FEDERAL COURT OF AUSTRALIA

Kraft Foods Group Brands LLC v Bega Cheese Limited (No 8) [2019] FCA 593

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| File number: | VID 1220 of 2017 |
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| Judge: | **O'CALLAGHAN J** |
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| Date of judgment: | 1 May 2019 |
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| Catchwords: | **CONTRACTS –** whether the first applicant or the respondent owns the “Peanut Butter Trade Dress” currently used by both the respondent and the second applicant in Australia in conjunction with their respective peanut butter products – where respondent brings cross-claim asserting entitlement to the trade dress – what trade dress designates to consumers – how goodwill inures to an entity – how an unregistered trade mark is assigned or transferred – whether goodwill in the trade dress inured to the benefit of the first applicant or the respondent – whether the respondent acquired the trade dress from Australian subsidiary – whether right of Australian subsidiary to use the trade dress was as mere licensee – significance of control of the business and operations of the Australian subsidiary by parent company – whether the trade dress only a diagnostic cue for brand name owned by parent company – whether the trade dress was an inseparable part of the business of the Australian subsidiary incapable of being assigned under the common law of Australia without assignment of the underlying business – proper construction of agreements effecting a “spin-off” or restructure of parent company of first applicant – where agreements governed by New York law – evidence of New York law.  **CONSUMER LAW -**  whether applicants or respondent contravened the Australian Consumer Law (ACL) or engaged in passing off by selling their respective peanut butter products in conjunction with the trade dress – whether television and radio commercials broadcast by the respondent were misleading or deceptive – whether second applicant published misleading press release – whether provisions of “spin-off” or restructure agreements relevant to ACL or passing off claims – proper interpretation of such agreements – whether respondent breached terms of such agreements.  **COPYRIGHT** – whether respondent’s use of first applicant’s “shippers” by placing its peanut butter products in them without permission and selling to supermarkets constitutes trade mark infringement under s 120(1) of the *Trade Marks Act 1995* (Cth). |
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| Legislation: | *Competition and Consumer Act 2010* (Cth), Schedule 2, ss 4(1), 4(2), 17, 18, 22, 109, 210(1)  *Trade Marks Act 1995* (Cth), s 120(1)  *Trademark Act of 1946* (USA), s 43(a) |
|  |  |
| Cases cited: | *Australian Competition and Consumer Commission v Coles Supermarkets Australia Pty Ltd* (2014) 317 ALR 73; [2014] FCA 634  *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640  *Bank of Credit & Commerce International SA v Ali* [2002] 1 AC 251  *Beal Savings Bank v Sommer*, 8 N.Y.3d 318, 834 N.Y.S.2d 44 (2007)  *Box v* *Commissioner of Taxation* (1952) 86 CLR 387  *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd (No 8)* [2008] FCA 470, (2008) 75 IPR 557  *Campbell Connelly & Co Ltd v Noble* [1963] 1 WLR 252  *Codelfa Construction Pty Ltd v State Rail Authority (NSW)* (1982) 149 CLR 337  *Commissioner of State Revenue v Placer Dome Inc* (2018) 93 ALJR 65; [2018] HCA 59  *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302  *CPA Australia Ltd v Dunn* (2007) 74 IPR 495; [2007] FCA 1966  *Domain Names Australia Pty Ltd v .au Domain Administration Ltd* (2004) 139 FCR 215  *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144  *Federal Commissioner of Taxation v Krakos Investments Pty Ltd* (1995) 61 FCR 489  *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605  *Geraghty v Minter* (1979) 142 CLR 177  *Google Inc v Australian Competition and Consumer Commission* (2013) 249 CLR 435  *Hancock Prospecting Pty Ltd v Rinehart* (2017) 257 FCR 442  *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590  *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641  *Imperial Group plc v Philip Morris Ltd* [1984] RPC 293  *Inland Revenue Commissioners v Muller & Co’s Margarine Limited* [1901] AC 217  *Inland Revenue Commissioners v Williams* [1969] 1 WLR 1197  *International Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 822 (9th Cir. 1993)  *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1  *Kraft Foods Group Brands LLC v Bega Cheese Limited* (2018) 358 ALR 1; (2018) 130 IPR 434; [2018] FCA 549  *Kraft Foods Group Brands LLC v Bega Cheese Limited* *(No 2)* [2018] FCA 615  *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 3)* [2018] FCA 1023  *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 4)* [2018] FCA 1055  *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 6)* [2018] FCA 1277  *Lodestar Anstalt v Campari America LLC* (2016) 244 FCR 557  *Mount Bruce Mining Pty Limited v Wright Prospecting Pty Limited* (2015) 256 CLR 104  *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191  *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670  *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873  *Re GE Trade Mark* [1969] RPC 418  *Revlon Inc v Cripps & Lee Ltd* [1980] FSR 85  *Samsung Electronics Australia Pty Ltd v LG Electronics Australia Pty Ltd* [2015] FCA 227  *State Government Insurance Corporation v Government Insurance Office of New South Wales* (1991) 28 FCR 511  *Universal American Corporation v National Union Fire Insurance Co of Pittsburgh*, PA, 25 N.Y.3d 675, 16 N.Y.S.3d 21 (2015)  *Vermont Teddy Bear Co v 538 Madison Realty Co*, 1 N.Y.3d 470, 775 N.Y.S.2d 765 (2004)  Dicey, Morris and Collins, *The Conflict of Laws* (Sweet and Maxwell, 15th ed., 2012)  Lewison and Hughes, *The Interpretation of Contracts in Australia* (Lawbook Co., 2012)  *Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes* (American Law Institute Publishers 2008) |
|  |  |
| Date of hearing: | 6 August 2018, 7 August 2018, 8 August 2018, 9 August 2018, 10 August 2018, 13 August 2018, 14 August 2018, 12 November 2018, 13 November 2018, 14 November 2018, 15 November 2018, 16 November 2018 |
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| Registry: | Victoria |
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| Division: | General Division |
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| National Practice Area: | Commercial and Corporations |
|  |  |
| Sub-area: | Regulator and Consumer Protection |
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| Category: | Catchwords |
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| Number of paragraphs: | 528 |
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| Counsel for the Applicants/Cross-Respondents: | Mr R M Garratt QC, Mr P R D Gray QC and Mr I P Horak |
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| Solicitor for the Applicants/Cross-Respondents: | Spruson & Ferguson |
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| Counsel for the Respondent/Cross-Claimant: | Mr A McGrath SC and Mr C H Smith |
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| Solicitor for the Respondent/Cross-Claimant: | Addisons Lawyers |

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| **Table of Corrections** |  |
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| 24 May 2019 | In paragraph 37, subparagraphs (21), (22) and (23) have been deleted, with the content of those subparagraphs (with the exception of “(**Ms Nguyen**)”, which is deleted) inserted as subparagraphs (19), (20) and (21) to paragraph 38, respectively. |
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| 24 May 2019 | In subparagraph 38(8), “above” has been replaced with “below”. |
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| 24 May 2019 | In paragraph 96, the first use of the word “Patent” has been replaced with “Trade Mark”. |
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| 24 May 2019 | In paragraph 283, “Kraft also” has been replaced with “Bega”. |
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| 24 May 2019 | In paragraph 288, “Cirparick” has been replaced with “Ciparick”. |
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| 24 May 2019 | In paragraph 313, “adduced by Kraft” has been replaced with “adduced by Bega”. |
|  |  |
| 24 May 2019 | In paragraph 350, “No” has been replaced with “Yes.” |
|  |  |
| 24 May 2019 | In subparagraph 528(7), “No” has been replaced with “Yes”. |

ORDERS

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|  | | VID 1220 of 2017 |
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| BETWEEN: | KRAFT FOODS GROUP BRANDS LLC  First Applicant  H.J. HEINZ COMPANY AUSTRALIA LIMITED  Second Applicant | |
| AND: | BEGA CHEESE LIMITED  Respondent | |
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| AND BETWEEN: | BEGA CHEESE LIMITED  Cross-Claimant | |
| AND: | KRAFT FOODS GROUP BRANDS LLC (and another named in the Schedule)  First Cross-Respondent | |

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| JUDGE: | O'CALLAGHAN J |
| DATE OF ORDER: | 1 MAY 2019 |

THE COURT ORDERS THAT:

1. The further hearing of the proceeding, including in relation to the form of orders and declarations to be made in light of these reasons, be fixed on a date to be agreed.

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

REASONS FOR JUDGMENT

O’CALLAGHAN J:

# INTRODUCTION

## The principal dispute

1 The principal controversy in this case is who owns the “Peanut Butter Trade Dress” currently used by rival entities in conjunction with their respective peanut butter products sold in Australia.

2 “Trade dress” is a term used in United States trade mark law to refer to the appearance of product packaging. See, for example, s 43(a) of the *Trademark Act of 1946* (US) (the **Lanham Act**). Trade dress refers generally to the total image, design, and appearance of a product and may include features such as size, shape, colour, colour combinations, texture or graphics. See, by way of example only, *International Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 822 (9th Cir. 1993). Trade dress is what Australian and English lawyers call “get-up” – which may consist simply of a brand name or a trade description, or the individual features of labelling or packaging under which particular goods or services are offered to the public. See *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873 at 880. It is “the badge of the plaintiff’s goodwill, that which associates the goods with the plaintiff in the mind of the public”. See *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 All ER 873 at 890.

3 The parties agree that the Peanut Butter Trade Dress in issue in this case is “a jar with a yellow lid and a yellow label with a blue or red peanut device, with the jar having a brown appearance when filled”. The parties also agree that the Peanut Butter Trade Dress operates as a trade mark and provides an identifier of relevant goods.

4 Kraft’s case is that it, and only it, is entitled to use the Peanut Butter Trade Dress in conjunction with the Kraft branded peanut butter that the second applicant has manufactured and sold in Australia, in relatively limited quantities, since about April 2018.

5 Examples of Kraft’s product sold before October 2012 are depicted as follows:



(The words “Never Oily, Never Dry” appear under the words “Peanut Butter”.)

6 Examples of Kraft’s product sold from around 2015 until late 2016 are depicted as follows:



(The words “Never Oily, Never Dry” appear under the words “Peanut Butter”.)

7 Examples of the peanut butter product currently manufactured and sold by the second applicant are depicted as follows:



(The words “Loved since 1935 appear under the words “Peanut Butter”.)

8 In June 2017 Kraft began to sell a peanut butter product without the Kraft brand, but using the Peanut Butter Trade Dress in conjunction with the words “The Good Nut”, depicted as follows:



9 In July 2017 Bega Cheese Limited, the respondent, acquired the peanut butter business and the assets and goodwill of Mondelez Australia (Foods) Ltd. Before 2013 Mondelez Australia (Foods) Ltd was called Kraft Foods Limited. After the acquisition, Bega commenced selling Bega branded peanut butter product using the Peanut Butter Trade Dress in conjunction with the words “The Good Nut”, depicted as follows:



10 Since late 2017, Bega has sold Bega branded peanut butter product using the Peanut Butter Trade Dress, depicted as follows:



11 Bega says that it, and only it, is entitled to use the Peanut Butter Trade Dress in conjunction with peanut butter that it has manufactured at what was once the Kraft peanut butter factory in Port Melbourne, Victoria, one of the many assets which Bega acquired as part of its purchase of Mondelez Australia (Foods) Ltd.

12 In late 2017 Bega ran a series of advertisements on radio and TV that aired for about a month. Those advertisements prompted the applicants to bring the initial iteration of this proceeding, claiming that the advertisements contained false or misleading representations, including that Kraft peanut butter was now Bega peanut butter or was being replaced by Bega peanut butter and that the Kraft brand had changed to or was changing to Bega peanut butter. The advertisements were:

(1) A radio advertisement, broadcast on multiple radio stations nationally as part of regular traffic report segments, in which an announcer says: “Australia’s favourite peanut butter has changed its name. Kraft peanut butter is now Bega peanut butter. Never oily, never dry, with the same taste you’ve always loved, and now is Aussie owned by Bega.”

(2) A television advertisement broadcast on major television networks and digital channels, which shows a jar of Kraft peanut butter, as an announcer says “Australia’s favourite peanut butter has changed its name to Bega peanut butter.” The Kraft label on the jar is then peeled off, revealing the Bega peanut butter label. The announcer continues: “It’s never oily, never dry, with the same taste you’ve always loved, and now Australian owned and made. Bega peanut butter.”

(3) Two variations of television advertisement broadcast on the major television networks in metropolitan markets depicting a worker named “Charlie” taste-testing peanut butter in which an announcer says: “Charlie’s quality tested Australia’s favourite peanut butter here in Port Melbourne for 18 years. Now that it’s owned by Bega, let’s see what’s changed.” “Charlie” then tastes the peanut butter and says “it’s the same”. The announcer then says: “Same recipe, same great taste. Now Aussie owned by Bega”. The Kraft label on the jar is then peeled off to reveal the Bega peanut butter label.

13 On 13 February 2018 the applicants commenced arbitration proceedings before the International Centre for Dispute Resolution in New York. The arbitration was commenced some months after the applicants had commenced a proceeding in the United States District Court for the Southern District of New York, seeking to compel mediation and arbitration of the dispute between themselves and Bega about ownership of the Peanut Butter Trade Dress. The applicants had also commenced this proceeding, at that stage only in relation to the advertising claims, on 9 November 2017. On Bega’s application, I subsequently ordered that the applicants be restrained from taking any step in the arbitration. See *Kraft Foods Group Brands LLC v Bega Cheese Limited* (2018) 358 ALR 1; (2018) 130 IPR 434; [2018] FCA 549 and *Kraft Foods Group Brands LLC v Bega Cheese Limited* *(No 2)* [2018] FCA 615. The applicants then amended its claim in this proceeding, including by incorporating those claims that it had sought to arbitrate in New York in relation to the Peanut Butter Trade Dress.

14 During the course of the hearing of this proceeding, the parties often, and understandably, referred to “Kraft”, without necessarily distinguishing between the various different companies in the Kraft group. The first applicant, Kraft Foods Group Brands LLC, is incorporated in Delaware, and has its principal place of business in Chicago. Since July 2015 it has been a subsidiary of the Kraft Heinz Company. As I will later explain, in 2012 the company then known as Kraft Foods Inc split itself in two, in a transaction referred to as “the restructure” or the “spin-off”. Those transaction documents referred to the first applicant as “GroceryCo IPCo.” The second applicant, H.J. Heinz Company Australia Limited, is an Australian corporation, recently incorporated. It is also a subsidiary of the Kraft Heinz Company. It now manufactures various products, including peanut butter, in Australia.

15 Other Kraft entities which are not parties to this proceeding also play an important role in understanding the disputes that are required to be resolved. Kraft Foods Limited was an Australian subsidiary of Kraft Foods Inc before the restructure. It was renamed Mondelez Australia (Foods) Limited after the restructure. Another Kraft company, confusingly called Kraft Foods Global Brands LLC (confusingly because the first applicant is Kraft Foods Group Brands LLC) was a trade mark licensor. It was referred to as SnackIPCo in the restructure transaction documents, and was renamed Intercontinental Great Brands LLC after the restructure.

16 In these reasons, unless the context otherwise requires it, references to “Kraft” refer collectively to the first and second applicants. I have also chosen not to adopt a policy of the relentlessly consistent use of abbreviations for the various entities and the trade dress otherwise adopted in these reasons, lest the reader become lost in a sea of acronyms.

### The competing contentions of the parties about the Peanut Butter Trade Dress summarised

#### Kraft’s contentions

17 Kraft says that Bega did not acquire the Peanut Butter Trade Dress (which I will also call the PBTD or the trade dress) when it purchased the peanut butter business from Mondelez Australia (Foods) Limited (which I will also call MAFL). Kraft says that the PBTD was never MAFL’s to sell. Kraft’s case is that when Kraft Foods Inc restructured Kraft’s worldwide business in October 2012, Kraft Foods Ltd (which I will also call KFL) had used the PBTD, and the registered trade mark “Kraft”, under license from Kraft Foods Global Brands LLC, which was the intellectual property holding and licensing company for the Kraft corporate group. Kraft says that as mere licensee of the trade dress, KFL did not own the goodwill generated by use of the PBTD or the Kraft mark. Kraft says that KFL could thus not “retain” that goodwill by reason of the restructure, or assign it to Bega, because the goodwill inured to the licensor’s business.

18 Kraft’s next contention is that the restructure, effected in part by a Master Trade Mark Agreement (which I will also call the MTA) operated to assign the PBTD, the Kraft “Primary Brand” (as defined) and the goodwill to the first applicant. Since then, it contends, MAFL only had a licence to use the PBTD (and the Kraft trade mark), which expired on 31 December 2017 – at which point, Kraft contends, Bega, having purchased that licence along with all the other assets, ceased as licensee to have the right to use the PBTD.

19 Kraft also contends that because the production, branding, distribution and sale of Kraft peanut butter in Australia by KFL before the restructure was subject to the ultimate control of the parent company Kraft Foods Inc, (and later, when KFL was renamed MAFL, subject to the ultimate control of Mondelez International Inc), that is another reason that the benefit of the goodwill in the PBTD inured only to the benefit of the first applicant.

20 Kraft emphasises the importance of the Kraft brand. It contends that the Kraft brand has maintained a continuous presence in Australia since the 1930s, and that it did not cease to exist when Bega’s licence to use that brand expired in December 2017. Kraft says that it is the rightful owner of the Kraft brand, and that it was entitled under the MTA to “repatriate” that brand, that is, to participate in the market directly, rather than through a licensee, with Kraft peanut butter packaged in the same way that it was packaged before Bega acquired MAFL’s business and assets, which included the peanut butter business and relevant assets.

21 Kraft contends that the goodwill of the manufacturing business which Bega acquired is a separate concept from the goodwill associated with what it says is Kraft’s intellectual property. Further, relying on the expert evidence of a professor of marketing from the University of Melbourne (Professor Jill Klein), it says that the Peanut Butter Trade Dress is a “diagnostic cue” for the Kraft mark only, and that its use enhances the attractive force (that is, goodwill) only of the Kraft mark, for its owner, the first applicant. It says that, by July 2017, when Bega acquired MAFL, Kraft peanut butter had become well known and recognised by reference to both the Kraft trade mark and the Peanut Butter Trade Dress, and that the trade dress indicated trade origin, and provided a shorthand means for the consumer to identify their preferred brand, being Kraft.

22 Kraft further says that once the right to use the Peanut Butter Trade Dress ceased – that is, when the relevant licence expired in December 2017 – the attractive connection between brand and consumer could no longer be a source of goodwill to Bega’s manufacturing operation.

#### Bega’s contentions

23 Bega says in response that for Kraft’s case to succeed it must prove that before the sale of MAFL’s assets and business to Bega, KFL or MAFL had sold the assets in the Australian peanut butter business, including the Peanut Butter Trade Dress, to either Kraft Foods Inc or Kraft Foods Global Brands LLC, which never happened. Bega submits that under Australian common law, it was not possible for KFL or MAFL so to assign the trade dress because, being an unregistered trade mark, it was an inseparable part of the goodwill of KFL’s business, and could never be assigned without the whole of the relevant (peanut butter) business also being assigned. See *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605; *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1; and *Commissioner of State Revenue v Placer Dome Inc* [2018] HCA 59; (2018) 93 ALJR 65.

24 Bega contends that even if the transaction documents effecting the 2012 restructure had purported to assign the Peanut Butter Trade Dress to another entity in the Kraft group it would have been ineffective as a matter of Australian common law because:

(a) there is no property in an unregistered trade mark per se in Australia; and

(b) assignment of any rights in an unregistered trade mark can only be achieved by assigning the relevant business as a whole, together with the relevant assets.

25 Bega contends, accordingly, that at all times before the sale to Bega, KFL/MAFL owned all the rights in the Peanut Butter Trade Dress as an unregistered trade mark.

26 Bega contends that it also follows that the Peanut Butter Trade Dress never formed, and could never have formed, part of any trade mark that was licensed to KFL under certain licence agreements between Kraft Foods Global Brands LLC and KFL, upon which Kraft founds its case.

27 As to Kraft’s contention that, both before and after the 2012 restructure, KFL used the Peanut Butter Trade Dress, and the Kraft mark, under licence from Kraft Foods Global Brands LLC, Bega says that the evidence adduced by Kraft to make good that proposition (namely, copies of various licence agreements subpoenaed from MAFL) is not only irrelevant (because the only way that an unregistered trade mark could have been assigned was by a sale of KFL’s business, which never happened), but, in any event, is insufficient, because it fails to prove that the Peanut Butter Trade Dress was in fact ever even purportedly so licensed. Bega submits that Kraft’s case that KFL only ever used the Peanut Butter Trade Dress (and the Kraft mark) by permission, and not as of right, must fail on that ground alone.

28 Bega contends that the Master Trade Mark Agreement, the construction of which is a main limb of Kraft’s case that the Peanut Butter Trade Dress was licensed by Kraft Foods Global Brands LLC to KFL, is also of no avail to Kraft because KFL was not a party to it. Bega says that nothing done under the MTA, or effected by it, could change the fact, central to Bega’s case, that KFL/MAFL owned all rights in the Peanut Butter Trade Dress before and after the MTA, and continued to do so up until the time that it sold the Australian peanut butter business to Bega in July 2017. In particular, Bega says that because it was not a party to the MTA, it also follows that KFL could never have assigned any of its property interests to the first applicant. (Kraft’s response to that point is that KFL was not a party to the agreement because it did not have any relevant intellectual property or goodwill.)

29 Bega’s case is that the assets transferred to Bega under the terms of the Sale and Purchase Agreement (which I will also call the SPA) in July 2017 between Bega and MAFL and other Mondelez companies included not only the factory in Port Melbourne, the fixed plant and machinery, the employees, the goodwill, and so on, but also the Peanut Butter Trade Dress, because it formed part of the “Transferred IP Rights” within the meaning of that term as defined, and also because it fell within the description of “[a]ll other property and assets used exclusively for the Joey Business”, within the meaning of Schedule 14 of the SPA. Bega says therefore that it owns all the rights in the Peanut Butter Trade Dress because, by virtue of the SPA, it owns and operates the peanut butter business in which those rights subsist; it can therefore use the trade dress on the peanut butter products it makes and sells as part of its business; and it can enforce those rights against third parties, including Kraft.

30 Bega emphasises that the second applicant, which I will also call H.J. Heinz, is a new entrant into the peanut butter market. It is not a re-incarnation of KFL or any other Kraft company. And it has never made peanut butter until recently. Indeed, uncontroversial evidence adduced at trial showed that it took the second applicant more than a year to develop a “sensory profile” for its product that would taste the same as Bega’s peanut butter. Bega agrees that the second applicant can sell peanut butter products, including with the same sensory profile as Bega’s product. But what it cannot do, on Bega’s case, is to use the Peanut Butter Trade Dress in conjunction with any such product. Bega says that the applicants are liable in damages to it in respect of the sales made by the second applicant.

31 As is apparent from what I have already said, the applicants, on the other hand, insist that they can now do precisely that, and that it is Bega who should be restrained from selling its peanut butter product using the Peanut Butter Trade Dress, and that Bega must pay substantial damages to the applicants arising out of Bega’s sales. (The trial of this proceeding was conducted on issues of liability only. Any issues of quantum are to be determined later).

## Where things currently stand

32 As things currently stand, only Bega’s peanut butter is available at major supermarkets in Australia, which account for about 80% of the total nationwide annual sales of peanut butter. The major supermarkets have declined to stock the new Kraft peanut butter manufactured by the second applicant, citing the likelihood of consumer confusion. Both products are, however, still available at smaller, independent supermarkets.

33 The stakes are high, because it is common ground that upon Bega entering the market using the Peanut Butter Trade Dress, it obtained the whole, or almost the whole, of Kraft’s peanut butter market share, which is worth more than $60 million in annual sales.

## The other disputes

34 The parties also counter-sue for misleading and deceptive conduct under the *Competition and Consumer Act 2010* (Cth), Schedule 2 (the **Australian Consumer Law** or **ACL**) and for passing off. Bega contends that the merits of those claims stand or fall on the resolution of the principal issue about ownership of the PBTD, although Kraft says otherwise.

35 Other issues include a claim by Bega against Kraft for breach of copyright, and by Kraft against Bega for what Kraft says was wrongful use by Bega of Kraft “shippers” (cardboard boxes in which peanut butter products are shipped to, and placed on the shelves of, supermarkets), and for breach of contract. The “shippers” case caused the hearing to be interrupted, because on the fourth day of the 12 day trial the applicants applied for, and were subsequently granted, leave to amend their pleadings to include it. See *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 6)* [2018] FCA 1277. That amendment required an adjournment of the trial because Bega had to file a defence and put on evidence about the new claims.

