:

‘[T]o read the section in isolation from the enactment of which it forms a part is to offend against the cardinal rule of statutory interpretation that requires the words of a statute to be read in their context: *Cooper Brookes (Wollongong) Pty Ltd v Federal Commissioner of Taxation*; *Attorney-General v Prince Ernest Augustus of Hanover*. Problems of legal interpretation are not solved satisfactorily by ritual incantations which emphasize the clarity of meaning which words have when viewed in isolation, divorced from their context. The modern approach to interpretation insists that the context be considered in the first instance, especially in the case of general words, and not merely at some later stage when ambiguity might be thought to arise.’

(footnotes omitted)

1. I confess some difficulty in reconciling these two rules. It is worthwhile setting them out formally:

Rule 1: Resort to extrinsic materials is not permitted unless the rules of statutory interpretation have been exhausted and have not yielded an outcome.

Rule 2: Context is to be considered first and not merely when ambiguity has arisen.

1. The difficulty is that ‘context’ will often involve looking at extrinsic materials. The immediate question is whether the way the 1955 Act had been construed constitutes mandatory context under the second rule or forbidden extrinsic material under the first. I incline to the view that it is contextual and therefore regard to it is not only permitted by the second rule but, indeed, required by it.
2. As to (c), the better view is that theoretical control did not suffice under the 1955 Act and actual control needed to be demonstrated. *McGregor Trade Mark* [1979] RPC 36 and *Holly Hobbie Trade Mark* [1984] RPC 329 are both cases where a theoretical capacity to control the marks was held not to be authorised use under the equivalent English provision. Further, the passage in *Pioneer* does not support the idea that a slight ability to control quality will suffice – what it says is that a slight connexion will suffice and that quality control is an example of that kind of slight connexion. This view of the content of the control requirement is consistent with professional writings at the time of the passage of the 1995 Act. Mr Dwyer, for example, in the earlier cited article observed (at p 177):

‘We assume that the courts’ approach to the term “quality control” will follow the approach taken under the previous legislation where the registered owner must exercise actual quality control.’

1. Applying ordinary principles of statutory construction, therefore, I would conclude that ‘control’ in ss 8(1) and (3) involves an inquiry into an actual state of affairs and is not satisfied by the mere possibility of legal control. This is what the word ‘control’ ordinarily means and this is how the issue had been approached under the previous statute.
2. However, the authorities in this Court require me to take a different course to the interpretation of s 8(1) than its ordinary language would appear to require.
3. There have been two Full Court decisions which have touched on the relationship between contractual provisions and the requirements of s 8(3). The first of these is *CA Henschke & Co v Rosemount Estates Pty Ltd* (2000) 52 IPR 42 at 72 [69] in which the Full Court doubted, in an obiter dictum, that control under s 8 could be established merely because the trade mark owner was entitled to revoke the authority of the user to use the mark. I infer here that the control posited was the theoretical ability to issue quality control instructions and to secure obedience to them by means of a threat to revoke the arrangement. This would, therefore, appear to be an example of a situation where the theoretical possibility of action under (or at least relating to) an agreement was doubted to be sufficient. It is consistent with the approach to the ordinary meaning outlined above. It is, however, an obiter dictum.
4. The second case is the Full Court’s judgment in *Yau’s Entertainment Pty Ltd v Asia Television Ltd* (2002) 54 IPR 1 (‘*Yau*’). Yauwas licensed in Australia to distribute the films and television programs produced by the trade mark owner in Hong Kong. The agreement between the parties was set out in a letter which the Court concluded operated, in effect, as a heads of agreement. Attached to the letter was a schedule A, clause 2 of which provided that the titles selected were subject to the trade mark owner’s approval. Hely J dealt with the control issue this way (at 16 [79]-[80]):

‘79 No error has been shown in the primary judge’s conclusion that these facts were sufficient to establish use of the trade mark by the registered owner in relation to goods.

 80. There will only have been authorised use of the mark if ATV/ATVE exercised control over Yau’s use of the mark in the sense defined in s 8. As Aickin J observed in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 683; 1A IPR 520 at 531, the essential requirement for the maintenance of the validity of a trade mark is that it must indicate a connection in the course of trade with the registered proprietor, even though the connection may be slight, such as selection or quality control. It does not follow from the rejection of the implied terms pleaded that “control” in the relevant sense was lacking. Yau’s entitlement to use the marks was referrable to the licensing arrangements, one of the terms of which was that title selections were subject to ATVE’s approval. That provides a sufficient connection.’