## The affidavit evidence

36 During the trial, objections were taken to parts of the affidavit material sought to be relied on by both parties. I ruled on most of those objections during the hearing. The filleted court book redacts inadmissible evidence. In the end, there was very little disagreement about the content of the factual or expert opinion evidence.

37 Kraft relied on the following affidavits:

(1) Affidavit of Bruno Carvalho Lino de Souza, known as Bruno Lino, managing director of the second applicant, sworn 13 June 2018, including in relation to the history of the Kraft Brand in Australia, the “repatriation” of the Kraft brand after December 2017, Bega’s purchase of MAFL, Kraft Heinz peanut butter, developing a sensory profile for Kraft Heinz peanut butter, Bega’s packaging and Bega’s advertising, together with certain confidential correspondence between Bega and Kraft Heinz;

(2) Affidavit of Mr de Souza, sworn 16 July 2018, in relation to sensory profiling tests for Kraft Heinz peanut butter;

(3) Affidavit of David John Rudman, junior counsel in the legal department of HJ Heinz Company Australia Limited, sworn 13 June 2018, in relation to Bega’s advertising;

(4) Affidavit of Mr Rudman, sworn 6 July 2018, exhibiting newspaper articles and advertisements from the mid-1930s about Kraft’s sales of peanut butter in Australia, Bega’s advertising, and the Kraft Heinz peanut butter produced after April 2018, including photographs and the following physical exhibits:

(a) 500g jar of Kraft smooth peanut butter (Ex DJR 16);

(b) 375g jar of Kraft crunchy peanut butter (Ex DJR 17);

(c) 500g jar of Bega smooth peanut butter (Ex DJR 18); and

(d) 375g jar of Bega crunchy peanut butter (Ex DJR 19).

(5) Affidavit of Gabriella Lacerda de Oliveira, graduate in the HR Department at HJ Heinz Company Australia Limited, sworn 12 June 2018, exhibiting a photograph of Bega peanut butter products offered for sale in Kraft shippers at a Woolworths store in Caroline Springs, Victoria;

(6) Affidavit of Georges El-Zoghbi, Strategic Advisor to The Kraft Heinz Company, based in Chicago, Illinois, sworn 12 June 2018, in relation to the global restructure of Kraft Foods Inc and the product quality control exercised by Kraft Foods Inc over KFL;

(7) Affidavit of Jessica Mei Manihera, the Trans-Tasman Marketing Manager of the New Zealand Health Association Limited, trading as Sanitarium Health and Wellbeing Company, affirmed 14 June 2018, in relation to the peanut butter market in Australia;

(8) Affidavit of Jill Gabrielle Klein, Professor of Marketing at Melbourne Business School, University of Melbourne, affirmed 11 June 2018, exhibiting expert report in relation to consumer purchasing behaviour, including about product packaging and Bega’s advertising;

(9) Affidavit of Justin Taylor Nel, a Key Account Director of Mintel Group Ltd , a research organisation and market intelligence company, affirmed 12 June 2018, exhibiting records of images of Bega and Kraft peanut butter products (among others) sold in Australia in 2018 contained on the Global New Products Database;

(10) Affidavit of Michael Robert Graif, partner of Curtis, Mallet-Prevost, Colt & Mosle LLP in New York, sworn 12 June 2018, exhibiting three expert reports about New York law;

(11) Affidavit of Mr Graif, sworn 5 July 2018, exhibiting a fourth expert report about New York law;

(12) Affidavit of Moria Hariza, project manager and “ANZ Kraft Repatriation Lead” at H.J. Heinz, sworn 13 June 2018, in relation to her monitoring of sales of Bega peanut butter products;

(13) Affidavit of Peter Leonard Hallett, solicitor for the applicants, affirmed 14 June 2018, exhibiting a screen shot of a photograph he took of Bega peanut butter being offered for sale in Kraft shippers in a supermarket in South Yarra, Victoria, and correspondence between him and solicitors for Bega in relation to Bega’s advertising;

(14) Affidavit of Mr Hallett, affirmed 20 July 2018, exhibiting a subpoena issued on behalf of the applicants to MAFL to produce certain licence agreements, an affidavit of Mr Syme on behalf of MAFL in relation to the subpoena, and copies of the licence agreements produced pursuant to the subpoena.

(15) Affidavit of Mr Hallett affirmed 23 July 2018, exhibiting solicitor correspondence in relation to the subpoena to MAFL;

(16) Affidavit of Russell Dean Callaghan, the “Food Safety Quality Lead-ANP and Japan” at H.J. Heinz, affirmed 13 June 2018, in relation to quality control issues and a photograph he took of Bega peanut butter being offered for sale in Kraft shippers in a supermarket at Woolworths in Northland, Victoria;

(17) Affidavit of Sabrina Jane Hudson, the Deputy General Counsel for the Kraft Heinz Company and Assistant Secretary for the first applicant, sworn 11 June 2018, exhibiting, among other things, relevant restructure agreements (see above at [9032]).

(18) Affidavit of Ms Hudson sworn 13 June 2018, including an exhibit and a form referred to in one of the spin-off transaction documents;

(19) Affidavit of Ms Hudson sworn 5 July 2018, including an exhibit of a USB stick with copies of the spin-off transaction documents, including all annexures; and

(20) Affidavit of Susan Hanaway Frohling, Counsel at Brinks Gilson & Lione in Chicago, Illinois, and prior to August 2015 the Chief Trademark Counsel at Kraft Foods Inc, affirmed 11 June 2018, in relation to the global restructure, quality control standards, and a Trade Mark Assignment Agreement between KFL and Kraft Foods Global Brands LLC dated 19 April 2012.

38 Bega relied on the following affidavits:

(1) Affidavit of Carmen Brittni Massey, clerk employed by Addisons, Bega’s solicitors, sworn 10 July 2018, exhibiting articles from 1962-1964 editions of a publication called “The Kraftsman”, published by KFL for its employees;

(2) Affidavit of David James Ferguson, solicitor for Bega, sworn 6 July 2018 exhibiting copies, redacted to exclude irrelevant but confidential information, executed by Bega and companies and the Mondelez group of companies, of the following:

(a) Agreement for the Sale and Purchase of the Australia and New Zealand Meals Business of Mondelez International between Mondelez Global LLC, Mondelez Australia (Foods) Ltd, Mondelez Australia Pty Limited and Bega dated 19 January 2017;

(b) Amended Agreement between Mondelez Global LLC, Mondelez Australia (Foods) Ltd, Mondelez Australia Pty Limited and Bega dated 4 July 2017, with, as Schedule, the Agreement for the Sale and Purchase of the Australia and New Zealand Meals Business of Mondelez International between Mondelez Global LLC, Mondelez Australia (Foods) Ltd, Mondelez Australia Pty Limited and Bega dated 19 January 2017, as amended;

(c) Supplemental Agreement in Relation to the Sale and Purchase of the Australia and New Zealand Meals Business of Mondelez International between Intercontinental Great Brands LLC, Mondelez International AMAE Pte Limited, Mondelez International Holdings LLC, Mondelez UK Limited, Mondelez Ireland Limited and Bega dated 4 July 2017;

(d) IP Agreement between Mondelez Global LLC and Bega dated 4 July 2017;

(e) IP Assignment between Intercontinental Great Brands LLC and Bega dated 4 July 2017;

(f) IP Assignment between Mondelez Australia (Foods) Ltd and Bega dated 4 July 2017;

(g) IP Assignment between Mondelez Australia Pty Limited and Bega dated 4 July 2017;

(h) IP Assignment between Kraft Foods R&D Inc. and Bega dated 4 July 2017; and

(i) IP Assignment between Mondelez International AMAE Pte Limited and Bega dated 4 July 2017.

(3) Affidavit of David Keane, National Business Manager-Independents for Bega Foods, a division of Bega, sworn 12 June 2018, deposing to the sales and promotion of Bega peanut butter in Australia, and exhibiting five television advertisements contained on a USB stick;

(4) Affidavit of Mr Keane sworn 13 June 2018 giving further evidence in relation to the promotion of Bega peanut butter by a sixth television advertisement, contained on a USB stick;

(5) Affidavit of Hayden Samuel Martin, solicitor for Bega, sworn 12 June 2018, deposing to his purchases of Kraft and Bega peanut butter products, and the following physical exhibits:

(a) 780 gram jar of Kraft “Smooth” Peanut Butter (Ex HSM 4);

(b) 780 gram jar of Kraft “Crunchy” Peanut Butter (Ex HSM 5);

(c) 500 gram jar of Bega “Smooth” Peanut Butter (Ex HSM 6);

(d) 500 gram jar of Bega “Crunchy” Peanut Butter (Ex HSM 7); and

(e) 375 gram jar of Kraft “Smooth” Peanut Butter (Ex HSM 10).

(6) Affidavit of Mr Martin sworn 9 July 2018 deposing to an additional purchase of a Kraft peanut butter product and annexing, among other things, a Kraft press release dated 24 October 2017 entitled “Kraft Returns to Australian Stores”, copies of documents filed by Kraft with the US Securities and Exchange Commission and certified copies of corporate records of certain Kraft corporations in the United States;

(7) Affidavit of Mr Martin sworn 16 July 2018, annexing additional Kraft corporate records and filings;

(8) Affidavit of Justine Melissa Munsie, solicitor for Bega, sworn 6 July 2018, deposing to her efforts to contact the four individuals who were authors of the 2012 labels of Mondelez’s Kraft branded peanut butter and who signed “Author Consent and Assignment Deeds” referred to in the affidavit of Ms Nguyen referred to below;

(9) Affidavit of Ms Munsie sworn 13 July 2018 deposing to further attempts to locate those authors;

(10) Affidavit of Leanne Fullagar, a personal assistant employed by Addisons, solicitors for Bega, dated 12 June 2018, deposing to her purchases of Kraft and Bega peanut butter products at supermarket IGA Pennant Hills supermarket in New South Wales, together with copies of photographs of those purchases;

(11) Affidavit of Marino di Camillo, Managing Director and Creative Director of Disegno Group Pty Limited, sworn 10 July 2018, deposing to the fact that Disegno was briefed by Mondelez in February 2014 to refresh the packaging of Kraft branded peanut butter and that the work was undertaken by employees of Disegno, and exhibiting copies of designs produced and an assignment agreement;

(12) Affidavit of Mark Cowan, executive Chairman of Cowan Pty Limited, sworn 19 July 2018, deposing to his involvement with the updating or refreshing of the packaging designs used by Mondelez in 2006, 2007 and 2009, and exhibiting images of the updated designs;

(13) Affidavit of Michael Spiteri, Associate Finance Director of Bega Foods, sworn 12 June 2018 deposing to total retail sales of all peanut butter products in Australia in and in all years since the year ended 30 June 2015, arrived at from data supplied by the company Nielsen;

(14) Affidavit of Mr Spiteri sworn 13 June 2018 deposing to further peanut butter products sales data and Bega’s advertising and consumer promotion costs for the calendar years 2012-2017;

(15) Affidavit of Sandra Dal Maso, Associate Director – Research and Development of Bega Foods, sworn 12 June 2018, deposing to, among other things, the manufacture of peanut butter by Bega, the impact of the Kraft worldwide restructuring in 2012 and quality control audits conducted since 2009;

(16) Affidavit of Matthew Broad, the Supply Planning and External Manufacturing Lead for Bega, sworn 9 October 2018, deposing to facts concerning the “shippers” dispute;

(17) Affidavit of Mr Broad dated 15 October 2018 making minor corrections to his 9 October 2018 affidavit;

(18) Affidavit of Jacqueline Scarlett, Senior Legal Counsel for Bega, sworn 8 October, exhibiting copies of confidential contracts containing the terms and conditions for the supply of peanut butter products by Bega to supermarkets.

(19) Affidavit of Barton Beebe, the John M Desmarais Professor of Intellectual Property Law at the New York University School of Law, sworn 13 July 2018, exhibiting an expert report in relation to the laws of the State of New York on three questions:

(a) Whether it is recognised that the sale and promotion over time of a consumer good in product packaging of a particular appearance (“trade dress”) can result in that trade dress functioning as an indication of origin of that good;

(b) Whether the business owner who sells such goods acquires rights in that trade dress that can be enforced against third parties; and

(c) Whether the business owner who sells such goods can register rights in respect of that trade dress that can be enforced against third parties.

(20) Affidavit of Cam Nguyen, Global Innovation Manager of Treasury Wine Estates, sworn 13 June 2018, in relation to a brief he prepared for Mondelez International’s packaging design agency to create new packaging designs for Kraft branded peanut butter in July 2011; and

(21) Affidavit of Carmen Beauchamp Ciparick, a former judge of the New York Court of Appeals, sworn 13 July 2018, exhibiting an expert report on general principles of construction under the laws of the State of New York that apply in construing a written contract.

## The pleadings

### Kraft’s Third Further Amended Statement of Claim

39 Kraft’s case is pleaded in its Third Further Amended Statement of Claim (the **TFASOC**). The principal claims (in respect of the PBTD) may be summarised as follows.

40 Kraft alleges that, as of October 2012:

(a) the Kraft Brand and the PBTD were distinctively associated with each other;

(b) the Kraft Brand and the PBTD were well known to the public throughout Australia as denoting and exclusively identifying products of one or more companies within the Kraft Foods Inc group of companies; and

(c) the PBTD signified a connection in the course of trade between peanut butter sold by reference to the Kraft Brand and one or more members of the Kraft Foods Inc group of companies.

41 It is alleged that pursuant to clause 3 of the MTA, the first applicant granted Kraft Foods Global Brands LLC certain licences, including a 10 year licence to use the Kraft brand and the PBTD in Australia in relation to peanut butter (the **Mondelez Licence**).

42 It is further alleged that, from the date of the restructure, peanut butter was extensively displayed, widely advertised, promoted and sold throughout Australia by MAFL in packaging displaying the Kraft Brand and the PBTD. That conduct, Kraft alleges, was authorised by, and subject to the control of, Kraft, pursuant to the MTA, and that as a result goodwill generated through use of the Kraft brand and the PBTD by MAFL inured to the benefit of the first applicant. It is also alleged that the goodwill inured to the benefit of the first applicant because of the operation of New York law.

43 It is then alleged that by reason of the matters pleaded in paragraphs 25 to 37, 37A and 37B of the TFASOC, the Mondelez Licence was assigned or novated to Bega, and Bega assumed the obligations to Kraft and restrictions under the MTA in respect of the Mondelez Licence. (Estoppel pleas were also included, but were not mentioned in opening or closing oral submissions).

44 It is then pleaded that:

In the premises of paragraph 14A above and paragraph 25 to 38 above, under New York Law the assignment of the Mondelez Licence (a right governed by New York Law) to Bega carried with it the consequent obligations to Kraft provided under the MTA and Bega assumed the obligations of the Mondelez Parties … in respect of that licence and is bound by those obligations.

45 The next part of the pleading concerns the MTA. The pleaded case in that regard is as follows:

58. By reason of the matters referred to in paragraphs 14A, 17, 18, 25 to 38A and 53 to 57, as between Bega and Kraft:

(a) Kraft is the sole and exclusive owner of the Kraft Brand and the Peanut Butter Trade Dress; and

(b) Bega has no right or interest in the Kraft Brand or the Peanut Butter Trade Dress, and any right on the part of Bega to use the Kraft Brand or the Peanut Butter Trade Dress was coterminous with the Mondelez Licence which expired on 31 December 2017.

59. Further and alternatively, the parties to the MTA agreed that GroceryCo IPCo would own all Trade Dress used for GroceryCo Products and adopted by SnackCo or any of its Affiliates prior to the Distribution Date with respect to any GroceryCo Marks licensed.

PARTICULARS

Clause 2.1(a)(iii) of the MTA

(**GroceryCo Products Trade Dress Ownership Clause**)

60. The MTA defined GroceryCo Products to mean products, manufactured, advertised, promoted, marketed, distributed or sold in connection with the GroceryCo Business.

61. Peanut Butter was, at the Distribution Date, a product which was manufactured, advertised, promoted, marketed, distributed and sold in connection with the GroceryCo Business.

PARTICULARS

Peanut butter was manufactured, advertised, promoted, marketed, distributed and sold in the United States and Canada by the GroceryCo Business as of the Distribution Date.

62. The Peanut Butter Trade Dress was used in respect of peanut butter which was adopted by SnackCo or its Affiliates prior to the Distribution Date with respect to the Kraft Brand.

63. By reason of the matters referred to in paragraphs 14A, 59 to 62, the parties to the MTA agreed that Kraft owned the Peanut Butter Trade Dress, in consequence whereof Bega has no right to, or (since the expiration of the Mondelez Licence) to the use of, the Peanut Butter Trade Dress.

46 Under the heading “License to SnackCo IPCo under the MTA”, the pleaded case is as follows:

64. Under the MTA Kraft granted SnackCo IPCo an exclusive, fully-paid, royalty-free licence to use:

(a) the Kraft GroceryCo Trademark; and

(b) any logos and Trade Dress owned by a GroceryCo Entity as at the Distribution Date and used in connection with the Kraft GroceryCo Trademark in any product packaging immediately prior to the Distribution Date,

in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of peanut butter in Australia and New Zealand.

PARTICULARS

Clause 3.1(a)(v) and Clause 3.1(m) of the MTA

(the **Licence Clause**)

65. The MTA contained the following definitions for its purposes:

*(a) “Kraft Grocery Co Trademark” means the Trademarks “KRAFT” and “KRAFT FOODS” owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution, including the Kraft Hexagon Logo or any successor logo adopted by Grocery Co.*

* (b) “Kraft Hexagon Logo” means the Trademark owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that consists of ”Kraft’ bordered with a hexagon as shown below:*

66. By reason of the matters referred to in paragraphs 14A, 53 to 65, the parties to the MTA agreed that each of:

(a) the Kraft Brand;

(b) the Kraft Hexago Logo as defined above; and

(c) the Peanut Butter Trade Dress (collectively, the **Kraft Licensed Trade Marks**);

was subject to the Licence Clause and each fell within the definition of “Licensed Trademark” in the MTA, and further that:

(a) SnackCo IPCo was a “Licensee” within the meaning of the MTA; and

(b) GroceryCo IPCo was a “Licensor” within the meaning of the MTA.

47 The pleading next alleges that Bega was bound by and breached each of the “Discontinuance”, “Transition” and “Inconsistent Action” clauses (among others) of the MTA. I will consider those pleas later in these reasons.

48 The “shippers” plea, the introduction of which caused the delay in the hearing mentioned earlier, and to which I will also return later in these reasons, is as follows:

74A. In connection with its sale of peanut butter without the Kraft Brand but with the Peanut Butter Trade Dress from July 2017, until about April 2018, Bega sold and distributed peanut butter in the Impugned Bega Packaging and Bega packaged jars of peanut butter in the Peanut Butter Trade Dress absent the Kraft GroceryCo Trademark, and distributed them to retailers in outer cardboard containers (“shippers”) for holding and display which bore the Kraft GroceryCo Trademark.

PARTICULARS

The periods within which such shippers were supplied to retailers in respect of Stock Keeping Units relating to peanut butter are set out in the table at paragraph 9 of the Affidavit of Matthew Broad herein sworn 19 July 2018. Such shippers were displayed to the public, and continued to be displayed to the public for approximately 21 days after the dates of final dispatch appearing in the table.

74B. The conduct of Bega referred to in paragraph 74A was not authorised under the MTA or otherwise authorised by the Applicants and infringed the rights of the first Applicant in Australian trade mark registrations numbered 156444 and 181518 under section 120(1) of the Trade Marks Act 1995 because the contents of the shippers were not finished goods bearing the Kraft GroceryCo Trademark.

PARTICULARS

MTA clause 3.5(a)

### Bega’s defence and cross-claim

49 As would be apparent from the earlier summary of the disputes in these reasons, Bega denies all of the material allegations against it. See Defence to Third Further Amended Statement of Claim dated 14 September 2018 (**Defence**). It is helpful to set out some of the admissions and positive averments that it made in its original defence dated 4 December 2017, and contained in the Defence, in part because they prompted a reply pleading from Kraft that helped to crystallise the issues.

50 Bega admits that prior to October 2012, KFL manufactured peanut butter products in Australia and that, prior to October 2012, KFL promoted and sold peanut butter products by reference to the Kraft Brand and the Peanut Butter Trade Dress, and refers to [100] of the Defence, which is as follows:

**Promotion of the peanut butter products before 2012**

100. Prior to the Restructure, Kraft Foods Limited:

(a) manufactured the peanut butter products that it supplied in Australia from manufacturing facilities located in Port Melbourne, Melbourne (**Port Melbourne Factory**);

(b) employed the technical and production staff with the know-how to make the peanut butter product in the Port Melbourne Factory to its particular recipe and specifications;

(c) promoted and sold its peanut butter products under and by reference to:

(i) its Australian Trade Mark Registration Nos 156444 and 181518 for KRAFT in class 29 for ‘peanut butter’ (**Registered Kraft Trade Marks**); and

(ii) its Australian Trade Mark Registration No. 778978 for NEVER OILY NEVER DRY in class 29 for ‘peanut butter’; and

(iii) its packaging and get up, including the yellow lid, clear container, and predominantly yellow label;

(d) generated goodwill in relation to its peanut butter products that was associated with each of:

(i) its Registered Kraft Trade Marks;

(ii) its NEVER OILY NEVER DRY trade mark; and

(iii) its packaging and get up.

51 At [18] it pleads that:

18. As to paragraph 18 it says as follows:

(a). It admits that pursuant to the MTA, Kraft Foods granted Kraft Foods Global Brands LLC a 10 year licence to use the Kraft GroceryCo Trademark (as described in paragraph 64(c) below) in relation to peanut butter in Australia;

(b) It will refer to the MTA at trial for its full terms and effect;

(c) It otherwise denies paragraph 18; and

(d) It says further that:

(i) the goodwill in the Peanut Butter Trade Dress was owned and used prior to the Restructure by an Affiliate of SnackCo IPCo (Kraft Foods Limited) in relation to a SnackCo Business (as defined in the Separation Agreement);

(ii) there was no allocation of that goodwill to Kraft Foods in the Separation Agreement or the MTA;

(iii) there was in any event no assignment of that goodwill by Kraft Foods Limited to Kraft Foods in the Separation Agreement, the MTA or otherwise; and

(iv) the licence under clause 3.1(a) of the MTA did not relate to the Peanut Butter Trade Dress.

52 An important part of Bega’s positive case appears under the heading “Promotion of the peanut butter products following the Restructure” at [101] ff, as follows:

101. Following the Restructure, Kraft Foods Limited was renamed Mondelez Australia (Foods) Ltd.

102. Following the Restructure, Mondelez Australia (Foods) Ltd:

(a) continued to manufacture the peanut butter products that it supplied in Australia from the same manufacturing facilities at the Port Melbourne Factory, and using the same know-how, recipe and specifications; and

(b) continued to promote and sell its peanut butter products under and by reference to:

(i) the Registered Kraft Trade Marks;

(ii) its Australian Trade Mark Registration No. 778978 for NEVER OILY NEVER DRY; and

(iii) its packaging and get up, including the yellow lid, clear container, and predominantly yellow label.

103. As part of the Restructure, Mondelez Australia (Foods) Ltd assigned its rights in its Australian Trade Mark Registration Nos 156444 and 181518 for KRAFT to Kraft Foods Global Brands LLC, which later assigned its rights in those trade marks to Kraft Foods.

104. Following the Restructure, Mondelez Australia (Foods) Ltd was permitted by the assignees of the Kraft trade mark registrations to continue to promote and sell its peanut butter products under and by reference to the Registered Kraft Trade Marks on a royalty-free basis.

105. Pursuant to the Restructure agreements, the ‘Licensee’ was permitted to transition from any use of the Registered Kraft Trade Marks to a new trade mark for continued sales of its peanut butter products.

**Particulars**

Clause 3.5(b) of the MTA.

106. In about December 2016 Mondelez Australia (Foods) Ltd:

(a) commenced transitioning from using the Registered Kraft Trade Marks on its peanut butter products to using the THE GOOD NUT trade mark;

(b) continued to promote and sell its peanut butter products under and by reference to:

(i) its Australian Trade Mark Registration No. 778978 for NEVER OILY NEVER DRY; and

(ii) its packaging and get up, including the yellow lid, clear container, and predominantly yellow label.

107. On about 4 July 2017 Bega acquired Mondelez Australia (Foods) Ltd’s peanut butter business in Australia, including:

(a) the manufacturing facilities located at the Port Melbourne Factory; and

(b) all of Mondelez Australia (Foods) Ltd’s goodwill associated with its peanut butter products business.

**Particulars**

(i) Pursuant to the terms of the Sale and Purchase Agreement.

(ii) See in particular clauses 2.1, 6.2 and Schedule 5, Part A, clause 1.2.

108. Since 4 July 2017 Bega has continued to manufacture the same peanut butter products that were formerly manufactured by Mondelez Australia (Foods) Ltd (formerly Kraft Foods Limited), from the same manufacturing facilities located at the Port Melbourne Factory, and using the same know-how, recipe and specifications.

109. On about 4 July 2017 Mondelez Australia (Foods) Ltd assigned its rights in Australian Trade Mark Registration No. 778978 for NEVER OILY NEVER DRY to Bega.

110. Since about July 2017, Bega has:

(a) transitioned from using THE GOOD NUT trade mark to using its BEGA trade mark for its peanut butter products;

(b) continued to promote and sell its peanut butter products under and by reference to:

(i) its Australian Trade Mark Registration No. 778978 for NEVER OILY NEVER DRY; and

(ii) its packaging and get up, including the yellow lid, clear container, and predominantly yellow label.

111. Since about October 2012 Kraft Foods has not:

(a) exercised quality control in respect of the peanut butter products sold in Australia by:

(i) Mondelez Australia (Foods) Ltd; or

(ii) Bega; or

(b) had any other involvement in the manufacture and promotion of the peanut butter products sold in Australia by:

(i) Mondelez Australia (Foods) Ltd; or

(ii) Bega.

112. By reason of the matters alleged above, Kraft Foods does not own any of the goodwill in Australia generated in respect of the sale of peanut butter products in Australia since about October 2012, including in respect of:

(a) sales made by reference to the Registered Kraft Trade Marks;

(b) sales made by reference to the NEVER OILY NEVER DRY trade mark; and

(c) sales made by reference to the packaging and get up, including the yellow lid, clear container, and predominantly yellow label.

### Kraft’s Reply

53 Kraft replied (see Reply to Defence to Second Further Amended Statement of Claim dated 4 July 2018) relevantly as follows:

**Prior to the Restructure**

2. As to paragraph 11 [of the Defence], the Applicants … say as follows:

(a) any such promotion and sale by reference to the Kraft Brand and the Peanut Butter Trade Dress prior to October 2012 was made pursuant to licence agreements with Kraft Foods Global Brands LLC or prior to 4 August 2008 Kraft Foods Holdings, Inc which merged into Kraft Foods Global Brands LLC on that date;

(b) Kraft Foods Global Brands LLC was at all material times prior to October 2012 the intellectual property holding company for the Kraft Foods Inc. group of companies; and

(c) …

**PARTICULARS**

The Applicants rely on the following license agreements produced by Mondelez Foods (Australia) Inc. (formerly Kraft Foods Limited) in response [to] the subpoena dated 1 June 2018.

(i) Agreement between Kraft Foods Holdings, Inc and Kraft Foods Limited dated 1 January 2000

(ii) Agreement between Kraft Foods Global Brands LLC and Kraft Foods Limited dated 1 January 2009

(iii) Agreement between Kraft Foods Global Brands LLC and Kraft Foods Limited dated 29 December 2010.

3. As to paragraph 18 of the Defence they deny the positive allegations made therein and say further that:

(a) the licence was not limited to use of the Kraft GroceryCo Trademark; and

(b) goodwill in the Peanut Butter Trade Dress was not owned by Kraft Foods Limited in the circumstances pleaded in paragraph 2 above and, after 2012, goodwill did not inure to it in circumstances where that use was pursuant to the MTA; and

(c) the allocation of goodwill is otherwise irrelevant in circumstances where Bega is bound by the contractual obligations imposed by the Mondelez Licence as pleaded in the [TFASOC].

54 In its Reply to [103], Kraft admits the allegations in that paragraph “and say[s] further that Mondelez Australia (Foods) Ltd only held bare legal title to Australian Trade Mark Registration Nos 156444 and 181518” (the word “Kraft” and the Kraft hexagon logo, respectively (see [65] and [67] below)). As to [105], Kraft “say[s] further that the Mondelez Licence required Bega to cease use of the Kraft Trade Mark and the Peanut Butter Trade Dress and not to challenge the ownership of goodwill in the same”. As to [107], Kraft admits that Bega acquired the Port Melbourne Factory, but otherwise denies the allegations, including the allegation that there was goodwill in respect of the place of manufacture of the peanut butter. As to [111], Kraft says that any use of goodwill generated in the Kraft trade mark and Peanut Butter Trade Dress by Mondelez Australia (Foods) Ltd since October 2012 did not vest in that entity but inured to others and, as a consequence, could not be transferred to Bega.

### Bega’s cross-claim

55 Bega also relies on an Amended Notice of Cross-Claim dated 18 May 2018. Most of it concerns, in substance, Bega’s claim that it, not Kraft, is the party entitled to use the Peanut Butter Trade Dress. Bega also makes claims against Kraft for breach of copyright, an ACL claim about a Kraft press release and a Kraft Heinz promotional slogan, but it is not necessary to set out those claims in detail now. I will return to them later.

## Issues to be decided agreed by the parties

56 Before counsel commenced their oral closing submissions, I caused an email to be sent to the parties’ legal representatives asking that counsel confer and agree upon a list of the specific issues necessary for decision, and the order in which those issues were to be dealt with in closing addresses. The response was a list of 18 “Agreed general order of issues”. The parties agreed that the principal issue about the ownership of the Peanut Butter Trade Dress was to be resolved by addressing six inter-related issues which arise from their respective pleaded cases:

(1) What is goodwill and what is the legal nature of the Peanut Butter Trade Dress as an unregistered trade mark?

(2) What did/does the Peanut Butter Trade Dress designate to consumers?

(3) How does goodwill inure to an entity?

(4) How is an unregistered trade mark in Australia assigned or transferred?

(5) To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure immediately prior to the date of the restructure?

(6) To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure after the date of the restructure?

57 The parties agreed that the other issues involve answering the following additional questions:

(7) Can the ACL and passing off issues in the case be determined without ascertaining whether rights in respect of trade dress accrued to the first applicant under the MTA?

(8) Does the Mondelez Licence (as defined in [18] of the TFASOC) preclude Bega from claiming “ownership” of the Peanut Butter Trade Dress?

(9) Has Bega breached any term(s) of the MTA that it is bound by in respect of its use of the Peanut Butter Trade Dress from 1 January 2018?

(10) What is the proper interpretation of the MTA? Did the MTA affect rights in respect of the Peanut Butter Trade Dress?

(11) Has Bega breached the ACL by using the Peanut Butter Trade Dress because of any association that it has with the Kraft brand?

(12) Did Bega breach the ACL by its television/radio advertisements in November 2017?

(13) Did Bega engage in passing off or misleading and deceptive conduct through use of the Peanut Butter Trade Dress?

(14) What rights were acquired by Bega in July 2017 in respect of peanut butter?

(15) Did Kraft breach the ACL by its release of a press release of October 2017, or use of the slogan “Loved since 1935”?

(16) Did Kraft engage in misleading and deceptive conduct or passing off though use of the Peanut Butter Trade Dress?

(17) Did Bega own, and did Kraft infringe, copyright in respect of the 2012 or 2015 labels?

(18) Was Bega’s use of the Kraft shippers unlawful?

58 After the hearing had finished, at my request, the parties filed a document entitled “Table Cross-Referencing the ‘Parties Agreed General Order of Issues’ to the Pleadings”. It is attached as Annexure A to these reasons. An email was sent to my chambers in respect of that document, which said that “[t]he contents of the document are agreed, save that [Kraft] contend[s] that paragraphs [74A], [74B] and [84A] of the Claim and the Defence are relevant to issues 9, 11 and 13 (which the document as filed reflects), while [Bega] contends that those paragraphs are not relevant to issues 9, 11 and 13 and are only relevant to issue 18 (the shippers case)”. It is not necessary to resolve that disagreement. The parties agreed that the 18 questions covered the field of disputation, whatever their precise relationship to the pleadings, and I will decide them accordingly.

59 Some of the issues are more conveniently dealt with together, and in a slightly different order, as will become apparent.

# OUTLINE OF THE FACTS

60 It will shortly be necessary to set out in detail the relevant facts, concerning, among other matters, the relevant history of Kraft’s peanut butter business in Australia, Kraft’s 2012 corporate restructuring, the sale of the business by Kraft Foods Limited (by then renamed Mondelez (Australia) Foods Limited) to Bega in 2017, and the events that ensued after the sale.

61 It is helpful, before turning to that detail, to set out a brief overview of largely uncontroversial matters, in order to provide context to the discussion that will later appear about the meaning and legal effect of the critical parts of the transaction documents, and the relevance of the evidence adduced by the parties.

## The history of Kraft peanut butter sales in Australia

62 Kraft is one of the world’s best-known and valuable grocery brands, estimated in May 2018 to be worth US$8.8 billion world-wide. For many years before Bega acquired the assets and business of MAFL in 2017, Kraft had by far the largest market share of peanut butter products in Australia. By 2017, the Australian peanut butter market was worth $110 million in annual sales. Kraft’s market share was approximately 65% by value and volume.

63 Kraft Walker Cheese Company Proprietary Limited was first incorporated in Australia in 1926. That company was renamed Kraft Foods Limited in 1951.

64 “Kraft Peanut Butter” has been available for purchase in Australia since 1935.

65 The word “Kraft” was registered as a trade mark in Australia for use in a class of goods, including peanut butter products in the name of KFL in October 1959.

66 In 1962, KFL established a factory at Port Melbourne, in Victoria, to manufacture peanut butter (and other products).

67 In 1963 KFL registered the following “Kraft” hexagon logo as a trade mark in Australia for use in a class of goods, including peanut butter products:



68 Commencing in the 1980s, KFL promoted its peanut butter products by television advertisements featuring the “Never Oily, Never Dry” expression. The script of those versions are annexed to these reasons as Annexure B.

69 On 4 July 2001, KFL registered the words “Never Oily, Never Dry” as a trade mark in Australia for use on a class of goods of peanut butter products. Two of the expressly agreed facts between the parties are as follows:

3 Australian Trademark Registration No. 778978 is a trade mark registration for the words ‘NEVER OILY NEVER DRY’, registered in Class 29 for ‘peanut butter’ from 20 November 1998.

4 Australian Trademark Registration No. 778978 was or has been registered in the name of:

a) Kraft Foods Ltd until about 9 October 2013;

b) Mondelez Australia (Foods) Ltd from about 9 October 2013 until about 21 September 2017; and

c) Bega Cheese Limited from about 21 September 2017.

70 In the early 1990s, Kraft peanut butter first became available in Australia in a jar with yellow lid.

71 Since around 1997 the packaging of Kraft peanut butter has involved the use of a clear jar with a yellow lid with the Kraft hexagon logo presented centrally on its label. Since 2007, the yellow lid has comprised the same yellow with a label comprising a blue or red peanut device, the jar having a brown appearance when filled. The Peanut Butter Trade Dress, therefore, has been used since 2007.

72 On 1 January 2000, KFL entered into a licence agreement with Kraft Foods Holdings Inc, a Delaware corporation. By the terms of that licence agreement, KFL was granted a licence to use, advertise and display the “Subject Trade Marks”, in Australia and in any country to which it exported licensed products (“the Territory”). “Subject Trade Marks” were defined to mean:

(i) all trade marks beneficially owned in the Territory by Licensor from time to time;

(ii) trade marks that are registered in the name of Licensor or the subject of pending applications …;

(iii) trade marks adopted in the Territory by the Licensor after the date of this Agreement …

73 The licence agreement further provided for the payment of royalties by KFL (see clause III.A). Clause IV was entitled “Control”, and reads as follows:

To protect and enhance the value of the goodwill symbolized by the Subject Trade Marks, and to ensure that the public may continue to rely upon the Subject Trade Marks as identifying Products and Services of consistent high quality, Licensee agrees that it will use the Subject Trade Marks under the strict control of the Licensor as to the character and/or quality of all Products and Services associated with the Subject Trade Marks. More particularly, Licensee agrees that it will manufacture and package the Products distributed, sold, or offered for sale by it in association with the Subject Trade Marks in accordance with the Licensor’s specifications, recipes, formulas, procedures, quality control, marketing and other standards, policies, and guidelines. Licensor has the right to approve any packaging or advertising used or proposed to be used by Licensee.

74 The 1 January 2000 license agreement was later amended and restated by an agreement dated 1 January 2009, and again by a second such agreement dated 1 January 2011, but the applicable provisions of those agreement are not relevantly different.

75 By 2007 KFL was making, promoting and selling peanut butter products in Australia applying four trade marks:

(i) the registered trade mark of the word “Kraft”;

(ii) the registered trade mark of the Kraft hexagon logo;

(iii) the registered trade mark of the words “Never Oily, Never Dry”;

(iv) the (unregistered) Peanut Butter Trade Dress.

76 In April 2009 Kraft Foods Global Brands LLC filed (and subsequently registered) Australian Trade Mark No. 1294171 for the logo appearing on peanut butter in Australia (defined in the TFASOC as a KFG Mark), depicted as follows:



77 In August 2009, Kraft Foods Global Brands LLC filed Australian Trade Marks Nos. 1317816 and 1317815 (which were subsequently registered). The logo in Australian Trade Mark No. 1317816 is the bear shown on the top right-hand corner of this device, depicted as follows:



78 It is common ground that the rights in each of the registered trade marks Kraft and the Kraft hexagon logo were registered in KFL’s name until 2012. It is also common ground that in April 2012 those marks were assigned to Kraft Foods Global Brands LLC.

79 Kraft contends, and Bega denies, that Kraft Foods Global Brands LLC was at all material times prior to the assignment the beneficial owner of the Kraft trade mark and the Kraft hexagon logo, and that KFL/MAFL only ever held bare legal title to those marks.

80 It is common ground that KFL/MAFL was at all material times the legal and beneficial owner of the registered trade mark being the words “NEVER OILY, NEVER DRY” and that Bega acquired the mark when it acquired the business and assets of MAFL in 2017.

81 It is also common ground that the registered trade marks of the word “Kraft” and the Kraft hexagon logo were agreed to be assigned from Kraft Foods Global Brands LLC to Kraft Foods Group Brands and that the assignments were effected by a Deed of Assignment dated 21 November 2012, expressed to have been effective on 29 September 2012.

82 It follows that by the beginning of October 2012, KFL continued to produce, promote and sell Kraft peanut butter and applying three trade marks in its name, and one unregistered mark (the Peanut Butter Trade Dress).

83 After the global restructuring in 2012, MAFL continued its business of making, promoting and selling peanut butter product in Australia, which included the application of the Peanut Butter Trade Dress to them.

84 The parties agreed that Exhibit A1, which was tendered by the applicants, accurately depicts each of the different Kraft peanut butter products sold by KFL/MAFL in Australia between 1997 and July 2017. It also shows, as the parties agreed, the Bega peanut butter products sold in Australia since late 2017 to date. Exhibit A1 is attached to these reasons as Annexure C. The colours, in particular the colours of the yellow lids, are not uniform. That is the fault of the photography. The actual colour yellow, which is accurately enough depicted in the examples in [5] above, has remained unchanged at all relevant times. As mentioned earlier, physical exhibits of some of those products currently sold by Kraft Heinz and by Bega since 2017 were also part of the evidence.

85 By 2017, Kraft peanut butter comprised approximately 60% by value and 55% by volume of total Australian peanut butter retail sales.

## Summary of the spin-off of Kraft Foods Inc

86 On 4 August 2011 the board of directors of Kraft Foods Inc, the parent entity and ultimate controller of companies operating the Kraft Foods business globally, announced that it intended by October 2012 to create two independent public companies: a global snacks business and a North American grocery business. It was called a “proposed spin-off transaction”. In its Form 10-Q filed with the United States Securities and Exchange Commission pursuant to the *Securities Exchange Act* of 1934, Kraft described the proposed transaction in these terms, which the parties to this proceeding agreed is a useful summary of the purpose and effect of it:

On August 4, 2011, we announced that our Board of Directors intends to create two independent public companies: (i) a global snacks business (the “Global Snacks Business”) and (ii) a North American grocery business (the “North American Grocery Business”). We expect to create these companies through a spin-off of the North American Grocery Business to our shareholders (“Spin-Off’). Following the Spin-Off, we will hold the Global Snacks Business and change our name to Mondelez International, Inc. (“Mondelez”). Mondelez will primarily consist of our current Kraft Foods Europe and Developing Markets segments as well as our North American snack and confectionery businesses and related categories in our Canada & N.A. Foodservice segment. Our subsidiary, Kraft Foods Group, Inc. (“Kraft Foods Group”) will hold the North American Grocery Business, which will primarily consist of our current U.S. Beverages, U.S. Cheese, U.S. Convenient Meals and U.S. Grocery segments, grocery-related categories in our Canada & N.A. Foodservice segment as well as the *Planters* and *Corn Nuts* brands and businesses. We have received a private letter ruling from the Internal Revenue Service (“IRS”) confirming that, based on certain representations, assumptions and undertakings, the Spin-Off will be tax-free to our U.S. shareholders for U.S. federal income tax purposes.

87 In October 2011, Kraft Foods Global Brands LLC filed for and subsequently registered a trade mark for the following logos in respect of peanut butter:



88 On 19 April 2012, KFL entered into a trade mark assignment agreement with Kraft Foods Global Brands LLC (which changed its name to Intercontinental Great Brands LLC in May 2013). That agreement included an assignment of the Kraft word trade mark and the hexagon logo trade mark.

89 Kraft Foods Group Brands LLC was incorporated on 1 June 2012.

90 As part of the spin-off transaction, four agreements which are relevant for present purposes were entered into, viz:

(1) a Separation and Distribution Agreement between Kraft Foods Inc. (SnackCo) and Kraft Foods Group, Inc. (GroceryCo) entered into on 27 September 2012 (the **Separation Agreement**);

(2) a Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property between Kraft Foods Global Brands LLC (SnackCo IPCo) and the first applicant (GroceryCo IPCo) dated 27 September 2012 (the **MTA**);

(3) a Master Ownership and License Agreement Regarding Patents, Trade Secrets and Related Intellectual Property between Kraft Foods Global Brands LLC (SnackCo IPCo), the first applicant (GroceryCo IPCo), Kraft Foods UK Ltd, and Kraft Foods R&D Inc. dated 27 September 2012 (the **Master Patent Agreement**); and

(4) a Trademark Assignment between Kraft Foods Global Brands LLC (the company that became Intercontinental Great Brands LLC) and the first applicant dated 29 September 2012, including the assignment of the “Kraft” word and hexagon trademark registrations in Australia, which states “together with the goodwill of the business symbolized thereby and associated therewith”.

91 On 1 October 2012 Kraft Foods Inc changed its name to Mondelez International, Inc.

92 In July 2015 Kraft Food Group, Inc merged with H.J. Heinz Company in the United States to form the Kraft Heinz Company.

## Bega acquired Kraft Foods Ltd in July 2017

93 On 19 January 2017, Mondelez Global LLC, Mondelez Australia (Foods) Ltd, Mondelez Australia Pty Ltd and Bega entered into a Sale and Purchase Agreement of what the agreement called “the Joey Business” of the Mondelez Group (essentially, the business and assets of MAFL). The agreement was subsequently amended. The amended agreement that governed the transaction is dated 4 July 2017 (the **SPA**). The closing of the transaction under the SPA also took place on 4 July 2017. In the SPA, Mondelez Global LLC was defined as “MDLZ”; Mondelez Australia (Foods) Ltd (MAFL) was defined as “MDLZ Australia Foods”; Mondelez Australia Pty Ltd was defined as “Mondelez Australia Pty”; and Bega Cheese Limited was defined as “the Buyer”. I will return to the relevant provisions of the SPA later.

94 On the day of the closing, Bega also entered into a “Supplemental Agreement in Relation to the Sale and Purchase of the Australia and New Zealand Meals Business of Mondelez International” with Intercontinental Great Brands LLC, Mondelez International AMEA Pte Limited, Mondelez International Holdings LLC, Mondelez UK Limited and Mondelez Ireland Limited. Clause 6.4 of that agreement provides as follows:

Each MDLZ Party and the Buyer hereby acknowledges that certain of the Business IP is subject to the KFG Master Trademark Agreement or the KFG Master Patent Agreement. Any transfer of Business IP subject to, and of any related rights under, the KFG Master Trademark Agreement and the KFG Master Patent Agreement, is made on the basis that any Buyer Group Company which is a transferee of any such Business IP and related rights expressly assumes in writing all the obligations of the relevant transferor under the KFG Master Trademark Agreement and KFG Master Patent Agreement with respect to such transferred Business IP and related rights, and acknowledges KFG as the intended beneficiary of those obligations.

95 KFG is defined in that agreement to mean “Kraft Foods Group, Inc and its Affiliates”.

96 The KFG Master Trade Mark Agreement and KFG Master Patent Agreement are defined to mean the MTA and Master Patent Agreement as defined in [90] above.

# ISSUES 1 – 6

## Introduction

97 The first four issues posed by the parties (set out at [56] above) in relation to the question of ownership of the Peanut Butter Trade Dress on their face go to questions of legal principle. The fifth and sixth questions, on the other hand, more distinctly raise issues that turn in part on facts, and require conclusory answers in addition to discursive reasons. All of the first six issues are interrelated, and all of them involve factual and legal questions which are not always easily separated. It follows that the issues overlap, and involve mixed questions of fact and law. It also follows that a degree of repetition is unavoidable.

## Issue 1: What is goodwill and what is the legal nature of the PBTD as an unregistered trade mark?

### Unregistered trade marks

98 The parties agreed that the Peanut Butter Trade Dress is an unregistered trade mark.

99 Using a mark as a trade mark is to use the mark as a “badge of origin”, in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods. That concept is embodied in the definition of “trade mark” in s 17 of the *Trade Marks Act 1995* (Cth), which provides: “A trade mark is a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person”. See *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at 163 (French CJ, Gummow, Crennan and Bell JJ).

### Goodwill and the Peanut Butter Trade Dress

100 Rights associated with trade dress, or get-up as it is called in this country, are rights to protect goodwill (by a passing off action and also, nowadays, by an action brought under s 18 of the ACL). As French CJ explained in *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1 at 33, [40]:

It has rightly been said that “[t]here is no ‘property’ in the accepted sense of the word in a get-up” [citing *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491 at 505 per Lord Oliver of Aylmerton]. The rights associated with a particular get-up, which may also be viewed as a species of common law trade mark, are the rights to protect goodwill by passing off actions or the statutory cause of action for misleading or deceptive conduct where another has made unauthorised use of the get-up in a way which satisfies the relevant criteria for liability. The get-up rights asserted by [the plaintiffs] and the other non-statutory rights are, like their statutory equivalents, exclusive rights which are negative in character and support protective actions against the invasion of goodwill.

101 Further, as Kiefel J (as the Chief Justice then was) explained in that same case at 125, [348]:

Strictly speaking, the right subsisting in the owner of a trade mark is a negative and not a positive right. It is to be understood as a right to exclude others from using the mark [citing *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641 at 655 per Isaacs J; *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45 at 74-75] and cannot be viewed as separate from the trade in connection with which it is used. It is for the protection of that trade in goods that property is recognised in a trade mark [citing *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641 at 655].

102 And as Gummow J explained in *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 at 366, the nature of the right sought to be vindicated in a passing-off action is a right of property:

What is of significance for present purposes is the statement by Lord Parker in *Spalding’s* case [*A G Spalding & Bros v A W Gamage Ltd* (1915) 32 RPC 273] (at 284) that if the nature of the right, the invasion of which is the subject of passing-off actions, is a right of property, what is referred to is ‘property in the business or goodwill likely to be injured by the misrepresentation’. In *Norman Kark Publications Ltd v Odhams Press Ltd* [1962] 1 WLR 380 at 383; [1962] 1 All ER 636 at 639, Wilberforce J said:

The basis of the action, as shown in *Spalding v Gamage* is a proprietary right, not so much in the name itself, but in the goodwill established through use of the name in connection with the plaintiff’s goods. I draw, of course, from Lord Parker of Waddington’s well known opinion in that case. The plaintiff must show that the name has become distinctive of his goods, and that a reputation has attached to them under the name in question, and that use by the defendant of the name is likely to cause confusion resulting in damage to the goodwill of the plaintiff.