1. It is not clear to me whether this was directed at s 8(1), s 8(3) or both. The case at trial appears to have been based upon s 8(1): see *Yau (No 2)* at 268 [10]. Further, it seems from [79] in the reasons of Hely J that his Honour was approving the approach of Gyles J at first instance. This was at 268 [11] and was in these terms:

‘11. It was submitted for Yau’s Entertainment that, here, the very breaches of the licence which ATV is complaining about show that it was not exercising actual control of the kind which is envisaged by the section. In my opinion, this kind of control is not required by the section. This submission suffers from the same kind of misconception as was exposed in the authoritative analysis of a similar issue under the 1955 Act by Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670; 1A IPR 520 particularly at CLR 680-690 in a passage which is no doubt the source of the drafting of the present section. At CLR 683; IPR 531 his Honour said:

[here was set out the quote from *Pioneer* which I have already set out at [35] above]’

1. There are, with respect, some difficulties with this. First, it assumes that the position under the 1955 Act was that theoretical control was sufficient. As I have endeavoured to explain above, this is not, with great respect, correct and is not what *Pioneer* says. There is a further difficulty in that Aickin J did not say that the quality control could be ‘slight’; as I have indicated, what his Honour said was that the control establishing a connexion might be slight as in the case of quality control. Secondly, the application of *Pioneer* to the Trade Marks Act of 1995 ignores the fact that the expression ‘in connexion with the course of trade’ was deleted from the definition of trade mark in s 17. In *Yau (No 2)*, Gyles J thought that the reasoning in *Pioneer* was ‘carried into the 1995 Act by the terms of s 17’ (at 269 [12]) but this, so it seems to me, is exactly what did not happen. Indeed, as I suggest below the real source of the word ‘control’ in s 8(1) is likely to flow from art 19 of the Agreement on Trade-related Aspects of Intellectual Property Rights (‘TRIPS Agreement’).
2. I respectfully dissent, therefore, from the reasoning of Gyles J in *Yau (No 2)*. However, that reasoning was approved by Hely J in *Yau* on appeal (with whom Sundberg and Finkelstein JJ agreed). It is the ratio decidendi of the decision which I am bound to follow. I therefore conclude that for the purpose of s 8(1) a mere theoretical possibility of contractual control is sufficient to constitute authorised use. Although I do not think that the Wild Turkey interests exercised any actual control over Mr O’Sullivan’s company’s use of the marks in relation to its wines or actual quality control over the wines themselves, I do accept that they had theoretical control in the sense that they could prevent it using the trade marks on truly undrinkable wine. The measure of the theoretical nature of that control will be underscored by the award-winning nature of the wine Mr O’Sullivan’s company was making.
3. I do not read *Yau (No 2)* as directly saying anything about s 8(3). It is true that Gyles J referred at [11] to the exercise of control, which is the language of s 8(3), but at [10] it is quite clear that his Honour was talking about s 8(1). Although I am not strictly bound by the Full Court’s approach in *Yau* to interpret s 8(3) in the same way, it is difficult to think that the control issue should be approached differently depending on which subsection is involved. Indeed, this would give ‘control’ a different meaning depending on where it appeared in the provision, which is an unlikely interpretation.
4. In any event, my conclusion on s 8(1) is sufficient to resolve the case, because if the Wild Turkey interests establish authorised use under s 8(1) it does not matter whether they also succeed under s 8(3). For completeness, however, my conclusions about *Yau* would imply that they would also succeed under s 8(3).
5. In my opinion, *Yau* is, with the greatest respect to the eminent judges who decided it and from whose views I would depart only most hesitantly, wrongly decided. It is likely, in my view, that the proper interpretation of s 8(1) may turn on the meaning to be accorded to art 19(2) of the TRIPS Agreement. It provides:

‘When subject to the control of its owner, use of a trademark by another person shall be recognized as use of the trademark for the purpose of maintaining the registration.’

1. It is apparent from the second reading speech accompanying the introduction of the *Trade Marks Bill 1995* (Cth) in the House of Representatives that the bill was intended to implement Australia’s obligations under the WTO Agreement (to which the TRIPS Agreement appears as an annex). This rather suggests that ss 8(3) and (4) may seek to continue the pre-existing position expressed in *Pioneer* (and I would say *McGregor* and *Hollie Hobby* too), albeit now within the conceptual framework of art 19, and that s 8(1) gives direct effect to art 19(2) to the extent that it is broader in operation than the position had been under the 1955 Act. The drafting of s 8(3), with its language of exercising control, points to the factual nature of that inquiry, a conclusion consistent with what the authorities under the 1955 Act had said. The drafting history of art 19(2) does not throw much light on the kind of control which it contemplates. Nor does any WTO tribunal appear to have considered the meaning of control in art 19(2) yet.
2. Finally, had it been necessary to consider the matter I would not have accepted the Wild Turkey interests’ submission that their construction was assisted by the European Court of Justice’s decision in *IHT Internationale Heiztechnik GmbH v Ideal-Standard GmbH* [1994] ECR I-2789 (‘*IHT*’). The passage in question was at 38 and was in these terms:

‘38. It must further be stressed that the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control. Accordingly, a national law allowing the licensor to oppose importation of the licensee’s products on grounds of poor quality would be precluded as contrary to Articles 30 and 36: if the licensor tolerates the manufacture of poor quality products, despite having contractual means of preventing it, he must bear the responsibility. Similarly if the manufacture of products is decentralized within a group of companies and the subsidiaries in each of the Member States manufacture products whose quality is geared to the particularities of each national market, a national law which enabled one subsidiary of the group to oppose the marketing in the territory of that State of products manufactured by an affiliated company on grounds of those quality differences would also be precluded. Articles 30 and 36 require the group to bear the consequences of its choice.’

1. Articles 30 and 36 of the Treaty Establishing the European Economic Community are concerned with the interaction in a free-trade area, such as the EU, between national rules relating to industrial property. The kind of issues in play in *IHT* would arise in this country if trade marks were regulated under State law and, for example, an attempt by a licensed user in Queensland was made to prevent a licensed user in South Australia importing goods into Queensland bearing the licensed mark. A question would then arise about the operation of the guarantee in s 92 of the *Constitution* of freedom of interstate trade and commerce between the States. This is effectively the issue which arises under arts 30 and 36. It is a constitutional issue. In response, the European Court of Justice crafted a doctrine known as the exhaustion of rights doctrine to deal with this situation: see Craig P and de Búrca G, *EU Law: Text, Cases, and Materials* (2nd Ed, Oxford University Press, 1998) p 1026ff. It was in that context that the Court in *IHT* thought that the difficulty arising under arts 30 and 36 would not arise where control was exercised over the licensee by the owner of the mark. It was unrelated to any issue of non-use and was driven by concerns about the balkanisation of regulatory areas rather than any concerns that consumers might be misled (which is a significant part of the theory underlying non-use principles).
2. The same may be said of the Wild Turkey interest’s reliance on *Scandecor Developments AB v Scandecor Marketing AB* [2001] UKHL 21. It is true that in *Einstein Trade Mark* [2007] RPC 23, Mr Geoffrey Hobbs QC sitting as ‘the Appointed Person’ was content to apply the exhaustion approach to arts 30 and 36 in a non-use case, but I am not persuaded that this is something which should be done.
3. Despite that, I feel constrained by *Yau* to conclude that the Wild Turkey interests have established that Wild Geese Wines’ sale of the 2004 Merlot was authorised use under s 8(1). The power to remove the trade marks from the register is, therefore, not enlivened.

### III. Discretion

1. This issue does not arise in light of that conclusion. Nevertheless, it is useful to deal with it briefly. Section 101(3) of the Trade Marks Act provides:

‘101 Determination of opposed application—general

…

(3) If satisfied that it is reasonable to do so, the Registrar or the court may decide that the trade mark should not be removed from the Register even if the grounds on which the application was made have been established.

…’

1. In exercising the discretion it is to be noted that in subsequent years Wild Geese Wines has certainly used the trade marks and, in contrast to the circumstances which obtained with respect to the 2004 Merlot, it has actually provided bottles of wine to the Wild Turkey interests for their testing and appraisal. However, in my view these actions also lack any real content and Mr O’Sullivan’s company does not act under their control in any factual sense. The process is entirely ceremonial and formulaic. By itself, I do not think that this would provide a principled basis for refusing to exercise the power of removal.
2. Nor do I think that it is of great significance that the Wild Turkey interests have no legitimate interest in using WILD GEESE to sell wine. More relevant, instead, is the need for the register of trade marks to remain accurate and not misleading. If I had arrived at this part of the case I would have already concluded that the register suggested that there was a connexion between Wild Geese Wines and the Wild Turkey interests which, on this hypothesis, did not exist. It is true that this may adversely effect Wild Geese Wines. However, Mr O’Sullivan threw his company’s lot in with the Wild Turkey interests and will need to live with the consequences of that decision.
3. Had the power to remove the marks from the register arisen, I would have exercised it.
4. The appeal will be allowed. I will hear the parties on costs and the form of the orders.

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| --- |
| I certify that the preceding sixty-eight (68) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice Perram. |

Associate:

Dated: 26 May 2015