The notion of a trade mark, in the common law sense, is now wide enough to encompass slogans and visual images which radio and television or other means of advertising leads the market to associate with the goods or business of the plaintiff. The Privy Council so declared in *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1981] RPC 429 at 490.

103 In this case, as Mr A McGrath SC, who appeared with Mr C H Smith for Bega, put it, “both sides are seeking to exercise the rights in the unregistered trade mark of the [PBTD] by taking a protective action against the invasion of goodwill in the form of the actions under the Australian Consumer Law and for passing off. In other words, by these very actions, all of the parties are recognising that the [PBTD] operates as an unregistered trade mark”.

104 Most relevantly for present purposes, the High Court has dealt with the question “what is goodwill?” in three cases: *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605; *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1; and *Commissioner of State Revenue v Placer Dome Inc* [2018] HCA 59, (2018) 93 ALJR 65. *Murry* and *Placer Dome* were tax cases. *JT International SA v The Commonwealth of Australia* was primarily concerned with constitutional questions.

#### Goodwill is inseparable from the business

105 Those decisions stand for the proposition that goodwill is inseparable from the business to which it adds value and cannot be dealt with except in conjunction with the sale of that business.

106 That much has been understood since the beginning of the twentieth century. As the majority said in *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 at 613, [16], “[o]ne of the most cited definitions of goodwill for legal purposes in the Anglo-Australian legal world is found in the speech of Lord Lindley in *Inland Revenue Commissioners v Muller & Co’s Margarine Limited* [1901] AC 217 at 235, as follows:

Goodwill regarded as property has no meaning except in connection with some trade, business, or calling. In that connection I understand the word to include whatever adds value to a business by reason of situation, name and reputation, connection, introduction to old customers, and agreed absence from competition, or any of these things, and there may be others which do not occur to me. **In this wide sense, goodwill is inseparable from the business to which it adds value, and, in my opinion, exists where the business is carried on.** Such business may be carried on in one place or country or in several, and if in several there may be several businesses, each having a goodwill of its own.

107 In the same case, Lord Macnaghten said (at 224) “that if there is one attribute common to all cases of goodwill it is the attribute of locality. For goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business”. See too *Geraghty v Minter* (1979) 142 CLR 177 at 181 per Barwick CJ (“goodwill is not something which can be conveyed or held in gross: it is something which attaches to a business. It cannot be dealt with separately from the business with which it is associated”.)

108 As the majority in *Murry* explained (at [31]) it follows:

…that the sale of an asset of a business does not involve any sale of goodwill unless the sale of the asset is accompanied by or carries with it the right to conduct the business. The sale of hotel premises, for example, may involve the sale of goodwill although the contract does not refer to goodwill. Similarly, the mortgage of land used as a business may involve the mortgage of the goodwill of the business although the mortgage does not mention goodwill. But the reason that is so is that, by necessary implication, the sale or mortgage of such a site includes the sale or transfer of the business conducted on the site. Unless a business is transferred to the person to whom an asset of the business is transferred, the transfer of the asset does not transfer any part of the goodwill of the business.

(Citations omitted.)

109 The majority in *Murry* went on to disapprove of the reasoning of the Full Court of the Federal Court in *Federal Commissioner of Taxation v Krakos Investments Pty Ltd* (1995) 61 FCR 489 at 496 (Hill J, von Doussa and O’Loughlin JJ agreeing) which had doubted whether the proposition that the goodwill of a business is one whole and that, to exist, it must be attached to a business was “universally correct”. The majority in *Murry* did so in these terms (at [36]-[37]):

With respect, [the reasoning in *Krakos*] erroneously identifies the concept of goodwill as property with the sources of the goodwill and does not distinguish between the potential use value of an asset of a business and the goodwill of the business that is derived from the use of that asset. Pushed to its logical conclusion, it must mean, as his Honour’s judgment recognises, that goodwill is not an asset but a series of assets that inhere in other assets of a business. **Such a conclusion contradicts the two fundamental premises of the law of goodwill, that is to say, that goodwill has no existence independently of the conduct of a business and that goodwill cannot be severed from the business which created it. Those premises have been accepted as fundamental by the House of Lords and by this Court, and, statute apart, it is too late for them to be now called in question**. Indeed, the claim that the totality of the assets of a business contain all or most of that which represents the goodwill of the business has led some accounting writers to argue that goodwill has meaning only in so far as it describes the benefits flowing from such immeasurables as good business management and the lack of competition by reason of monopolistic privileges…

With the possible exception of some compensation cases, **nothing in the case law, when it is properly understood, supports the proposition that the goodwill of a business is divisible and can be transferred in gross or as part of the transfer of an asset**.

(citations omitted, emphasis added).

110 In *Commissioner of State Revenue v Placer Dome Inc* (2018) 93 ALJR 65 at [71], the plurality affirmed the recognition of the majority in *Murry* at “that goodwill has no existence independently of the conduct of a business and goodwill cannot be severed from the business which created it” (citing *Murry* at [36]).

111 Thus, as the plurality in *Placer Dome* went on to say at [76], “the sale of an asset of a business does not involve any sale of goodwill unless the sale of the asset is accompanied by or carries with it the right to conduct the business”.

112 In *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1, the relevant question was whether the *Tobacco Plain Packaging Act 2011* (Cth), which imposed significant restrictions on the colour, shape and finish of retail packaging for tobacco products, effected an acquisitionof the intellectual property rights and goodwill of the plaintiff tobacco companies on other than just terms, contrary to s 51(xxxi) of the Constitution.

113 By a majority, the High Court held that the answer was “No”.

114 The categories of property rights said to be affected were registered and unregistered trade marks, copyright, get-up, licensing, goodwill, design, patents, packaging rights, packaging goodwill and intellectual property licensing rights.

115 French CJ made the following observations in respect of the complaint by British American Tobacco (**BAT**), one of the plaintiff tobacco companies, of acquisition of its goodwill (at 32-33, [39]-[40]):

BAT complained of acquisition of its goodwill. The concept of goodwill as property, and its characterisation as property or a proprietary right, arise in different contexts, discussed at length in the joint judgment in *Federal Commissioner of Taxation v Murry*. As their Honours pointed out:

Goodwill is correctly identified as property, therefore, because it is the legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it.

…Goodwill is derived from the use of the assets and other elements or attributes of a business. It may have different aspects or components corresponding to its sources. Goodwill derived from the use of a trade mark, registered or unregistered, or from a particular get-up, may be protected by an action for passing off. Lockhart J observed in *ConAgra Inc v McCain Foods (Aust) Pty Ltd*:

It is now beyond argument that the plaintiff’s right which the law of passing off protects is a proprietary right in the goodwill or reputation of his business likely to be injured by the defendant’s conduct.

That cause of action serves the purpose, which is its “underlying rationale”, of preventing commercial dishonesty.

It has rightly been said that “[t]here is no ‘property’ in the accepted sense of the word in a get-up”. The rights associated with a particular get-up, which may also be viewed as a species of common law trade mark, are the rights to protect goodwill by passing off actions or the statutory cause of action for misleading or deceptive conduct where another has made unauthorised use of the get-up in a way which satisfies the relevant criteria for liability. The get-up rights asserted by [the plaintiff tobacco companies] and the other non-statutory rights are, like their statutory equivalents, exclusive rights which are negative in character and support protective actions against the invasion of goodwill.

(Footnotes omitted.)

116 Gummow J also held that it “should be accepted that at general law the goodwill attached to the business of the plaintiff by reason of the exploitation of trade marks and associated get-up answers the description of property”, citing the following passage from *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 at 615 [23]:

From the viewpoint of the proprietors of a business and subsequent purchasers, goodwill is an asset of the business because it is the valuable right or privilege to use the other assets of the business as a business to produce income. It is the right or privilege to make use of all that constitutes ‘the attractive force which brings in custom’. Goodwill is correctly identified as property, therefore, because it is the legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it. It is a right or privilege that is inseparable from the conduct of the business.

117 And as Crennan J said, goodwill and reputation in product get-up (trade dress) can be protected in an action for passing off (at 104, [292] of *JT International*):

In a passing off action in respect of get-up, a plaintiff must show not only goodwill and reputation in the product get-up, but also a representation by a defendant to the public leading to actual deception or the probability of deception, and actual damage or the likelihood of damage. If the features used in product get-up are in common use in a particular trade, a plaintiff may have difficulty in a passing off action in proving the distinctiveness of the get-up. A brand name used in association with product get-up is likely to be a feature upon which customers rely, especially if the get-up combines features in common use in the trade with a distinctive brand name. “Distinctiveness” does not mean eye-catching – the test for distinctiveness is the function the get-up actually serves, rather than how well it is adapted to serve it. It was not suggested by the plaintiffs that the brand names associated with their product get-up would play a negligible role in any action for passing off.

(Footnotes omitted)

118 With those principles in mind, I turn now to the submissions made by the parties in relation to issue 1.

### Kraft’s submissions

119 Kraft’s submissions in relation to issue 1 were as follows.

120 First, goodwill represents an association by consumers with a brand owner. Trade marks designate a control which the brand owner exercises over products brought to market. Once that proposition is accepted, so Kraft submits, the decision in *Murry* “leads inexorably to the conclusion that the goodwill … formed at the point and … maintained at the point of consumer purchase only ever attaches to the person who owns and controls the brand” (here, the first applicant).

121 Kraft placed particular emphasis on the issue of “control”, as part of its overall submission that, although KFL undertook the manufacture of peanut butter, it did so only as a subsidiary company and as a licensee, subject to the control and direction of its parent.

122 Kraft relied on the following evidence of Mr El-Zoghbi in setting out the circumstances in which Kraft Foods Inc. controlled the operation of its subsidiary, KFL prior to the restructure:

KFL operated under Kraft Foods’ strict global manufacturing and quality policies, and did not have freedom to establish or implement its own quality or manufacturing processes outside the global norms of the Kraft Foods business. KFL’s head of quality reported to the head of KFL and also had a “dotted line” reporting relationship to Kraft Foods’ global head of quality. I am aware from my time at Kraft Foods Australia and NZ that KFL’s production facilities were subject to regular inspections and audits by Kraft Foods’ global quality team.

123 Kraft emphasised, and Bega did not dispute, that these quality control measures related to all aspects of the production process, from sourcing the materials through to packaging, and that the appearance of trade marks on labels and packaging was also controlled by the Kraft Foods’ global marketing team and trade mark counsel.

124 Kraft also relied on the evidence from the cross-examination of Mr Keane, who was employed by KFL prior to the restructure. He agreed that KFL operated as part of the company group in the following terms:

[Mr Garratt] Would you agree that in the period 2000 to 2012, Kraft Foods Limited was an integrated part of the Kraft Foods Inc. group of companies?

[Mr Keane] I believe so.

125 Kraft also pointed to the evidence of Ms Sandra Dal Maso, Associate Director - Research & Development of Bega (formerly of Kraft Foods Ltd), as follows:

[Mr Garratt] And can you speak to whether other officers, however, reported to officers of Kraft Foods Inc. outside Australia?

[Ms Dal Maso] Yes. So at that time, I reported in to the RDQ [Research Development and Quality] director who - the Australian RDQ director. And that director was mainly up until 2011 and then Nicholas Georgias, and they had a hard line reporting into the head of the Australian business unit. So that was their hard line, but they had a functional dotted line reporting internationally.”

126 Kraft submitted, and Bega did not dispute, that the arrangements did not change significantly after the 2012 restructure, when KFL changed its name to MAFL, and the parent company changed its name to Mondelez International Inc. Mr Keane, for example, gave evidence that the CEO of MAFL reported directly to Mondelez International Inc. staff based in Chicago. He also gave evidence that MAFL was an integrated part of the Mondelez International Inc. group. Ms Dal Maso also gave evidence namely that MAFL was an integrated part of the group and that it did not operate independently. Ms Dal Maso also swore that “[MAFL] was responsible for its P&L, so its financials. But there were reporting relationships internationally”.

127 Kraft also relied on the evidence of another Bega witness, Mr Spiteri, who was employed by MAFL in a finance role responsible for Asia Pacific, Middle East and Africa. He also had a role with Mondelez International Inc. He gave evidence that it was common for senior officers in MAFL to report to persons in Mondelez International Inc and that the subsidiary was an integrated part of the Mondelez group.

128 Secondly, Kraft submits that, on the facts of this case, the PBTD is a “diagnostic cue” to the Kraft brand **only** and that the PBTD did not itself generate any goodwill separate from that which the use of the Kraft trade mark generates. Mr RM Garratt QC, who appeared with Mr P R D Gray QC and Mr I Horak for Kraft, put it this way in the course of his closing oral address:

…[T]here’s no separate goodwill here referable to [the PBTD] as a separate trade origin to the Kraft brand itself. That’s the necessary consequence of Professor Klein’s evidence. The association made by consumers is with the brand owner, the brand is controlled by its owner. The customer association generated by the get-up in this case only grew the Kraft brand in the eyes of consumers.

129 Thirdly, Kraft submits, by reference to Exhibit A1 (Annexure C to these reasons) that it may readily be observed that the PBTD was not used on its own, but was rather used in conjunction with registered trade marks, the word Kraft and the hexagon logo. Mr Garratt agreed, when asked about the point, that those registered trade marks used in conjunction with the PBTD included the mark “Never Oily, Never Dry” which always belonged to KFL/MAFL and which now belongs to Bega, but he said that it was questionable whether it was used as a trade mark, because there was no evidence that “the consumer attaches any significance to the words Never Oily, Never Dry, beyond the literal meaning …”.

130 Fourthly, as I apprehend how Kraft puts their case with respect to *Murry* and the related cases discussed above, it does not cavil with the proposition that goodwill is inseparable from the business to which it adds value, and that it cannot be dealt with except in conjunction with the sale of that business. Nor does Kraft cavil with the propositions that goodwill is derived from the use of the assets and other elements or attributes of a business; or that goodwill may have different aspects or components corresponding to its sources; or that goodwill derived from the use of a trade mark, registered or unregistered, or from a particular get-up, may be protected by an action for passing off. Kraft’s case is, rather, that the decision of the majority in *Murry* “lends no support to a notion that the ‘use’, ‘potential’ or ‘earning power’ of a trade mark are an inseverable part of the goodwill of the business which uses the trade mark.” It was submitted that the High Court in *Murry* distinguished between goodwill and the use of an asset to generate goodwill, and that goodwill is the attractive force between the customer of that business and the business. Mr Garratt further submitted that the observations of the Court in *Murry* at [25] and [32], properly understood, are consistent only with the notion that neither the use, or the right to use, a trade mark, nor its “use potential”, form part of the goodwill of the business, because trade marks are separate alienable assets.

131 It is as well to set out precisely Mr Garratt’s closing submissions in that regard. Having referred to *Murry* at [24], [25], [51] and [52], he put it this way:

These last propositions, your Honour, that I’ve just been taking the court to, are inconsistent with any notion that goodwill generated through the use of a trademark ever forms part of the business of the user. As the High Court has said:

*Trademark and its use value are but a source of goodwill, they are not the goodwill itself.*

…The treatment of the High Court in *Murry* lends no support to a notion that the use, potential, or earning power – [they are] the words of the High Court – of a trademark are an inseverable part of the goodwill of the business which uses the trademark. The High Court expressly distinguishes between goodwill and the use of an asset to generate goodwill. The goodwill is the attractive force between the customer of that business and the business. The observations in *Murry*, properly understood, are consistent only with the notion that the right to use a trademark and its use potential – again the words of the High Court – form no part of the goodwill of a business. They are a separate alienable asset.

132 Mr Garratt continued:

The business of KFL, before and after the restructure, supplied manufactured goods, including peanut butter, **but it was a wholesale business**. It did not sell to consumers. Its assets included land, improvements, fixtures, plant and equipment, and a licence from another Kraft company. These assets were sources for any goodwill which it created and maintained by their use … The custom which came into the business of KFL was from retailers, principally [Coles and Woolworths] … The reputation and business of KFL was as an efficient manufacturer, not as the trade origin of Kraft peanut butter. The use by KFL of its assets may have generated goodwill for it as a manufacturer; it may not. It may have been no more efficient than any other manufacturer.

(emphasis added).

133 At that point, I asked where that submission appeared in any of Kraft’s written submissions.

134 Mr Garratt continued:

[Mr Garratt] Your Honour, this is the unpacking of what Murry means, and that’s what I’m doing now. One has to understand what *Murry* means in order to apply it, and that’s what I’m doing. I’m saying, when one looks at what the evidence is, any goodwill – one has to separate, as the High Court says, the use value of trademarks, the mark and its use value as an asset of a business which may be used to generate goodwill, along with other assets, but the trademark and its potential use or earning power are not the goodwill. They’re not to be confused with the goodwill. So I’m simply addressing what *Murry* means, your Honour, because one needs to get down to that granular level in order to apply it correctly.

[His Honour] Well, with openings and closings, there’s about 200 pages there, Mr Garratt, so there’s a lot of opportunity for a bit of granular exploration there.

[Mr Garratt] Well, we’ve said time and again, your Honour, that the goodwill here – along with the business here, the relevant business, is the trademark owner, the trademark licensor/controller, and it’s really just – our learned said, “No, no, *Murry*, *Murry*, *Murry*,” and so what we’re saying is, when you look at it [it is not].

### Bega’s submissions

135 Bega submits, citing *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605; *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1 and *Commissioner of State Revenue v Placer Dome Inc* [2018] HCA 59, (2018) 93 ALJR 65 that goodwill is inseparable from the conduct of the business and that it may be derived from the identifiable assets of the business. Bega submits that the party conducting the relevant business in this case was KFL/MAFL, and that Bega acquired the goodwill because it acquired the peanut butter business. It says that there were multiple identifiable assets in the business, each of which is to be regarded as a source in different ways of the goodwill that is generated by the use of those assets. Bega also makes the point that the sale of an asset which is a source of goodwill separate from the business itself does not involve any disposition of the goodwill of the business because goodwill is an indivisible item of property.

136 Mr McGrath summarised his reply to the case put on behalf of Kraft as follows:

[T]hey’re saying all of the goodwill in the business that [KFL] was operating exists in one thing and one thing only, the brand name. So once one works out the brand name has got all the goodwill, one looks to who owns the brand name, and that’s it. Now, in our submission, that is not what *Murry* stands for, in fact, *Murry* cautions against doing that very thing. The goodwill doesn’t attach to any identifiable assets. It has got all of its various sources; it arises from the totality of the conduct of the business. It doesn’t just arise from the use of one asset and it doesn’t just attach to one asset.

So if that one asset happens to be taken away, it doesn’t take with it all of the goodwill in the business because to do so would be saying that all the goodwill attaches to that asset and nothing else and that’s the very thing that the High Court [says] repeatedly … that goodwill does not do. It does not attach to one asset, it attaches to the whole of the business. And the one asset is just one of amongst many assets that give value to that goodwill.

137 He continued:

…the fallacy in the propositions that my friends put is that the only thing that brings in custom to the business that was being operated by [KFL] is the Kraft brand. They say they’ve got evidence that they’ve put on through Professor Klein that establishes that there was an association between the Kraft brand and the [PBTD], ergo, the only thing that was an attractive force in bringing in custom to the business of [KFL] was that brand name itself. Now, that is not … the collection of [KFL’s] business. [KFL’s] business was all of the assets that it used in the operation of that business and all of those assets are sources of goodwill which, used together, are the attractive force that brings in custom. And one can’t separate out one asset alone being a brand name to say all of the goodwill attaches to that asset and nothing else.

138 Mr McGrath submitted that the evidence of Professor Klein is not relevant to the question about associations between the Kraft brand and the Peanut Butter Trade Dress. As he conceded, “it would have been an absurd proposition to say that there were no consumers that formed an association between the brand that had been on it for years and its get-up”.

139 Mr McGrath further submitted that the majority in *Murry* did not hold that goodwill generated through the use of a trade mark never forms part of the business of the user, or that such a proposition follows from the plurality’s observations that a trade mark is a source of goodwill rather than the goodwill itself, as Kraft contended. Mr McGrath submitted that, in any event, the Peanut Butter Trade Dress is an unregistered trade mark, that it is not property itself, and it is not independently assignable. Mr McGrath stressed that the relevant property rights in this case are in the associated goodwill of the business and that unlike a registered trade mark, it cannot be sold separately from the business itself. Mr McGrath submitted that it follows that paragraphs [51] and [52] of *Murry* in respect of registered trade marks, upon which Kraft placed reliance, have no bearing on the matter.

## Consideration of issue 1

140 I need to deal first with a separate but related submission that Kraft’s counsel put in the course of his closing submissions, to the effect that the KFL/MAFL business was a “wholesale” business and that therefore the reputation and business of KFL/MAFL was as an efficient manufacturer, not as the “trade origin” of Kraft peanut butter.

141 There are echoes of that notion elsewhere in Kraft’s written submissions. In Kraft’s written closing submissions, for example, it was submitted that “[a]s the High Court explains in *Murry*, the goodwill of a **manufacturing** operation is separate from, and does not comprehend the value of, a trade mark used in the business”, citing *Murry* at [51] (emphasis added).

142 Kraft’s submission continued with another claim that “[o]nce the right to use a trade mark ceases, the attractive connection between brand and consumer can no longer be a source of goodwill to a **manufacturer’s** operation” (emphasis added).

143 As to the first of those two submissions, which cites *Murry* at [51], the submission in fact receives no support from that case. Paragraph [51] is concerned with an entirely different matter, namely the proposition that “[w]here the goodwill of a business largely derives from using an identifiable asset or assets, the goodwill of the business, as such ... may be of small value.”

144 As to the second of those two submissions, it is simply not correct to say that once the right to use a trade mark ceases it can no longer be a source of goodwill. As the majority in *Murry* said:

**When a trade mark is sold it will continue to be a source of goodwill** for the business if the business continues. That is because the trade mark will have built up favourable custom which will or may continue after the trade mark is transferred or expired. Similarly, where goodwill is largely the product of the personality of the owner or one or more employees of a business, much of the goodwill of the business will disappear upon the cessation of the connection between that person or persons and the business. Nevertheless, habit may continue to draw custom although the owner or employee has no further connection with the business. **These illustrations also show that, although the goodwill of a business may be derived from one or more sources, it can continue to exist notwithstanding that the sources of the goodwill have gone**.

(emphasis added).

145 There is further no suggestion in that passage, or elsewhere, that some different principles apply to “manufacturing operations”, as Kraft’s submissions may be taken to suggest.

146 I return now to deal with issue 1.

147 I do not accept Kraft’s contention that trade marks only designate a control which **the brand owner**, here a reference to the first applicant, exercises over products brought to market.

148 The only authorities cited by Kraft in closing submissions for that proposition are some observations of Graham J in *Re GE Trade Mark* [1969] RPC 418 at 454 and of Besanko J in *Lodestar Anstalt v Campari America LLC* (2016) 244 FCR 557 at [95]. In their written opening, Kraft also cited the decision of the Court of Appeal in *Revlon Inc v Cripps & Lee Ltd* [1980] FSR 85 but no mention was made of it in closing submissions, which is not surprising, because it stands for the entirely irrelevant proposition in a registered trade marks case that as a general rule a passing off claim will not succeed where the plaintiff’s goods are sold unaltered and with unaltered labels.

149 With respect, *Re GE Trade Mark* and *Lodestar* also do not stand for the proposition for which Kraft cites them.

150 Both of the cases concern a question unrelated to any issue in this case, namely the question whether a registered mark should be expunged for non-use.

151 As Aickin J explained in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 680-682:

It is no doubt true that at one time, and in particular after the decision of the House of Lords in *Bowden Wire Ltd. v. Bowden Brake Co. Ltd*. (1914) 31 RPC 385, it was thought that any licensing of a mark placed its validity in jeopardy or indeed automatically made it incapable of remaining validly on the register. Subsequent cases however have demonstrated that all that that case decided was that if a registered trade mark is licensed it may become invalid if it ceases to show a connexion in the course of trade with the registered proprietor or otherwise becomes deceptive. In the United Kingdom the *Trade Marks Act*, 1938 introduced for the first time provisions enabling the assignment of trade marks without the goodwill of the business with which the mark was associated, and provisions for registered user agreements. These provisions did not change the law with respect to licensing in so far as it affected the validity of registration of the mark. It is not necessary for present purposes to trace the series of cases which have in substance shown that the decision in the *Bowden Wire Case* was based upon the fact that the marks had ceased to have any connexion in the course of trade with the registered proprietor and had become deceptive …

In *G.E. Trade Mark* (1969) RPC 418, at pp 455-459 Graham J. reviewed the authorities from the *Bowden Wire Case* (1914) 31 RPC 385 to the *Bostitch Case* (1963) RPC 183 and regarded the latter decision as establishing ‘**that the registered user provisions are permissive only and not a compulsory prerequisite for retention of validity of the mark and that, provided the conditions of control are adequate, there is no reason for holding that by using the mark without a registered user the parties have destroyed the mark’**.

(emphasis added).

152 The decision in *Lodestar Anstalt v Campari America LLC* (2016) 244 FCR 557 involved the interpretation of s 8 of the *Trade Marks Act 1995* (Cth), including in particular the question whether the respondent trade mark owner had exercised sufficient “control” over the licensee’s use of the marks to resist the appellant’s application to have the marks removed from the register on the grounds of non-use under s 94(2)(b) of the Trade Marks Act. It was in the context of an appeal from a decision of the primary judge, who had dismissed the application, that Besanko J (with whom Allsop CJ, Greenwood and Nicholas JJ agreed) had occasion to consider whether the possibility of contractual control was sufficient under s 8, or whether control must as a matter of fact be control of substance. He held the latter. And it was only in the course of his Honour’s reasons about that point that Besanko J set out part of Graham J’s judgment in *Re GE Trade Mark* [1969] RPC 418, upon which Kraft places so much store, as follows ((2016) 244 FCR 557 at 572-573 [69]):

The English authorities dealing with the *Trade Marks Act 1938* (UK) are instructive. The definition of trade mark in the 1955 Act followed that in the English Act. The English cases refer to the connection between the goods and the owner of the trade mark and in that context they refer to the significance of control by the owner of the trade mark. In *GE Trade Mark* [1969] RPC 418 (*GE Trade Mark*) Graham J, after referring to the statutory definition of mark in the English Act, said (at 454):

... In my judgment, however, the statutory definition must now include at least any connection in the course of trade by which the proprietor retains the ability to specify or control the nature or quality of the goods sold under the mark, and the expression “a trade mark denotes the origin of the goods” must now properly be used and understood as including such a connection. **It is from such a connection that the proprietor derives his goodwill in the goods and it is this connection, so long as it exists in fact, which enables the public to rely upon the goods of the proprietor being of the nature and quality which he has determined. It should also be added that there is no reason why the proprietor should not from time to time vary or modify the nature or quality of his goods in order to adapt them to variations in trade conditions, in demand or in public taste. The essential requirement is that as a fact he should always be in a position to exercise the necessary control so that in use the mark does not become confusing, and the registered user provisions in section 28 strongly confirm that this is so.**

His Lordship then turned to consider if the same principles applied to unregistered marks. He held that they did. His Lordship referred to the circumstances which had led to a broadening of the approach by both the Legislature and the Courts to the use and significance of trade marks. With respect, his Lordship’s comments on the development of the law are instructive. He said (at 455):

... the same “connection in the course of trade” which it is now recognised as proper by the registered user provisions of the Act in the case of a registered mark is also proper in the case of an unregistered mark. It is a matter of common knowledge and experience that the conditions of trade and the practices of the trading community have very greatly changed since the middle of the last century when our trade mark law began to assume its present form. The development of the sciences and the application of technology in industry, the growth of great manufacturing and holding companies with large numbers of subsidiaries, the exchange of technical know-how not only between companies in this country but on an international scale and, not the least important, the very great changes which have been and are still being made in the presentation, packaging and methods of marketing goods, have all had their effects on the use and significance of trade marks. These changes have been reflected in our statutory trade mark law in, for example, the broadening of the definition of a trade mark, in the recent provisions for assignment without goodwill and in the recognition in the registered user provisions that a trade mark can be licensed without causing deception or confusion provided the owner of the mark retains control over the character and quality of the goods sold under the mark.

(emphasis added).

153 Kraft emphasises the bolded words in the quote from Graham J in their written closing submissions, but as I have explained, and as the context in which they appear makes clear, those words have nothing to do with the proposition sought to be advanced by Kraft, that trade marks only designate a control which the brand owner exercises over products brought to market.

154 In any event, as Mr McGrath submitted, where a registered trade mark is owned by the business actually trading in the goods, there is no separate requirement under the Trade Marks Act to demonstrate that any exercise of control arises, because the trade mark owner and the person using the trade mark are one and the same.

155 The majority in *Murry* did refer to the earning power of trade marks, in, for example, the passage cited at [147] above. But nothing that the Court said about trade marks suggests that the goodwill “formed at the point and maintained at the point of consumer purchase” only ever attaches to the entity which owns and controls the brand. On the contrary, the fact that goodwill can be derived from more than one source, and the fact that goodwill derived from a trade mark may continue after the trade mark has been sold, points to the opposite conclusion.

156 I also do not accept Kraft’s contention that the PBTD is **only** a “diagnostic cue” to the Kraft brand. And I do not accept that the proposition that “the necessary consequence” of Professor Klein’s evidence is that “there is no separate goodwill … [referable] to [the PBTD] as a separate trade origin to the Kraft brand”. The gist of what Professor Klein said, and upon which Kraft focuses much attention, was unremarkable – namely, that consumers would have an association between the PBTD and the Kraft brand. Of course they would.

157 Professor Klein’s evidence about “diagnostic cues” included the following:

1. Product packages allow consumers to identify their preferred brand. In understanding how consumers use packaging cues to make this identification, it is helpful to turn to research on how people identify objects. A great deal of research has examined this issue, and finds that we use cues (attributes or features) to help us correctly identify an object. These cues differ in cue validity (the ability of the cue to help distinguish objects from one another). A cue with high cue validity is known as a *diagnostic cue*. Consumers will tend to utilize the most diagnostic cues available as this is the most efficient way to correctly identify an object.

2. Applied to the matter at hand, the presence of a clear jar would not be a very diagnostic cue, because all of the brands … are packaged in a clear jar. Even if only two or three brands were packaged in a clear jar, that cue (clear jar) would be less diagnostic, because it is a poor predictor of a particular brand. The greater the number of peanut butter brands in a clear jar that are on the shelf, the less diagnostic that cue becomes.

3. For any of the versions of the Kraft/Bega packages … I would consider that the most diagnostic cues that would distinguish these packages from those of competitor brands are the yellow lid and label. This is because only Kraft/Bega uses a yellow lid and yellow background label, and because they have done so for a very long time, giving consumers ample opportunity to learn the association. Research finds that when colour is a diagnostic cue, it plays a primary role in object recognition. Note that it takes very little time for consumers to recognize objects with colour. In these studies, recognition occurred very quickly, generally in less than a second (in one study objects were only displayed for 120 milliseconds). Recognition was significantly faster for coloured images than for black and white images, demonstrating the critical role of colour in recognition.

4. Another diagnostic cue of the Kraft/Bega packaging is the peanut device. … [T]he Kraft/Bega peanut device is highly distinctive … The Kraft/Bega packages also include photographed peanut on the bottom right of the package, however, their main peanut image is a large, solid shape in a colour that contrasts with the yellow background and takes up a central location on the label. This is highly distinctive compared to the peanut depictions of the other brands, and thus the peanut device is a highly diagnostic cue.

158 As Professor Klein also said, the Peanut Butter Trade Dress also functioned, among other things, as a promise of what would be inside the product packaging. She also said that the yellow packaging would signify the preferred product for past purchasers of peanut butter products, as these passages from her cross-examination demonstrate:

[Mr McGrath] If you look at the very first sentence of the first paragraph, you refer there to:

*Product packages allow consumers to identify their preferred brand*?

[Professor Klein] Yes.

[Mr McGrath] Now, you then say in the second sentence and following how it is that consumers use that packaging to make that identification. You agree with me that that’s what you’re saying there?

[Professor Klein] Yes.

[Mr McGrath] So what, in fact, the consumers are doing by identifying the packaging of their preferred brand is they’re identifying the particular product that they want to buy, isn’t it, so …?

[Professor Klein] Do you mean what’s inside the package?

[Mr McGrath] Yes, because ...?

[Professor Klein] Yes, they’re inferring from what’s on the package what’s going to be inside the package.

[Mr McGrath] That’s right. Yes, because what they’re trying to get to – they don’t want to just buy a package of product, they want to get to the product, don’t they …?

[Professor Klein] That’s correct.

[Mr McGrath] That’s inside the packaging?

[Professor Klein] Yes.

[Mr McGrath] So it would be correct, wouldn’t it, to say that the product packaging is actually allowing the consumers to obtain the product that they want to consume; that’s right, isn’t it?

[Professor Klein] Yes, that’s correct.

[Mr McGrath] And you would agree, wouldn’t you, that for a consumer to have a preferred brand, it’s likely that they would have tried that product before?

[Professor Klein] In many cases, yes. If they’re new to that category, they may have a preferred brand because they trust the brand from other product categories.

[Mr McGrath] Yes?

[Professor Klein] So that’s a possibility too.

[Mr McGrath] Yes?

[Professor Klein] Yes.

[Mr McGrath] But when they are coming to – in your experience, they’re coming into a circumstance in a supermarket, for example, where they are going to identify the preferred brand, it’s one that they have formed a preference for, most likely because they’ve consumed the product before?

[Professor Klein] Yes, that’s correct.

[Mr McGrath] And it may be that the knowledge of a brand would be stronger amongst those who have consumed the product before, wouldn’t it?

[Professor Klein] Yes, because they’ve experienced the product; they’ve seen it in their kitchen. They’ve handled it more, and so forth, yes.

[Mr McGrath] And so if a consumer has bought or tried a product before, for it to become their preferred brand, it’s one that they have made the decision that it meets their needs?

[Professor Klein] Yes, that they’re happy with and for it to be their preferred brand, they need to feel that they’re happier with it than the alternatives.

[Mr McGrath] Yes?

[Professor Klein] Yes.

[Mr McGrath] Being the product itself?

[Professor Klein] Well, the product itself and the associations that come with it, because the brand image can influence how we interpret the taste and the feel of a product as well.

159 Crennan J said in *JT International SA v Commonwealth of Australia* (2012) 250 CLR 1 at [292] that “[a] brand name used in association with product get-up is likely to be a feature upon which customers rely, especially if the get-up combines features in common use in the trade with a distinctive brand name”, citing *Imperial Group plc v Philip Morris Ltd* [1984] RPC 293 and *Reckitt & Colman Products Ltd v Borden Inc* [1990] UKHL 12; [1990] RPC 341. But to say that much – and the evidence in this case does not go beyond that, as I have explained – is not to say that the Peanut Butter Trade Dress was a diagnostic cue only to the Kraft brand, as Kraft contends.

160 The undisputed fact is that once Bega took over the Kraft business and started manufacturing and selling Bega branded peanut butter products using the Peanut Butter Trade Dress it quickly assumed Kraft’s peanut butter market share (over 60% by volume of sales). That is itself overwhelming evidence that the proposition that the sole attractive force for sales was the Kraft brand cannot possibly be correct.

161 The question of what Bega acquired from MAFL by virtue of the terms of the SPA is dealt with later in these reasons (issue 14). For present purposes, it suffices to note that, as Bega submitted, the goodwill in the peanut butter products business that Bega acquired from MAFL in 2017 was derived from all the things that MAFL owned and sold to Bega, including, among other things, the plant and machinery within the factory used to make peanut butter, all of the necessary agreements with third parties for the supply of raw materials, the packaging, warehousing, promotion and the sale of all of the peanut butter, and the staff involved in its production, promotion and sale. It is that business, with all of those assets, that created the goodwill that Bega acquired, and which was inseparable from the business.

162 For all those same reasons I do not accept Kraft’s contention that the Peanut Butter Trade Dress did not generate goodwill itself, separately from that which the use of the Kraft trade mark generated.

163 I also do not accept Kraft’s contention that as a matter of fact the Peanut Butter Trade Dress was used only in conjunction with Kraft’s registered trade marks (the word “Kraft” and the hexagon logo). Quite apart from anything else, it was used for many years in conjunction with KFL/MAFL’s mark “Never Oily, Never Dry”, which Bega acquired, and was for many years from the 1980s until the early 2000s the subject of an extensive “Never Oily, Never Dry” advertising campaign. See Annexure B, which contains the script of the television advertisements.

164 Bega also relies on the evidence of Ms Nguyen about the importance of the “Never Oily, Never Dry” mark. Ms Nguyen was employed by Kraft Foods, then Mondelez International, then Bega, in various positions in their food businesses. Between September 2010 and October 2012 she held various brand manager roles including with respect to peanut butter. In July 2011 Ms Nguyen prepared a brief for Mondelez’s packaging design agency, a company called Landor Associates Pty Limited, to create new packaging designs for Kraft branded peanut butter. Part of that brief required the design company to retain “mandatory” items as part of any new design. Relevantly it said as follows:

 Yellow lid background with blue/red area for descriptor has huge equity for Kraft PNB, and is the key identifier on shelf for the Kraft brand … This is mandatory to retain.

 ‘Never Oily, Never Dry’. This is a spontaneously raised by consumers and is a USP [Unique Selling Proposition] versus other inferior products plus also the “healthier” the righties which tend to have oil on the surface.

(errors in original)

165 Mr Garratt’s efforts to dismiss the “Never Oily, Never Dry” trade mark as irrelevant (see [129] above) are, with great respect, unconvincing. They are also inconsistent with the evidence of the importance of the mark to consumers contained in the brief to the design company, which, it may reasonably be inferred, was in part at least a product of the affect in the market of the “Never Oily, Never Dry” advertisements that ran on the television from the late 1980s to the early 2000s.

166 And I do not accept Kraft’s contention that *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 stands for the proposition that the right to use an unregistered trade mark and its use potential cannot form any part of the goodwill of the business. First, *Murry* was a case about a taxi licence, not an unregistered trade mark. And secondly, it is inconsistent with the proposition that an unregistered trade mark cannot be assigned except with the goodwill of the business in respect of which it is used. See *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1 at [270], and the discussion at [173], above.

## Issue 2: What did/does the PBTD designate to consumers?

167 It follows that, as Bega submitted, because the Peanut Butter Trade Dress is an unregistered trade mark, it designates to a consumer that the trade origin of the products on which it is applied is separate and distinct from the trade origin of all other peanut butter products that do not have the Peanut Butter Trade Dress applied to them. As Mr McGrath submitted, and I agree:

Contrary to Kraft’s submissions, it’s not up to consumers to decide who or what is the trade origin of the product. All that consumers need to understand is that there is a trade origin for the product, which has been signified by the use of a particular mark. That’s what makes it a trademark. The association that consumers might form in their mind about a particular brand and any packaging that functions as an unregistered trademark, does not determine the question of which entity has the rights to enforce the unregistered trademark. Factually, the business that was the trade origin of the products on which the peanut butter trade dress was applied was Kraft Foods Limited, renamed in 2013 as Mondelez Australia (Foods) Limited and then bought by Bega in 2017.

## Issue 3: How does goodwill inure to an entity?

168 This issue can also be addressed briefly, given what I have already said in relation to issue 1. Goodwill inures to an entity by that entity using, in its business, all of the sources that give rise to the attraction of custom in the business. See *Inland Revenue Commissioners v Muller & Co’s Margarine Limited* [1901] AC 217 at 235; *Box v* *Commissioner of Taxation* (1952) 86 CLR 387 at 396-397; *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 at [12]-[17], and [24] (“The goodwill of a business is the product of combining and using the tangible, intangible and human assets of a business for such purposes and in such ways that custom is drawn to it”); and *Commissioner of State Revenue v Placer Dome Inc* [2018] HCA 59; (2018) 93 ALJR 65 at [64].

## Issue 4: How is an unregistered trade mark in Australia assigned or transferred?

169 I accept Bega’s proposition that the assignment or licencing of unregistered marks is not possible without the assignment of the underlying goodwill of the business (here, the peanut butter business of KFL/MAFL).

170 That proposition is well established, as I have explained earlier.

171 The rationale for the common law position is that an unregistered, or common law, trade mark cannot be assigned except with the goodwill of the business in respect of which it was used because to do otherwise would engender confusion or deception. As Isaacs J said in *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641 at 655:

It is, in my opinion, however, a radical fallacy to regard the property in a trade mark as something entirely separate and distinct from the trade in connection with which it is used. It is only for the protection of that trade, and to prevent stealing that trade by deception … The right of property in a trade mark is not, so to speak, an affirmative right, like the property in the goods. It is not a right in gross, or in the abstract; but is appurtenant to the trade in certain goods, and has no purpose that the law will recognize apart from them … The property in the mark is simply the right to exclude others from using it, or one likely to be mistaken for it, to the owner’s prejudice; and that right is confined within certain limits similar in this respect to patent rights.

(Citations omitted.)

172 The proposition has been repeated, as I have explained, in the cases referred to above, including in *JT International SA v The Commonwealth of Australia* (2012) 250 CLR 1 at 60, [142] and 97, [270].

173 In addition to those passages extracted above, I should also add the following from the judgment of Gummow J in *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 at 366-367:

In *Pinto v Badman* (1891) 8 RPC 181 at 194, Lord Esher MR described the legal profession as having been surprised by Lord Westbury’s assertion in cases such as *Edelsten v Edelsten* (supra), that there might be property in a trade mark; the Master of the Rolls pointed out that the question then arose as to how that property could be dealt with and whether it was assignable property. The position was reached that the common law mark might not be assigned independently of the business with which it was associated: see *Hospital Products Ltd v United States Surgical Corp* (1984) 156 CLR 41 at 144–5 per Dawson J. Further, in *Commissioner of Taxes (Queensland) v Ford Motor Company of Australia Pty Ltd* (1942) 66 CLR 261, it was held that, for the purposes of the Queensland revenue law relating to allowances in respect of “goodwill”, a foreign company which did not at any time carry on business in Australia had no “goodwill” in relation to certain trade marks which it might transfer to the taxpayer. However, as Mason J pointed out in *Hospital Products Ltd v United States Surgical Corp*, (supra) (at 100-1), the circumstance that goodwill cannot be assigned independently of the business with which it is associated does not deny the existence of a local product of goodwill enjoyed in the jurisdiction by the foreign manufacturer of the goods in question.

## Issue 5: To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the PBTD inure immediately prior to the date of the restructure?

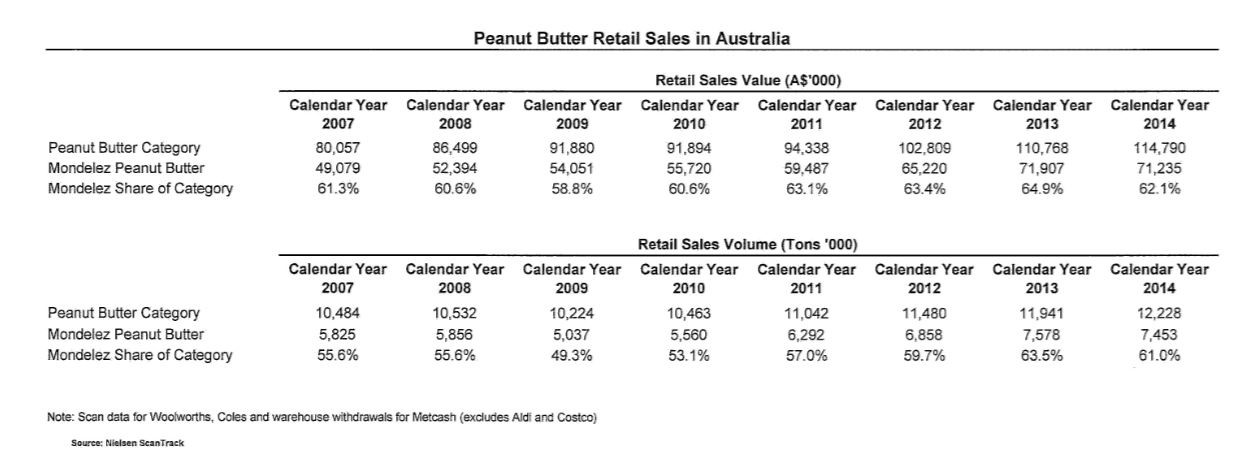
### Peanut butter sales in Australia

174 In order to determine who owns the rights in the unregistered trade mark, being the Peanut Butter Trade Dress, Bega contends that the question to ask is: who has applied it to the goods, put the goods into the marketplace and thereby attained a reputation sufficient to found an action in passing off or under the Australian Consumer Law?

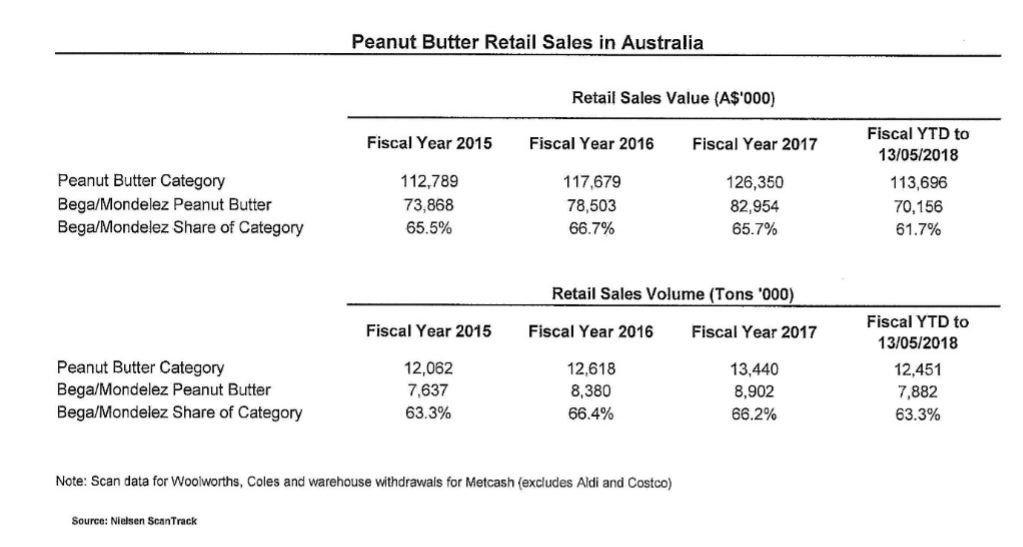
175 Bega contends that it was KFL, and, after the restructure, MAFL, that applied the Peanut Butter Trade Dress to its peanut butter products, put them into the marketplace, promoted them and achieved substantial sales in the many millions of dollars from 2007 onwards – and thereby developed a reputation in it. The products sold since 1997 are depicted in Exhibit A1, which is Annexure C to these reasons, which as I explained earlier shows that the elements making up the trade dress – that is, a jar with a yellow lid and a yellow label with a blue or red peanut device, with the jar having a brown appearance when filled – began to appear together first in 2007.

176 The uncontroverted evidence about sales by KFL/MAFL was as follows:

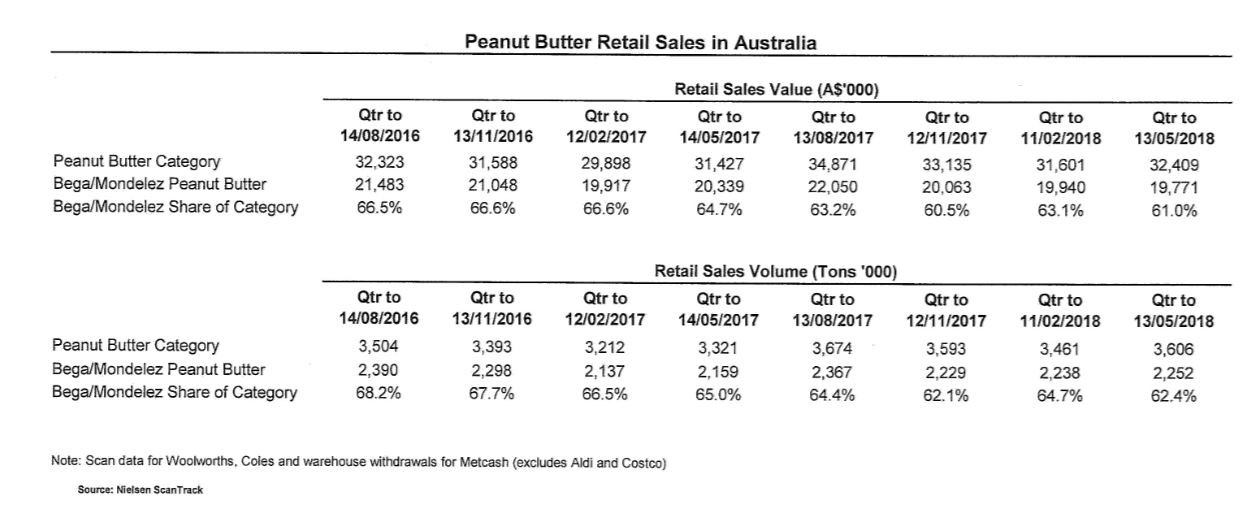
For the calendar years 2007-2014, by value and volume:



For the calendar years 2015-2018, by value and volume:



Quarterly figures from 14 August 2016 until 13 May 2018 by value and volume:



177 Bega contends that this is critical evidence of the reputation developed by the KFL/MAFL business in its promoting and selling of peanut butter products using the Peanut Butter Trade Dress from 2007 onwards.

178 Bega contends that whether KFL manufactured, promoted and sold peanut butter products using the PBTD in conjunction with a registered trade mark that KFL owned, or whether it was licensed from another member of the wider Kraft group, is irrelevant to the question of ownership of goodwill. It says that KFL/MAFL ran the business that it owned, and which it sold to Bega, including the goodwill generated from all its sources, which in turn included the PBTD.

179 Bega submitted, in relation to issue 4, and, for reasons set out above, I agree, that KFL could not have assigned the rights in the PBTD to any other member of the Kraft corporate group without also assigning its peanut butter business, which (on any view) it did not do. Bega submits, and again I agree, that the PBTD indicates the trade origin of the peanut butter products to which it was applied, it distinguishes those products provided in the course of trade by KFL from the peanut butter products of all others, and gives rise to a right to prevent others from using it and attaches to the business which has promoted and sold the peanut butter products using it.

### The sub-licences

180 As I have set out earlier, Kraft contends that KFL did not conduct the business in which the Peanut Butter Trade Dress was used and the goodwill did not inure to KFL’s benefit prior to the restructure because:

(1) Before the restructure, KFL used the PBTD and the registered mark “Kraft” under licence from Kraft Foods Global Brands LLC.

(2) After the restructure, and pursuant to the MTA ownership of the goodwill (and thus ownership of the PBTD) was assigned to the first applicant, Kraft Foods Group Brands LLC.

(3) The first applicant then granted to Kraft Foods Global Brands LLC (later renamed Intercontinental Great Brands LLC) a licence to use the Kraft brand and the PBTD (defined in the TFASOC as the **Mondelez Licence**).

(4) Kraft Foods Global Brands LLC then sub-licensed the PBTD to KFL and later to MAFL the right to use the PBTD until 31 December 2017, on which date Bega, having acquired MAFL, and its licence rights, no longer had any right to use the PBTD.

(5) KFL/MAFL’s production, branding, distribution and sale of Kraft branded peanut butter in Australia was at all times subject to the ultimate control of the relevant US parent company (Kraft Foods Inc before the restructure, Mondelez International Inc after it).

(6) The PBTD was only ever a “diagnostic cue” for the Kraft brand, so its use could only have inured to the benefit of the owner of that brand, i.e. the first applicant.

(7) The Mondelez Licence was assigned or novated to Bega, and Bega assumed the obligations and restrictions under the MTA in respect of the Mondelez Licence, by operation of New York law, so the fact that Bega was not a party to the MTA is irrelevant.

181 It is apparent from that summary of Kraft’s central propositions that its case must involve the requisite proof of the applicable licensing arrangements relied on.

182 The central importance of the licences to Kraft’s case is apparent from the following paragraphs of Kraft’s Closing Submission dated 29 October 2018:

 A right to use (while a licensee) a trade mark may also be a source of goodwill for a manufacturing operation, but that does not mean that the manufacturer becomes owner of the attractive connection between the consumer and brand (mark) owner, only that the manufacturer is entitled to benefit from it during the term of the licence according to the terms of the licence. ([6(a)]).

 Bega’s propositions ignore the legally critical circumstance that Kraft Foods Ltd’s use of the KRAFT mark and Peanut Butter Trade Dress was by permission, and not as of right. Prior to the Restructure, Kraft Foods Ltd used the KRAFT mark and Peanut Butter Trade Dress under licence from Kraft Foods Global Brands LLC. As licensee, Kraft Foods Ltd did not own goodwill generated by use of the KRAFT mark or Peanut Butter Trade Dress, and as such could not “retain” that goodwill pursuant to the Restructure or transfer that goodwill to Bega because the goodwill inured to the licensor’s business not the manufacturer’s business. ([6(b)]).

 Bega contends that the entity that manufactured and sold Kraft peanut butter prior to Bega’s purchase of the business in July 2017 owned the goodwill generated through use of the KRAFT mark and Peanut Butter Trade Dress. This does not follow in circumstances where that entity was, both before and after the Restructure, using the marks under licence. ([20]).

 Bega’s submissions … mischaracterise Kraft’s position. As will be elaborated below, Kraft’s submission is that prior to the Restructure, consistent with established law in relation to the licensing of trade marks, goodwill generated through use of the KRAFT mark and Peanut Butter Trade Dress inured to the benefit of Kraft Foods Global Brands LLC as licensor, and not to Kraft Foods Ltd as licensee. ([68]).

 Once it is accepted that the Licence Agreements governed the manufacture and sale of Kraft peanut butter, it necessarily follows that the trade origin indicated by the KRAFT mark and Peanut Butter Trade Dress was not the manufacturing entity, but the licensor that controlled such manufacture and sale. ([80])

 Prior to the Restructure, the relevant commercial entities responsible for the overarching control of the production and sale of Kraft peanut butter were Kraft Foods Inc as parent entity of, and Kraft Foods Global Brands LLC as the IP holding/licensing company for, the Kraft Foods group. Kraft Foods Ltd was a mere licensee and subject to the control of Kraft Foods Inc and the intra-company licensing arrangements that had been implemented as by Kraft Foods Inc between members of the Kraft Foods group. ([94])

 The trade origin indicated by the use of the KRAFT mark and Peanut Butter Trade Dress on Kraft peanut butter was with the owner of the mark, which was not Kraft Foods Ltd, but Kraft Foods Global Brands LLC as licensor and IP holding company for the Kraft Foods group. Any goodwill generated by use of those marks inured to the benefit of Kraft Foods Global Brands LLC as licensor, not Kraft Foods Ltd as licensee. ([95]).

 The position in relation to goodwill may be summarised as follows:

(a) prior to the Restructure, goodwill generated through use of the KRAFT mark inured to the benefit of and was owned by Kraft Foods Global Brands LLC;

(b) the goodwill owned by Kraft Foods Global Brands LLC was assigned to the First Applicant pursuant to the MTA;

(c) after the Restructure, goodwill generated through use of the KRAFT mark inured to the benefit of and is owned by the First Applicant pursuant to the MTA. ([234]).

 The goodwill owned by Kraft Foods Global Brands LLC was assigned to the First Applicant pursuant to the MTA. The relevant “business” for the purposes of assessing the validity of any transfer of goodwill under the MTA is the licensing business conducted by Kraft Foods Global Brands LLC. Pursuant to the MTA, the First Applicant was assigned all assets necessary to continue that business, such that it acquired the goodwill in that business. The MTA relevantly effected the assignment of a licensing business, including goodwill, between two IP holding/licensing companies. ([235])

 Bega’s submissions in relation to goodwill assume that Mondelez Australia (Foods) Ltd owned all goodwill relevant to its Australian peanut butter business. However, properly analysed, it is apparent that Mondelez Australia (Foods) Ltd was a mere licensee. It did not own goodwill generated through use of the KRAFT mark or Peanut Butter Trade Dress, and could not transfer to Bega goodwill that it did not own. ([236]).

183 Bega says, in response, that none of those submissions should be accepted, because even if Kraft Foods Inc, or any member of the Kraft global group, had purported to license, assign or otherwise “shift” the PBTD from KFL to an upstream company in the Kraft global group, it would have been ineffective as a matter of Australian law. As Mr McGrath put Bega’s case in that regard: “So you can talk about your beneficial interests as much as you like, unless you’ve actually done what’s required under Australian law to assign the rights and the unregistered trade mark, then nothing has moved. And Kraft Foods Limited continues to make, promote and sell the peanut butter products in the Peanut Butter Trade Dress – its business. And it hasn’t gone anywhere else.”

184 For the reasons given above, I accept that submission.

185 Nonetheless, in the event that I am wrong about that, it is necessary to consider the evidence adduced by Kraft about the relevant licensing arrangements, to which I now turn.

## Evidence about the licence agreements

186 The licence agreements in question were produced by Mondelez Australia (Foods) Ltd pursuant to a subpoena dated 1 June 2018.

187 Relevantly, the subpoena required production of the documents in the following terms:

The documents and things you must produce are documents in the possession, power or control of Mondelez Australia (Foods) Ltd (**Mondelez**) which relate to the sale of peanut butter bearing the trade mark “Kraft” (**Kraft Peanut Butter**), namely:

**Pre-restructure documents**

1. A copy of any trade mark licence agreements between Kraft Foods Ltd (as Mondelez was then named) and any person which governed the use by Kraft Foods Ltd of any trade marks, trade indicia or trade dress (registered or unregistered) appearing on Kraft Peanut Butter in the period 2006 to 2012, including any trade mark licence agreement between Kraft Foods Ltd and Kraft Foods Global Brands LLC.

…

**Post-2012 documents**

6. A copy of any trademark licence agreements between Mondelez Australia (Foods) Ltd and any person which governed the use by Mondelez Australia (Foods) Ltd or any other person of any trade marks or trade indicia or trade dress (registered or unregistered) appearing on Kraft Peanut Butter in the period 2012 to 2017.

188 The first set of (redacted) licence agreements was produced pursuant to category 1 of the subpoena, being:

(a) an agreement entitled “License Agreement” between Kraft Foods Ltd and Kraft Foods Holdings Inc. effective 1 January 2000 (**2000 Licence Agreement**);

(b) an agreement entitled “Amendment to and Restatement of License Agreement” between Kraft Foods Ltd and Kraft Foods Global Brands LLC, effective 1 January 2009 (**2009 Licence agreement**);

(c) an agreement entitled “Second Amendment to and Restatement of License Agreement” between Kraft Foods Ltd and Kraft Foods Global Brands LLC, effective 1 January 2011 (**2011 Licence Agreement**).

189 The second set of licence agreements was produced by Mondelez Australia (Foods) Ltd under category 6 of the subpoena, which sought licences in respect of Kraft peanut butter from 2012 onwards. Those agreements were:

(a) an agreement entitled “Trade Mark License Agreement” between Mondelez Australia (Foods) Ltd and another Mondelez entity effective 1 December 2016 (**2016 Licence Agreement**); and

(b) an agreement entitled “Amendment No. 1 to and Restatement of Trademark License Agreement” between Mondelez Australia (Foods) Ltd and another Mondelez entity, effective 1 January 2017 (**2017 Licence Agreement**).

190 Mr Syme’s affidavit relevantly provided as follows:

4. On 25 June 2018, MAFL produced documents to the court under categories 1, 5 and 6 of the schedule of documents to the Subpoena. I make this affidavit in support of an objection to the inspection by the Applicants and the Respondent of certain documents produced under categories 1 and 6 of the schedule of documents to the Subpoena in unredacted form.

5. As to category 1 (which calls for *“[a] copy of any trade mark licence agreements between Kraft Foods Ltd (as Mondelez [i.e. MAFL] was then named) and any person which governed the use by Kraft Foods Ltd of any trade marks, trade indicia or trade dress (registered or unregistered) appearing on Kraft Peanut Butter in the period 2006 to 2012, including any trade mark licence agreement between Kraft Foods Ltd and Kraft Foods Global Brands LLC”),* MAFL produced:

(a) in an envelope marked “*Confidential - proprietary, competitively sensitive documents*” in accordance with paragraph 7.5(c) of Practice Note GPN­SUBP, three unredacted documents, being:

(i) an agreement entitled “LICENSE AGREEMENT” between Kraft Foods Ltd (being the former name of MAFL) and Kraft Foods Holdings, Inc., effective 1 January 2000 (**2000 License Agreement**);

(ii) an agreement entitled “AMENDMENT TO AND RESTATEMENT OF LICENSE AGREEMENT” between Kraft Foods Ltd and Kraft Foods Global Brands LLC, effective 1 January 2009 (**2009 License Agreement**); and

(iii) an agreement entitled “SECOND AMENDMENT TO AND RESTATEMENT OF LICENSE AGREEMENT” between Kraft Foods Ltd and Kraft Foods Global Brands LLC, effective 1 January 2011 (**2011 License Agreement**); and

(b) separately to the envelope referred to in paragraph 5(a) above, a redacted copy of each of the 2000 License Agreement, the 2009 License Agreement and the 2011 License Agreement (together, the Category 1 License Agreements), the redactions masking the percentage royalty rates set out in schedules headed “SCHEDULE B” to each of the Category 1 License Agreements.

6. The 2009 License Agreement was an amendment and restatement of the 2000 License Agreement, and the 2011 License Agreement was an amendment and restatement of the 2000 License Agreement as amended and restated by the 2009 License Agreement. As stated in subparagraphs 5(a)(i), the company named as MAFL’s counterparty under the 2000 License Agreement was Kraft Foods Holdings, Inc. That company merged with and into the company named as MAFL’s counterparty under the 2009 and 2011 License Agreements, being Kraft Foods Global Brands LLC. Kraft Foods Global Brands LLC is the former name of a company within the Mondelez International Group which is now known as Intercontinental Great Brands LLC, incorporated in the State of Delaware (**IGB**).

7. As to category 6 (which calls for *“[a] copy of any trade mark licence agreements between Mondelez Australia Foods Ltd and any person which governed the use by Mondelez Australia (Foods) Ltd or any other person of trade marks or trade indicia or trade dress (registered or unregistered) appearing on Kraft Peanut Butter in the period 2012 to 2017’*), MAFL produced:

(a) in the same envelope marked “*Confidential - proprietary, competitively sensitive documents*” referred to in paragraph 5(a) above, two unredacted documents, being:

(i) an agreement entitled “TRADEMARK LICENSE AGREEMENT” between MAFL and a foreign counterparty (**Foreign Counterparty**), effective 1 December 2016 (**2016 License Agreement**); and

(ii) an agreement entitled “AMENDMENT No. 1 to and RESTATEMENT of TRADEMARK LICENSE AGREEMENT” between MAFL and the Foreign Counterparty, effective 1 January 2017 (2017 License Agreement); and

(b) separately to the envelope referred to in paragraph 5(a) above, a redacted copy of each of the 2016 License Agreement and the 2017 License Agreement (together, the **Category 6 License Agreements**), the redactions masking:

(i) in the parties clause of each of the Category 6 License Agreements, part of the name of the Foreign Counterparty, the company number of the Foreign Counterparty, and the address and place of incorporation of the Foreign Counterparty;

(ii) in the execution clause of each of the Category 6 License Agreements, part of the name of the Foreign Counterparty, as well as the name of the individual who signed on behalf of that foreign counterparty;

(iii) the percentage royalty rates set out in a schedule headed “SCHEDULE A” in the 2016 License Agreement and schedule headed “SCHEDULE 1” in the 2017 License Agreement for the Category 6 License Agreements; and

(iv) a description of certain value-added services (termed “Licensor Assistance”) required to be provided by the foreign counterparty to MAFL in part consideration for the royalty payments required to be made by MAFL to the foreign counterparty, set out in a schedule headed “SCHEDULE B” in the 2016 License Agreement and a schedule headed “SCHEDULE 2” in the 2017 License Agreement.

8. As is the case for both MAFL and IGB, the Foreign Counterparty is a member of the Mondelez International Group. MAFL, IGB and the Foreign Counterparty are each indirect, wholly-owned subsidiaries of Mondelez International, Inc. (which is the publicly traded top company of the Mondelez International Group). Unlike IGB, the Foreign Counterparty is not incorporated in the United States.

9. Each of the Category 1 License Agreements and the 2016 License Agreement was, and the 2017 License Agreement is, an arms-length agreement between MAFL and the relevant counterparty as described above. Each of the Category 1 License Agreements and Category 6 License Agreements sets out the terms by which the relevant counterparty as “Licensor’’ licensed or licenses to MAFL as “Licensee” certain trademarks and other intellectual property rights which:

(a) in the case of the Category 1 License Agreements were owned by the relevant counterparty (i.e. the company now known as IGB and, before it in respect of the licence granted under the 2000 License Agreement, Kraft Foods Holdings, Inc.); and

(b) in the case of the Category 6 License Agreements, are either owned by the Foreign Counterparty or which the Foreign Counterparty licenses from another Mondelez International Group entity (and to which it is entitled to grant sub-licences).

10. The 2016 License Agreement superseded the Category 1 License Agreements, which were terminated by agreement between MAFL and IGB in December 2016. The 2017 License Agreement amended and restated the terms of the 2016 License Agreement. Both the Category 6 License Agreements were entered into as part of an internal restructuring of the Mondelez International Group, which was undertaken for various business-related purposes, including to better reflect and accommodate the Mondelez International Group’s evolving business operations (including the restructure of its supply chain).

191 The licence agreements are relevantly in the same terms. The 2011 Licence Agreement was in effect from 1 January 2011 until 1 December 2016, so it is, as Kraft submitted, of primary importance to its case because it spans the period of the restructure. (Although not called “sub-licences”, Kraft’s case is that they were in fact sub-licences, because it says that Kraft Foods Global Brands’ right to license to KFL/MAFL derived from “the Mondelez Licence” (see [41] above)).

192 The 2011 Licence Agreement provides relevantly as follows:

**SECOND AMENDMENT TO AND RESTATEMENT OF LICENSE AGREEMENT**

THIS SECOND AMENDMENT TO AND RESTATEMENT OF LICENSE AGREEMENT by and between **Kraft Foods Global Brands LLC**, a limited liability company established in the State of Delaware, U.S.A. with an office at Three Lakes Drive, Northfield, Illinois 60093, U.S.A. (the “Licensor”), and **Kraft Foods Limited** ACN 004 125 071, a company established in Australia with a registered office at Level 6, South Wharf Tower, 30 Convention Centre Place, South Wharf, Victoria 3006, Australia (the “Licensee”, collectively, Licensor and Licensee are the “Parties”) is effective January 1, 2011.

**Recitals**

WHEREAS, Licensor and Licensee entered into that certain Amendment and Restatement of License Agreement effective January 1, 2009, amending that certain License Agreement between Kraft foods Holdings, Inc. and Licensee dated January 1, 2000 (“Lic No 0002”);

WHEREAS, Licensor and Licensee are both wholly-owned subsidiaries; the controlling Interests of which are ultimately owned by Kraft Foods Inc. (“Kraft Foods”);

WHEREAS, Licensor and Licensee agree that the terms and conditions of Lic No 0002 be replaced to adopt new terms and conditions;

WHEREAS, Licensor and its predecessors have developed, used, licensed and/or promoted trademarks comprising the Subject Trademarks as defined below, and Licensor intends to continue such activities;

WHEREAS, Licensor and its predecessors have conceived, developed, and used Know-How as defined below and Licensor intends to continue to do so;

WHEREAS, Licensor and its predecessors have obtained the Subject Patents as defined below and Licensor intends to acquire additional Subject Patents;

WHEREAS, Licensor is the owner or licensee in the territory set forth on Schedule A (hereinafter “the Territory”) of the Subject Trademarks, the Know-How and the Subject Patents;

WHEREAS, Licensee wishes to use the Subject Trademarks in the Territory under the control of Licensor for the purpose of manufacturing products and selling them in the territory; and

WHEREAS, Licensee wishes to use the Know-How, and to be licensed under the Subject Patents.

**NOW THEREFORE**, in consideration of the foregoing and of the mutual promises set forth below, Licensor and Licensee agree as follows:

Licensor and Licensee agree that the terms and conditions of Lic No 0002 shall be replaced in their entirety by the following terms and conditions:

**I. DEFINITIONS**

In this licence agreement, except where otherwise provided,

A. “Arm’s Length” will mean …

B. “House Brands” will mean …

C. “Know-How” comprises …

D. “Net Sales” shall mean …

E. “Products” means any product (a) sold or intended to be sold by Licensee under any of the Subject Trademarks, and/or (b) manufactured, processed, packaged, or marketed by Licensee in accordance with the Know-How, and/or (c) covered by one or more claims of any of the Subject Patents.

F. “Services” means any service performed in combination with any of the Subject Trademarks, the Know-How, and/or one or more claims of any of the Subject Patents.

G. “Subject Trademarks” means, in relation to the categories listed in Schedule B:

(i) all trademarks owned in the Territory by Licensor from time to time, or which have been licensed to Licensor with the right to grant sublicenses thereunder in the Territory;

(ii) trademarks that are registered in the name of Licensor or the subject of pending applications for registration in the Territory, standing in the name of Licensor;

(iii) trademarks filed and/or registered in the Territory by Licensor after the date of this License Agreement, and all trademarks used in the Territory by Licensee at present or in the future under the control of Licensor as to the character and quality of the goods and/or services connected with such trademarks.

Any reference given herein to Subject Trademarks includes, as the context requires, any one or more of the Subject Trademarks.

H. “Subject Patents” comprises …

**II. GRANT OF LICENSE**

A. Subject to the conditions set forth below, Licensor grants to Licensee, and Licensee accepts, the non-exclusive and sublicensable right and license to:

(i) use the Subject Trademarks, in particular to affix the Subject Trademarks to the Products or their packaging, to offer or market the Products under the Subject Trademarks and to use the Subject Trademarks in advertising;

(ii) use the Know-How in the manufacture of Products or performance of Services rendered or to be rendered in combination with the Subject Trademarks; and

(iii) ...

B. Licensee acquires no interest in the Subject Trademarks, the Know-How or the Subject Patents other than the rights specifically granted, and Licensee’s use of the Subject Trademarks shall inure exclusively to the benefit of Licensor.

C. This License Agreement does not (i) grant or confer upon Licensee the right to grant any security interest in or to the Subject Trademarks or Subject Patents; (ii) grant or confer upon Licensee the right to register any trademark, service mark, domain name or other designation of origin comprised of the Subject Trademarks.

D. Licensee agrees not to do or to omit to do anything during or after the term of this License Agreement that could adversely affect the validity or enforceability of the Subject Trademarks or the Subject Patents or Licensor’s title thereto, or that could adversely affect the goodwill associated with the Subject Trademarks.

E. Licensee agrees not to do or to omit to do anything during or after the term of this License Agreement that could cause any portion of the Know-How to become disclosed to the public.

F. Licensee may engage a related or unrelated third party to manufacture and/or package Products and/or distribute and/or market the Products under the Subject Trademarks or to use the Subject Trademarks in advertising provided that said third party is bound by a written contract with Licensee. Unless as otherwise agreed by Licensor from time to time, the written contract should state that:

(i) the third party will not acquire any interest in the Subject Trademarks, the Know­How or the Subject Patents because of the written contract;

(ii) the third party will not directly or indirectly use the Know-How in manufacturing or packaging any goods or performing any methods other than those specifically contracted for in said contract;

(iii) the third party will not manufacture, use, or sell anything, or perform any method covered by one or more subsisting claims of the Subject Patents other than manufacturing or packaging the Products specifically contracted for in said contract;

(iv) the third party will indemnify, defend, and hold Licensor harmless jointly and severally with Licensee to the same extent that Licensee covenants to hold Licensor harmless under this License Agreement,

(v) third party manufacturer will carry an appropriate level of insurance at all times during the term of the license.

(vi) third party manufacturer shall maintain industry-standard quality assurance systems and test procedures.

(vii) the term of any sublicense shall not exceed the term of this Agreement and shall terminate with immediate effect on termination of this Agreement. Alternatively, the sublicense shall be transferred to Licensor upon termination of this Agreement.

**III. PAYMENTS**

A. In consideration of the granting of said rights and the performance of services set forth above, Licensee shall pay Licensor an amount equal to Licensee’s Net Sales of Products multiplied by the royalty rate specified in Schedule B hereto (“Royalties”).

…

**IV. CONTROL**

A. To protect the goodwill symbolized by the Subject Trademarks, and to ensure that the public may continue to rely upon the Subject Trademarks as identifying Products and Services of consistent high quality, Licensee agrees that it will use the Subject Trademarks under the strict control of Licensor as to the character and quality of all Products and Services associated with the Subject Trademarks. More particularly, Licensee agrees that it will manufacture, promote, advertise, distribute, sell, and package the Products distributed, sold, or offered for sale by it in association with the Subject Trademarks in accordance with Licensor’s specifications, recipes, formulae, procedures, quality control and other standards, policies, and guidelines as amended from time to time.

B. Licensor may appoint a representative to exercise the control function described in this section. In such case, it will inform Licensee accordingly. Licensee will follow all instructions of the representative appointed to ensure the control and cooperate with it as if it were the Licensor.

C. Licensor or its authorized representative may from time to time supply the Licensee with modifications to, or additional specifications and quality standards for the Products and the Licensee will strictly adhere to such specifications and quality standards.

D. Licensee agrees that it will from time to time and upon reasonable notice permit Licensor’s representatives to enter and utilize the premises, plant, or equipment to perform Product testing for existing or future Products, including but not limited to, the placement of testing equipment and personnel as necessary for the performance of Product testing on the Licensee’s premises.

E. Licensee agrees to provide Licensor, at Licensee’s expense, with reasonable quantities of random samples of Products for quality control purposes, on Licensor’s reasonable request.

F. Licensee shall provide Licensor with Licensee’s quality test data relating to all of the Products upon request by Licensor.

G. Licensee shall maintain industry-standard quality assurance systems and test procedures.

H. If Licensor discovers any deficiency in any Products or Services as determined in Licensor’s sole discretion Licensor may require Licensee to take appropriate remedial action. Licensee will report to Licensor concerning such remedial action, giving full particulars of the steps taken to remedy any deficiencies noted by Licensor. Licensor may require Licensee to supply samples of any relevant Products, or to inspect the Services, to satisfy itself that any such deficiency has been corrected.

I. Licensee agrees to notify Licensor immediately of any material discrepancy noted by any governmental agency, including as a part of an inspection of a facility where Products are produced, packaged, or stored, and Licensee shall provide Licensor with all documents and reports relating to such discrepancy. Licensee agrees to immediately notify Licensor of any situation which may require a recall of any Products from distribution. Licensor will have the right to participate in and approve any decision by Licensee to initiate a Product recall or other such remedial action.

J. Licensee agrees to indemnify, defend, and hold Licensor harmless from any liability arising from Licensee’s use of the Subject Trademarks, Know-How or Subject Patents under this License Agreement, and without restricting the generality of the foregoing, Licensee agrees to hold Licensor harmless from any liability arising due to the quality, fitness or merchantability of any of the Products or Services manufactured, sold, or offered for sale by Licensee pursuant to this License Agreement except for any loss arising from a product quality issue which is proven to be the result of inherently defective specifications provided by Licensor to Licensee. In construing this paragraph, “Licensor” includes the directors, officers, agents, and employees of Licensor and its affiliated companies.

K. Licensee will inform Licensor immediately:

(i) upon becoming aware of any third party violation of Licensor’s rights in the Subject Trademarks or Subject Patents; and

(ii) of any third party claim or challenge relating to the Subject Trademarks or Subject Patents.

L. Licensor may, without assuming any liability and at its own expense, initiate, assume control of, or join in the prosecution or defense of any such violation or claim. Licensee shall not have the right to commence any action against any third party in connection with the Subject Trademarks or Subject Patents without the prior written approval of Licensor, which shall be in Licensor’s full discretion. Licensee agrees that it will render all assistance required by Licensor in the prosecution or defense of any such claim.

M. The Licensee will be entitled to use any House Brands owned by or licensed to the Licensee with the Subject Trademarks in relation to the Products provided that such use is approved by the Licensor or its authorized representative.

**V. NOTICE OF LICENSE**

Licensee agrees that it will advertise and display the Subject Trademarks in accordance with any standards, policies, and guidelines set by Licensor, including any guidelines or specifications relating to trademark, copyright, patent or other intellectual property notices. Licensee shall mark all future packaging and/or advertising bearing the Subject Trademarks as may be required by Licensor to signify Licensor’s ownership of the Subject Trademarks and signify that the use of the Subject Trademarks is a licensed use.

…

## Kraft’s submissions in relation to the licence agreements

193 Kraft submitted that the licence agreements “reflect the internal contractual arrangements within the Kraft Foods group under which Kraft peanut butter was manufactured and sold by Kraft Foods Ltd. They are completely consistent with the fact that Kraft Foods Ltd was a subsidiary company that used the Kraft mark and Peanut Butter Trade Dress subject to the control of other entities within the wider Kraft Foods group”.

194 Kraft concedes that on their face none of the licence agreements expressly identifies the KRAFT trade mark or the Peanut Butter Trade Dress as being licensed to Kraft Foods Ltd. Kraft’s case is that “it is clearly to be inferred” that the licence agreements “relate to Kraft peanut butter” because they were produced by Mondelez Australia (Foods) Ltd pursuant to the subpoena, which sought production of licence agreements governing marks used on Kraft peanut butter.

195 Kraft submits that the 2011 Licence Agreement makes clear that Kraft Foods Ltd’s manufacture of Kraft peanut butter is subject to the Licensor’s control, in particular under clause IV(A), which reads:

...More particularly, Licensee agrees that it will manufacture, promote, advertise, distribute, sell, and package the Products distributed, sold, or offered for sale by it in association with the Subject Trademarks in accordance with Licensor’s specifications, recipes, formulae, procedures, quality control and other standards, policies, and guidelines as amended from time to time.

196 Kraft also says that this is consistent with the evidence of Mr El-Zoghbi that Kraft Foods Ltd “… operated under Kraft Foods’ strict global manufacturing and quality policies, and did not have freedom to establish or implement its own quality or manufacturing processes outside the global norms of the Kraft Foods business” and is also consistent with the evidence of Mr El-Zoghbi and Ms Dal Maso that Kraft Foods Ltd was subject to regular quality audits.

197 Kraft next points to what it calls the “expansive” definition of “Subject Trademarks” and says that the definition is not limited to marks that are registered or the subject of pending applications for registration, and expressly encompasses all trade marks used under the control of the Licensor. It points to the “Subject Trademarks” as defined in the 2011 Licence Agreement being in three not mutually exclusive categories:

(a) Category (i) consists of marks (whether registered or unregistered) owned by or licensed to Kraft Foods Global Brands LLC.

(b) Category (ii) is directed specifically to marks registered in the name of Kraft Foods Global Brands LLC. As at 1 January 2011, prior to the Restructure, Kraft Foods Global Brands LLC was the registered owner of the Nut Device Marks used on the packaging of Kraft peanut butter. The Nut Device Marks formed part of the Peanut Butter Trade Dress. There can be no question that the Nut Device Marks fell within the definition of “Subject Trademarks” in the 2011 Licence, and that Kraft Foods Ltd used the Nut Device Marks pursuant to the 2011 Licence.

(c) Category (iii) is broadly defined to include trade marks used by Kraft Foods Ltd under the control of Kraft Foods Global Brands LLC, and so includes the KRAFT trade mark and the Peanut Butter Trade Dress.

198 Kraft next emphasises that the control provisions in clause IV apply to “Products”, which is defined to include products sold by Kraft Foods Ltd under any of the Subject Trademarks. It says that peanut butter is thus a “Product”, and as such the manufacture, promotion, advertisement, distribution, sale, and packaging of peanut butter by Kraft Foods Ltd was subject to the control of Kraft Foods Global Brands LLC pursuant to the 2011 Licence Agreement (and the other licence agreements).

199 Kraft contends that the licence agreements extend to both registered and unregistered trade marks, citing the definition of “Subject Trademarks”, and therefore include rights in the PBTD.

200 Kraft makes an additional point about the 2017 Licence Agreement, which was in existence at the time Bega agreed to purchase the Australian and NZ Meals Business of Mondelez Australia (Foods) Ltd, or Joey Business, which expressly contemplates that the licensee might own intellectual property rights in “Own Products”, and defines “Local Intellectual Property Rights” as intellectual property owned by the Licensee and used for “Own Products”. “Own Products” is defined to mean products “marketed, promoted and/or advertised by the Licensee using the Local Intellectual Property Rights but not the Licensed Intellectual Property Rights”.

201 Kraft says that “[o]nce it is accepted that the [l]icence [a]greements governed the manufacture and sale of Kraft peanut butter, it necessarily follows that the trade origin indicated by the Kraft mark and Peanut Butter Trade Dress was not the manufacturing entity, but the licensor that controlled such manufacture and sale”.

## Bega’s submissions in relation to the licence agreements

202 Bega submits that the fact that the copy licence agreements were produced in answer to each categories in the subpoena addressed to MAFL does not “tell you a single thing about how those documents operate”.

203 It next submits that the scope of the “Subject Trade Marks” being licensed is entirely unclear because of the circularity within that definition, other than to the extent that there may have been relevant trade mark registrations that were registered in the name of Kraft Foods Global Brands LLC.

204 Further, Bega says that there is also no basis for asserting a beneficial ownership in the trade marks registered in the name of KFL.

205 Bega’s submissions start with the 1 January 2000 Licence Agreement between Kraft Foods Holdings Inc as Licensor and KFL as Licensee, which is in the same terms as the 2011 Licence Agreement set out above at [193].

206 The relevant scope of the definition of “Subject Trade Marks” to which Bega points is in clause I(E), and describes four categories of trade marks:

(i) all trade marks beneficially owned in the Territory (Schedule A - principally Australia) by the Licensor from time to time (clause I(E)(i));

(ii) trade marks that are registered in the name of the Licensor or the subject of pending applications for registration in the Territory standing in the name of the Licensor (clause I(E)(ii));

(iii) trade marks adopted in the Territory by the Licensor after the date of the licence agreement (clause I(E)(iii));

(iv) all trade marks used in the Territory by the Licensee at present or in the future under the control of the Licensor as to the character and quality of the goods connected with such trade marks (clause I(E)(iii)).

207 Bega submits that there is no evidence of what those trade marks are. As Mr McGrath emphasised in his oral closing submission:

The first page tells you who is the licensor and the licensee and, at that stage, the licensor was Kraft Foods Holdings Inc and the licensee is Kraft Foods Limited… I won’t pass through the recitals because there are some important provisions in it. It says:

*The licensor and its predecessors have conceived, developed, used and promoted trademarks comprising the subject trademarks*.

And when one turns to the definition of “Subject Trademarks” … they mean:

*All trademarks beneficially owned in the territory by licensor from time to time*.

Your Honour has got no evidence of that; no evidence of what are the trademarks beneficially owned in the territory by the licensor. Then the next category:

*Trademarks that were registered in the name of the licensor*.

Your Honour has got no evidence of that. The next category is:

*Trademarks adopted in the territory by the licensor after the date of the agreement*.

Your Honour has got no evidence of that. And then the other part of (iii) is:

*All trademarks used in the territory by the licensee at present or in the future under the control of the licensor*.

Your Honour has got no evidence of that…

208 Bega further submits that the second part of clause I(E)(iii), which says that “Subject Trade Marks” includes “all trade marks used in the Territory by the Licensee … under the control of the Licensor”, cannot help Kraft because “the only control that is evidenced is the licence agreement itself, which has a generalised quality control clause in respect of Subject Trade Marks (section IV)”. In other words, Bega submits, in relying on this part of the definition a trade mark cannot become a “Subject Trade Mark” under the 2000 Licence Agreement using the control provisions which only operate over trade marks that are a “Subject Trade Mark” under the 2000 Licence Agreement.

209 The 2009 Licence Agreement and the 2011 Licence Agreement, Bega says, each suffer from the same circular deficiencies in the definition of “Subject Trademarks” because to qualify as a “Subject Trademark” it is necessary to show “control”, and the control provisions in each licence agreement only apply to “Subject Trademarks”, of which there is no evidence.

210 Bega also says that the provisions in the licence agreements about “control”, and the extensive evidence adduced by Kraft about it, is essentially beside the point. It agrees that Kraft exercised a degree of control. In their written submissions, Bega contended as follows:

118. A company that uses a trade mark on its own goods or services necessarily controls the quality of those goods or services (it cannot do otherwise). Issues of quality control only arise in respect of the validity of a trade mark registration that is licensed for use by another.

119. Where a registered trade mark is licensed, Australian case law requires that for the licensee’s use of the trade mark to be use for the benefit of the licensor (to be an ‘authorised use’) it must be subject to at least some level of quality control by the trade mark owner [citing *Lodestar Anstalt v Campari America LLC* (2016) 244 FCR 557 at [95]-[98]].

120. It does not follow that, just because a subsidiary is subject to quality control supervision by a parent company, the parent company therefore owns (beneficially or otherwise) any or all trade marks that are used by that subsidiary (although that appears to be Kraft’s submission). Rather, such quality control would be necessary to maintain the validity of any trade marks owned by the parent and licensed to the subsidiary.

121. A subsidiary who is subject to quality control supervision by a parent company will also, necessarily, be responsible for the quality of its own products – as already noted, it cannot help but do so. By way of example, in conducting its own business the subsidiary may or may not, in fact, comply with the quality control obligations of its parent – but either way, it is inherently controlling the quality of its own products (whether that quality is high or low).

122. Kraft’s submission is an extraordinary one, and if accepted would also mean that where more than one trade mark is used on a product, each trade mark must necessarily be owned by the same entity.

123. Different owners of a trade mark used on the same product may separately take action to prevent the use of that trade mark by someone not authorised to use the trade mark. The rights given by ownership of a trade mark have therefore been characterised as being largely negative in character. Each such trade mark may function to indicate trade origin, in the sense of distinguishing from the goods of another trader, but it does not follow that each trade mark used on the same goods must indicate the same trade origin in the sense of indicating that the trade mark owner is the same, which is a submission that Kraft appears to make.

124. On the present facts it appears that, at different times prior to the 2012 restructure, Kraft Foods Limited was using some trade marks under licence from Kraft Foods Global Brands LLC, and some trade marks (both registered and unregistered) that it owned itself.

125. Bega does not contest that Kraft Foods Global Brands LLC was exercising some level of quality control over the operations of Kraft Foods Limited. Acceptance of that fact has no impact on any of Bega’s submissions.

(emphasis in original; footnotes omitted)

## Consideration

211 In my view, Kraft has not established by production of the license agreements that KFL or MAFL used the Peanut Butter Trade Dress or the Kraft trade mark as a licensee.

212 None of the licence agreements mentions the Peanut Butter Trade Dress or the Kraft trade mark. Kraft’s case is that I should be satisfied on the balance of probabilities that the definition of “Subject Trade Marks” in the licensing agreements should nonetheless be read as if each applied to peanut butter, or more particularly that the definition included the Peanut Butter Trade Dress and the Kraft trade mark. Kraft says that because MAFL produced the licence agreements pursuant to a subpoena requesting, in the case of the pre-restructure licence agreements, “[a] copy of any trade mark licence agreements between [KFL] and any person which governed the use by [KFL] of any trade marks, trade indicia or trade dress appearing on Kraft Peanut Butter in the period 2006 to 2012…”, it follows that the “Subject Trademarks” within the meaning of those agreements include the Peanut Butter Trade Dress and the Kraft trade mark.

213 Kraft conceded that, on their face, the licence agreements do not expressly identify the Kraft trade mark or the Peanut Butter Trade Dress as being licensed to KFL. Kraft submits, however, that “it is clearly to be inferred” that the licence agreements “relate to Kraft peanut butter” because they were produced by MAFL pursuant to the subpoena.

214 Kraft submits that Bega in effect invites the court to conclude that MAFL’s production of the licence agreements “was misleading and erroneous”, as the idea that MAFL misunderstood the scope of the licence agreements is unlikely, especially when the production of the licence agreements was hotly contested by MAFL. (As to those contests see *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 3)* [2018] FCA 1023; *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 4)* [2018] FCA 1055.) Kraft submits that “[i]t is reasonable to assume that if [MAFL] had considered the [l]icence [a]greements to be irrelevant to its manufacture and sale of Kraft peanut butter, it would simply not have produced them”.

215 Kraft also relies on what Mr E Heerey QC, senior counsel for MAFL, said when referring to the 2011 Licence Agreement at the hearing on 26 June 2018, viz that “… the reason … that we have produced this document is that it refers to the Kraft brand trade marks insofar as they relate to peanut butter. So there’s no controversy about that.”

216 Counsel were unable to cite any case where a party has contended, let alone one in which a court has accepted, that, where a party proffering a copy of a written agreement, to which it was not a party, the agreement may be construed by reference to, or in light of, the description of documents contained in a subpoena in response to which the agreement came into its possession in order to fill a gap in the language of the agreement.

217 In this case, the only evidence of the circumstances in which MAFL produced the licence agreements is the evidence of Mr Syme, in the affidavit he swore on behalf of MAFL in support of an application objecting to the inspection by the parties to this proceeding of those license agreements in unredacted form. The passages from that affidavit are set out at [191] above.

218 But that evidence amounts to no more than Mr Syme saying that the subpoena was received and the listed documents were produced. It cannot be admissible evidence going to the question of the content or the meaning of the licence agreements. Whatever the evidence Kraft relies on might amount to, including anything senior counsel for MAFL said at the hearing referred to above, it is hearsay. As Mr McGrath also submitted, the Syme affidavit is of no assistance because “… all your Honour is told by putting the subpoena together with the affidavit is that in response to a request for licence agreements dealing with trade marks, indicia and dress regarding peanut butter, these documents were produced” and that that “can’t rise any higher than being an expression of someone’s opinion that those agreements meet that category description”.

219 Further, even if the evidence is said to amount in some fashion or another to an assertion by the deponent about the proper construction of the licence agreements, the assertion would obviously be inadmissible. See generally *Codelfa Construction Pty Ltd v State Rail Authority (NSW)* (1982) 149 CLR 337; and the cases referred to in *Hancock Prospecting Pty Ltd v Rinehart* (2017) 257 FCR 442 at 488, [163].

220 For those reasons, I do not accept Kraft’s contention that it is to be inferred that the licence agreements “relate to Kraft peanut butter” because they were produced by MAFL pursuant to the subpoena.

221 Kraft’s remaining submissions (at [183] above) about what the licence agreements prove rely on the contention that the construction for which they contend – namely, that “Subject Trade Marks” were intended to and did include the Peanut Butter Trade Dress and Kraft trade mark – is “consistent” with:

(i) the internal contractual arrangements within the Kraft Foods group under which Kraft peanut butter was manufactured and sold by Kraft Foods Ltd;

(ii) the fact that Kraft Foods Ltd was a subsidiary company that used the Kraft trade mark and Peanut Butter Trade Dress subject to the control of other entities within the wider Kraft Foods group”;

(iii) the evidence of Mr El-Zoghbi that Kraft Foods Ltd operated under Kraft Foods’ strict global manufacturing and quality policies; and

(iv) the evidence of Mr El-Zoghbi and Ms Dal Maso that Kraft Foods Ltd was subject to regular quality audits.

222 With respect, these are “bootstraps” arguments. If the licence agreements are not otherwise capable of being construed as bearing the meaning that Kraft contends for, then the fact that the contended for meaning is “consistent” with other arrangements or agreements is neither here nor there.

223 For similar reasons, I do not accept Kraft’s submission that the “expansive” definition of “Subject Trademarks”, the definition of which is not limited to marks that are registered or the subject of pending applications for registration, but includes all trade marks used under the control of the licensor, advances its case. The question remains: “what trade marks?”

224 Kraft does not rely on any admissible evidence of surrounding circumstances to prove what the “Subject Trade Marks” are in respect of any of the licence agreements. That being so, the various generic definitions of “Subject Trade Marks”, including all trade marks beneficially owned in the Territory by the licensor, registered trade marks, pending applications for registration and trade marks adopted after the date of the licence agreement and so on, do not advance the matter, in circumstances where none of the agreements mention the PBTD or Kraft trade marks.

225 In that regard, I adopt, with respect, the following passages from Mr McGrath’s closing oral submission:

[The licence agreements] don’t tell you what is the content of the particular trademarks, they don’t tell you what is the content of any interests that might have been created in any particular trademarks. They stand or fall on their own operation. All that we have is a subject matter…

[I]f, on their proper construction, one is left to wonder, well, what are the trademarks that formed part of the subject trademarks merely by looking at the way the agreements operate themselves, if one can’t get any content from the agreements themselves, the production of these documents in response to that category can’t fill in the missing detail.

…

[T]his evidence doesn’t do anything other than rise to the level of being an expression of Mr Syme’s opinion that these agreements met a description that was sought in the subpoenas. What happens if he’s mistaken? On what fact is your Honour to base the missing material in the documents if by their operation they don’t provide, well, what’s sought to be relied on as having been said that they – the field that they cover. What Kraft seek to do here is to say, because Mr Syme has given an affidavit in which he said, “Here are the documents we answered the subpoena on, ergo, every single part of the business – the peanut butter business of Kraft Foods Limited – was licensed to it and controlled by the licensor”. Well, you can only find that if that’s the way in which the documents operate. You can’t say, “Well, Mr Syme told me that … peanut butter is the subject”. You have to turn to the detail of the agreements themselves and see how they operate.

226 I also accept Mr McGrath’s point that the “control” provisions in the licence agreements (including for example “Licensee agrees that it will use the Subject Trademarks under the strict control of Licensor as to the character and quality of all Products and Services associated with the Subject Trademarks”) are of no assistance because to qualify as a “Subject Trademark” it is necessary to show “control”, and the control provisions in each licence agreement only apply to “Subject Trademarks”, of which there is no evidence.

### The Trademark Assignment Agreement dated 19 April 2012: did KFL, before April 2012, only have legal title to the Kraft mark and the Kraft hexagon logo?

227 It is convenient to deal with this point under the rubric of issue 5. Kraft also relies on a Trademark Assignment Agreement dated 19 April 2012 (the **April 2012 Assignment**) as part of its case that the goodwill in the Peanut Butter Trade Dress inured to the benefit of the first applicant, and never inured to KFL. Kraft says that the agreement proves that prior to April 2012, KFL only ever had “bare legal title” to the Kraft trade mark and the Kraft hexagon logo, and that the goodwill thus inured, not to the registered owner, but to the beneficial owner, Kraft Foods Global Brands LLC.

228 It is common ground that the marks registered in the name of KFL were assigned to Kraft Foods Global Brands LLC pursuant to the April 2012 Assignment. Kraft says, and Bega denies, that the Trade Mark Assignment Agreement evidences Kraft Foods Global Brands LLC’s beneficial interest in the registered marks the subject of the agreement prior to that time.

229 The parties to the April 2012 Assignment were KFL, as transferor, and Kraft Foods Global Brands LLC, as transferee, is relevantly in these terms:

**BACKGROUND**

A. The Transferor is the registered owner of the Trade Mark Registrations and is the applicant and owner of the Trade Mark Applications.

B. The Transferor has agreed to assign the Trade Mark Registrations and the Trade Mark Applications to the Transferee on the terms set out below.

**AGREED TERMS**

1. **Definitions**

***Trade Mark Applications*** means the trade mark applications listed in the Schedule attached to this Agreement.

***Trade Mark Registrations*** means the trade mark registrations listed in the Schedule attached to this Agreement.

2. **Assignment**

**The Transferor absolutely assigns to the Transferee:**

(a)all its right, title and interest in and to, and all its rights, entitlements and benefits in respect of, the Trade Mark Registrations and the Trade Mark Applications (including any registrations arising in relation to the Trade Mark Applications and the right to prosecute and obtain registration of the Trade Mark Applications);

(b) all its right, title and interest in and to all copyright subsisting in the trade marks that are the subject of the Trade Mark Registrations and Trade Mark Applications; and

(c) all its right to sue for any infringements occurring prior to, on or after the date of this Agreement, and to recover damages for such infringements.

3. **Consideration**

The Transferee must, upon execution of this Assignment, pay the Transferor the sum of $1.00, in such manner as is agreed by the parties.

4. **Further assurances**

4.1 Each party must do anything necessary (including executing agreements and documents) to give full effect to this Agreement and the transactions contemplated by it.

4.2 The Transferee will, with the assistance of the Transferor if reasonably requested, at the cost of the Transferee, arrange for the assignment of the Trade Mark Registrations and Trade Mark Applications to be recorded at the Trade Marks Office (or equivalent authority) with jurisdiction in relation to the relevant Trade Mark Registrations and Trade Mark Applications.

5. **Tax Adjustment Clause**

The Transferor and the Transferee confirm that the Transferee is the beneficial owner of the Trade Mark Registrations and the Trade Mark Applications (**“*Transferred Marks*”**)**,** and the Transferor has acknowledged this and has been paying royalties to the Transferee for a significant period of time and accordingly the Transferor has transferred the Transferred Marks to the Transferee for $1.00 pursuant to clause 3 of this Agreement. If any taxing authority having jurisdiction makes or proposes to make an assessment or reassessment of tax on the basis, or on a basis that includes, that the aggregate fair market value (**‘*FMV’***) of the Transferred Marks to the Transferor immediately before the date of this Assignment as greater than $1.00 (in this clause 5, a ***‘Proceeding’***), then the Transferee agrees to pay to the Transferor an amount, evidenced by an interest bearing, non-convertible promissory note, equal to the FMV of the Transferred Marks at that time that:

(a) is agreed upon by such taxing authority, the Transferor and the Transferee in settlement of such proceeding;

(b) serves as the basis for such Proceeding against which no defence or appeal is taken;

(c) is established by a court or tribunal of competent jurisdiction on the defence of or appeal from such Proceeding after all rights of appeal have been exhausted or after all times for appeal have expired without appeals having been taken by any of the parties hereto or such taxing authority; or

(d) is agreed by the Transferor and Transferee in the event that none of the above applies.

6. **Governing law and jurisdiction**

This Agreement is governed by the laws of Australia. Each party submits to the non­exclusive jurisdiction of the courts exercising jurisdiction there, in connection with the matters concerning this Agreement, and waives any right to claim that those courts are an inconvenient forum.

7. **Counterparts**

This Agreement may be executed ln any number of counterparts. All counterparts together will be taken to constitute one instrument.

**EXECUTED AS AN AGREEMENT**

**SIGNED** …

(underline emphasis added).

### Kraft’s submissions about the trade mark assignment agreement dated 19 April 2012

230 Kraft points in particular to clause 5: “the Transferee is the beneficial owner of the Trade Mark Registrations and the Trade Mark Applications (“the Transferred Marks”) and the Transferor has acknowledged this and has been paying royalties to the Transferee for a significant period of time …”.

231 Kraft submits that “[t]his statement, contained in a formal document filed by the parties with IP Australia, confirms the position as between the parties that the relevant trade marks were beneficially owned by Kraft Foods Global Brands LLC, and records that Kraft Foods Ltd had been paying royalties to Kraft Foods Global Brands LLC”.

232 Kraft also points out that s 22 of the Trade Marks Act contemplates that the legal and beneficial ownership of a registered mark may diverge and that there is thus no legal impediment to the marks being registered in the name of Kraft Foods Ltd and being owned beneficially by Kraft Foods Global Brands LLC.

233 Kraft submits that the contention that the first applicant held the beneficial interest in the various trade marks that included the word Kraft is also “consistent” with the evidence of Ms Frohling, who stated that Kraft Foods Global Brands LLC was the intellectual property holding company in the group that licensed that intellectual property to those companies.

234 Kraft further submits that “[t]he fact of beneficial ownership is completely consistent with the evidence that Kraft Foods Ltd was subject to control by other entities within the Kraft Foods group. Ms Frohling gave evidence that Kraft Foods Inc and Kraft Foods Global Brands LLC had arrangements in place to ensure quality standards. Mr El-Zoghbi gave evidence that Kraft Foods Ltd had no freedom to manufacture outside the norms of the Kraft Foods group. Ms Dal Maso gave evidence that audits were conducted of Kraft Foods Ltd’s manufacturing facilities”.

235 Finally, Kraft submits that the parties’ acknowledgement as to “beneficial ownership” in the April 2012 Assignment is consistent with Kraft Foods Ltd being a mere licensee prior to April 2012.

### Bega’s submission about the trade mark assignment agreement dated 19 April 2012

236 Bega submits that the Trademark Assignment Agreement dated 19 April 2012 does nothing other than purport to affect the ownership position of the trade mark registrations and trade mark applications that is the subject of the assignments in clause 2. (Kraft does not contend that the agreement operated with respect to, or had anything to do with, the PBTD as an unregistered trade mark).

237 Bega submits that the court should be slow to find that a trade mark is owned by someone other than the person entered on the Register of Trade Marks.

238 Bega points to s 210(1) of the Trade Marks Act, which provides that the Register of Trade Marks is prima facie evidence of any particular entered in it – here, relevantly, that KFL was the owner of the mark, so that members of the public are able to rely on the Register as identifying the owner of any Australian trade mark registration.

239 Bega also points to s 109 of the Trade Marks Act, which provides that if a registered trade mark is assigned, the person registered as the owner, or the person to whom the trade mark has been assigned, must apply to the Registrar for a record of the assignment to be entered in the Register.

240 Underlying those provisions is a concern for the “purity” of the Register. As the High Court explained in *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 at 597, [22]:

[T]he legislative scheme reveals a concern with the condition of the Register of Trade Marks. It is a concern that it have “integrity” and that it be “pure”. It is a “public mischief” if the Register is not pure, for there is “public interest in [its] purity”. The concern and the public interest, viewed from the angle of consumers, is to ensure that the Register is maintained as an accurate record of marks which perform their statutory function – to indicate the trade origins of the goods to which it is intended that they be applied.

(Citations omitted).

241 As to the “confirmation” and “acknowledgment” clause (“The Transferor and the Transferee confirm that the Transferee is the beneficial owner of the Trade Mark Registrations and the Trade Mark Applications”), in the Trademark Assignment Agreement, Bega says that the provision was a “Tax Adjustment Clause”, the purpose of which was to address the tax consequences of the assignment of the trade mark registrations. Bega says that such a confirmation and acknowledgment provides no factual basis for the beneficial ownership claim that Kraft makes here and that the assertion that Kraft Foods Global Brands LLC held the beneficial ownership of the trade mark registrations and applications (for some unspecified period of time) is another fact that Kraft has not proved. Bega points to there being nothing in the clause which says when the beneficial interest was created, or how the beneficial interest was created, and submits that the clause cannot rise any higher than some unspecified person’s statement of belief.

242 It follows, Bega says, that there is no proof of any basis upon which it can be established that Kraft Foods Global Brands LLC, prior to the restructure, held a beneficial interest in trade marks registered in the name of KFL.

## Consideration

243 In my view, Bega’s submissions must be accepted. The only suggestion anywhere in the Trademark Assignment Agreement that Kraft Foods Global Brands LLC, prior to the restructure, held a beneficial interest in trade marks registered in the name of KFL, and that KFL was therefore the bare legal owner of them, is the “confirmation” and “acknowledgment” clause. But that is not evidence of the fact of the beneficial interest.

244 It follows that there is no proof of any basis upon which it can be established that Kraft Foods Global Brands LLC, prior to the restructure, held a beneficial interest in trade marks registered in the name of KFL (in particular the word Kraft and the Kraft hexagon logo).

## Issue 6: To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the PBTD inure after the date of the restructure?

245 The question underlying issue 6 is the same question raised, in substance, by the first part of issue 10, namely this: on the proper construction of the MTA, the principal transaction document that governed the terms of the restructure, was the goodwill associated with the Peanut Butter Trade Dress assigned to the first applicant (as Kraft alleges) or did it have no effect on the position that KFL retained its ownership of the goodwill in its Australian peanut butter business (as Bega alleges)? Although the parties put their submissions on that question in oral closing submissions under the rubric of issue 10, the question is more conveniently dealt with here.

246 It is necessary first to go to the detail of the agreements by which Kraft’s “spin-off” (or restructure) was effected.

### The spin-off transaction

247 As described above, in 2012 Kraft Foods Inc was separated into two publicly listed companies, Kraft Foods Group Inc, to own and conduct the GroceryCo Business, and Kraft Foods Inc, to own and conduct the SnackCo Business.

248 Kraft’s case is that pursuant to the restructure, and in particular pursuant to the MTA and the Master Patent Agreement, the rights allocated to the first applicant relevantly included what are defined in the TFASOC as “the KFL Marks” and “the KFG Marks”, the lists of which are included in the pleading, and which are attached to these reasons marked Annexures D and E respectively. Kraft also alleges that those rights also included the Peanut Butter Trade Dress.

249 In particular, Kraft pleads that by the relevant terms of the MTA, the parties agreed that each of the Kraft Brand, the Kraft hexagon logo and the Peanut Butter Trade Dress was subject to the licence clause by which licences were granted by the Licensor, GroceryCo IPCo (that is, the first applicant) to the Licensee, SnackCo IPCo (that is, Kraft Foods Global Brands LLC) and that each fell within the definition of “Licenced Trademark” in that agreement, and that the first applicant granted to Kraft Foods Global Brands LLC a licence to use the PBTD (and the Kraft brand) in Australia for a period of 10 (later reduced to 5) years.

250 It is convenient now to set out the relevant provisions of the MTA and the Separation and Distribution Agreement. Regrettably, in the case of the MTA, it is necessary to set out a number of the provisions at some length.

## The Separation and Distribution Agreement (the SDA)

251 The Recitals to the SDA are as follows:

A. Kraft Foods Inc., acting through itself and its direct and indirect Subsidiaries, currently conducts the GroceryCo business and the SnackCo business.

B. The Kraft Foods Board has determined that it is appropriate, desirable and in the best interests of Kraft Foods Inc. and its shareholders to separate Kraft Foods Inc. into two publicly traded companies: (a) GroceryCo, which following the Distribution will own and conduct, directly and indirectly, the GroceryCo Business; and (b) SnackCo, which following the Distribution will own and conduct, directly and indirectly, the SnackCo Business.

C. On the Distribution Date and subject to the terms and conditions of this Agreement, Kraft Foods Inc. shall distribute to the Record Holders, on a *pro rata* basis, all the outstanding shares of common stock, no par value, of GroceryCo (“GroceryCo Common Stock”) then owned by Kraft Foods Inc. (the “Distribution”).

D. The Distribution is intended to qualify as a tax-free spin-off pursuant to section 355 of the Internal Revenue Code of 1986, as amended (the “Code”).

252 It was an agreed fact between the parties that the Distribution Date was 1 October 2012.

253 Article II of the SDA is entitled “The Separation”. It provides as follows:

Section 2.1 Internal Reorganisation: Transfer of Assets and Assumption of Liabilities

(a) Prior to the Distribution, the party shall cause the Internal Reorganization to be completed, and shall, and shall cause their respective Subsidiaries to, execute all such instruments, assignments, documents and other agreements … necessary to effect the Internal Reorganization.

(b) Prior to the Distribution, the parties shall, and shall cause their respective Subsidiaries to, (i) execute such instruments of assignment and transfer and take such other corporate actions as are necessary to (A) transfer to one or more members of the GroceryCo Group all of the right, title and interest of the SnackCo Group in and to all GroceryCo Assets and (B) transfer to one or more members of the SnackCo Group all of the right, title and interest of the GroceryCo Group in and to all SnackCo Assets …

254 “GroceryCo Assets” means relevantly:

(a) the Assets listed or described on Schedule 1.2 (5) (which for the avoidance of doubt is not a comprehensive list of all GroceryCo Assets and is not intended to limit the other clauses of this definition of “GroceryCo Assets”) and all other Assets that are expressly provided in this Agreement or any Ancillary Agreement as assets to be transferred to or retained by any member of the GroceryCo Group …

255 Ancillary Agreements are defined in section 1.2 to mean, among other things, what is there defined as “the IP Agreement (Trademark)”. “IP Agreement (Trademark)” is in turn defined to mean the MTA.

256 “GroceryCo Business” is defined to mean “the business and operations conducted by Kraft Foods Inc and its Subsidiaries prior to the Distribution comprising what is referred to in Kraft Foods Inc’s Quarterly Report on Form 10-Q for the 6 months ended June 30, 2012 … as the *U.S. Beverages, U.S. Cheese, U.S. Convenient Meals and U.S. Grocery* segments, including the production, distribution, manufacture, marketing, packaging and sale of products under the stock keeping units (“SKUs”) listed on Schedule 1.2 (7), as applicable …”.

257 The definition of “GroceryCo Business” also provides that “[f]or the avoidance of doubt, this definition of ‘GroceryCo Business’ shall not be construed to transfer to any member of either Group any trade mark or other intellectual property governed by the [MTA] or the IP Agreement (Non-Trademark).”

258 SnackCo Business” is defined to include “the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Snacks, Kraft Foods Europe* and *Kraft Foods Developing Markets* segments”.

259 “SnackCo Assets” is defined relevantly to mean: “(a) the Assets listed or described in the Schedule 1.2 (19) (which for the avoidance of doubt is not a comprehensive listing of all SnackCo Assets and is not intended to limit the other clauses of this definition of ‘SnackCo Assets’)…” and “(e) all Assets owned or held immediately prior to the Distribution by Kraft Foods Inc. or any of its Subsidiaries that primarily relate to or are primarily used in the SnackCo business …”.

260 “Assets” is defined to mean “all assets, properties and rights (including goodwill), wherever located (including in the possession of vendors or other Third Parties or elsewhere), whether real, personal or mixed, tangible, intangible, corporeal, incorporeal or contingent … including the following … (i) all domestic and foreign patents, copyrights, trade names, trade marks, service marks and registrations and applications for any of the foregoing, mask works, trade secrets, recipes, formulas, know-how, domain names, social media accounts and addresses, inventions, other proprietary information and licenses from Third Parties granting the right to use any of the foregoing …”.

## The Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property between Kraft Foods Global Brands LLC (SnackCo IPCo) and the first applicant (GroceryCo IPCo) dated 27 September 2012 (the MTA)

261 It was common ground that the principal means by which trade marks are allocated under the MTA is through the concept of “Primary Brands”. The MTA divides the principal trade marks of the Kraft Foods group into two mutually exclusive groups of Primary Brands. One group of Primary Brands is allocated to GroceryCo IPCo as IP holding company for the GroceryCo group (which as of the Distribution Date will conduct the GroceryCo Business), and the other is allocated to SnackCo IPCo as IP holding company for the SnackCo group (which as of the Distribution Date will conduct the SnackCo Business).

262 Schedule B lists the GroceryCo Primary Brands and Schedule C lists the SnackCo Primary Brands. Kraft is listed as a Primary Brand of GroceryCo.

263 Clause 2.1(a)(i) provides that GroceryCo IPCo shall own all “GroceryCo Brand IP”. That term is defined to mean “collectively, the GroceryCo Marks (and the goodwill associated therewith), the GroceryCo Brand-Related Copyrights and the GroceryCo Domain Names”. Clause 2.1(b)(i) mirrors clause 2.1(a)(i), but deals with ownership of “SnackCo Brand IP”.

264 “GroceryCo Marks” are also defined to mean “any of the Trademarks owned by Kraft Foods Inc. or any of its direct or indirect subsidiaries immediately prior to the Distribution that (i) are GroceryCo Primary Brands or (ii) primarily relate to or are primarily used in the GroceryCo Business.” The “GroceryCo Marks” are defined to “include all of the Trademarks listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein.)”

265 The MTA defines “Trademarks” to mean “trademarks, service marks, trade names and other indications of origin or similar rights and all related Trade Dress, in each case, whether registered or unregistered, including all registrations and all applications to register any of the foregoing.”

266 The MTA defines “Trade Dress” as the rights in registered or unregistered characteristics of visual appearance of product packaging that:

(i) “serve as a source identifier”; and

(ii) are used on packaging “in combination with a licensed GroceryCo Primary Brand or a SnackCo Primary Brand, as the case may be”.

267 As I said, it is necessary to set out the relevant provisions of the MTA in some detail. Some of its terms are relevant to some of second tranche of issues (issues 7-18), but I will set out each of the relevant terms here.

268 The recitals to the MTA are as follows:

A. Kraft Foods Inc., a Virginia corporation (“Kraft Foods Inc.”) or (“SnackCo”) and Kraft Foods Group, Inc a Virginia corporation (“GroceryCo”) have entered into the Separation and Distribution Agreement (the “Separation Agreement”), dated as of September 27, 2012, under which Kraft Foods Inc. will distribute to the Record Holders (as defined in the Separation Agreement), on a *pro rata* basis, all the outstanding shares of GroceryCo Common Stock (as defined in the Separation Agreement) owned by Kraft Foods Inc. on the Distribution Date (as defined in the Separation Agreement) (the “Distribution”).

B. Prior to the Distribution, Kraft Foods Inc., acting through itself and its direct and indirect Subsidiaries (as defined in the Separation Agreement), has conducted the GroceryCo Business (as defined in the Separation Agreement), and the SnackCo Business (as defined in the Separation Agreement). Pursuant to the Distribution, Kraft Foods Inc. is being separated into two publicly traded companies: (i) GroceryCo, which will own and conduct, directly and indirectly, the GroceryCo Business and (ii) SnackCo, which will own and conduct, directly and indirectly, the SnackCo Business.

C. In furtherance of the separation of Kraft Foods Inc. into two publicly traded companies pursuant to the Separation Agreement, Section 2.1(b) of the Separation Agreement requires GroceryCo and SnackCo to, and to cause their respective subsidiaries to, (A) transfer to one or more members of the GroceryCo Group (as defined in the Separation Agreement) all of the right, title and interest of the SnackCo Group (as defined in the Separation Agreement) in and to all GroceryCo Assets (as defined in the Separation Agreement) and (B) transfer to one or more members of the SnackCo Group all of the right, title and interest of the GroceryCo Group in and to all SnackCo Assets (as defined in the Separation Agreement).

D. In addition to such transfer of GroceryCo Assets and SnackCo Assets, the parties desire to licence to each other certain Trademarks (as defined below) on both a short-term and long-term basis, taking into consideration the historic joint development of such Trademarks by the GroceryCo and SnackCo Businesses, the overlapping usage by both the GroceryCo and SnackCo Businesses in certain jurisdictions, and the needs for the Licensee (as defined below) to transition to new branding and trademarks and exhaust existing inventory.

E. The parties desire to enter into an agreement on the following terms and conditions set forth their agreements regarding the ownership and licencing Trademarks used in the conduct of the GroceryCo Business and the SnackCo Business.

269 Section 1.2 includes the following definitions:

“GroceryCo Brand-Related Copyrights” means any of the copyrights owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution in any product packaging, advertising and promotional material and website and other content that relates specifically to products that are primarily branded with GroceryCo Marks, other than the copyrights mentioned in Section 2.1(d).

“GroceryCo Brand IP” means, collectively, the GroceryCo Marks (and the goodwill associated therewith), the GroceryCo Brand-Related Copyrights and the GroceryCo Domain Names.

“GroceryCo Mark Binders” means the Trademark binders dated as of the Distribution Date and labelled “GroceryCo Marks” that contain a listing of all the GroceryCo Marks.

“GroceryCo Marks” means any of the Trademarks owned by Krafts Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) are GroceryCo Primary Brands or (ii) primarily relate to or are primarily used in the GroceryCo Business. The “GroceryCo Marks” include all of the Trademarks listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein).

“GroceryCo Primary Brands” means the brands used in the GroceryCo Business that are listed on Schedule B hereto.

“GroceryCo Products” means products produced, manufactured, advertised, promoted, marketed, distributed or sold in connection with the GroceryCo Business.

“Kraft GroceryCo Trademark” means the Trademarks “KRAFT” and “KRAFT FOODS” owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution, including the Kraft Hexagon Logo or any successor logo adopted by Grocery Co.

“Kraft Hexagon Logo” means the Trademark owned by Kraft Foods Inc. or any of its director indirect Subsidiaries immediately prior to the Distribution that consists of “Kraft” bordered with a hexagon as shown below…

“Licensed Trademark” means a GroceryCo Mark or a SnackCo Mark that is licensed under this Agreement by GroceryCo IPCo or SnackCo IPCo, as the case may be, to SnackCo IPCo or GroceryCo IPCo, as applicable.

“SnackCo Brand IP” means, collectively, the SnackCo Marks (and the goodwill associated therewith), the SnackCo Brand-Related Copyrights and the SnackCo Domain Names.

“SnackCo Mark Binders” means the Trademark binders dated as of the Distribution Date and labelled “SnackCo Marks” that contain a listing of all of the SnackCo Marks.

“SnackCo Marks” means any of the Trademarks owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) are SnackCo Primary Brands or (ii) primarily relate to or are primarily used in the SnackCo Business. The “SnackCo Marks” include all of the Trademarks listed in the SnackCo Marks Binders (other than any GroceryCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein).

“SnackCo Primary Brands” means the brands used in the SnackCo Business that are listed on Schedule C hereto.

“SnackCo Products” means products produced, manufactured, advertised, promoted, marketed, distributed or sold in connection with the SnackCo Business.

“Sub-Brands” means a Trademark, excluding Trade Dress, used on the front of the package for purpose of naming product variants, product segments, product flavors, usage occasions and the like and used in combination with a licensed GroceryCo Primary Brand or a licensed SnackCo Primary Brand, as the case may be.

“Trade Dress” means the rights in the registered or unregistered characteristics of the visual appearance of a product packaging including the shape or appearance of the container, graphic design, and color scheme or design, or a combination of any of the foregoing that serve as a source identifier and are used on the package in combination with a licensed GroceryCo Primary Brand or a licensed SnackCo Primary Brand, as the case may be.

“Trademarks” means trademarks, service marks, trade names and other indications of origin or similar rights and all related Trade Dress, in each case, whether registered or unregistered, including all registrations and all applications to register any of the foregoing.

270 Article II is as follows:

**ALLOCATION OF OWNERSHIP OF TRADEMARKS BRAND-RELATED COPY RIGHTS AND DOMAIN NAMES**

**Section 2.1** Ownership of Trademarks, Brand-Related Copyrights and Domain Names

(a) Ownership by GroceryCo IPCo.

(i) The parties acknowledge that, as between the parties and their respective Affiliates, GroceryCo IPCo and its Affiliates are the sole and exclusive owners of the GroceryCo Brand IP and that no SnackCo Entity has any right or interest therein, subject to the licenses granted to SnackCo IPCo in the GroceryCo Brand IP under this Agreement. SnackCo IPCo hereby assigns to GroceryCo IP, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to GroceryCo IPCo or an Affiliate of GroceryCo IPCo designated by GroceryCo IPCo any right, title and interest of such Affiliates of SnackCo IPCo in and to the GroceryCo Brand IP.

…

(iii) All Trade Dress used for GroceryCo Products and adopted by SnackCo IPCo or any of its Affiliates prior to the Distribution Date with respect to any of the GroceryCo Marks licensed hereunder (“GroceryCo Trade Dress”) shall be owned by GroceryCo IPCo (or, pursuant to separate assignment agreements, Affiliates of GroceryCo IPCo designated by GroceryCo IPCo) and deemed to be included in the GroceryCo Marks licensed to SnackCo IPCo hereunder, and SnackCo IPCo hereby assigns to GroceryCo IPCo all right, title and interest of SnackCo IPCo in such GroceryCo Trade Dress, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to GroceryCo IPCo or an Affiliate of GroceryCo IPCo designated by Grocery IPCo any right, title and interest of such Affiliates of SnackCo IPCo in and to such GroceryCo Trade Dress. Any Trade Dress that is created in good faith after the Distribution Date by or on behalf of a SnackCo Entity independently from such GroceryCo Trade Dress in connection with the use of a GroceryCo Mark licensed by GroceryCo IPCo hereunder (“SnackCo Developed Trade Dress”) and that portion of any Trade Dress that relates specifically to any SnackCo Marks shall be owned by SnackCo IPCo or its respective Affiliates.

…

(b) Ownership by SnackCo IPCo.

(i) The parties acknowledge that, as between the parties and their respective Affiliates, SnackCo IPCo and its Affiliates are the sole and exclusive owners of the SnackCo Brand IP and that no GroceryCo Entity has any right or interest therein, subject to the licenses granted to GroceryCo IPCo in the SnackCo Brand IP under this Agreement. GroceryCo IPCo hereby assigns to SnackCo IPCo, all right, title and interest of GroceryCo IPCo in and to the SnackCo Brand IP, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to SnackCo IPCo or an Affiliate of SnackCo IPCo designated by SnackCo IPCo any right, title and interest of such Affiliates of GroceryCo IPCo in and to the SnackCo Brand IP.

…

(iii) All Trade Dress used for SnackCo Products and adopted by GroceryCo IPCo or any of its Affiliates prior to the Distribution Date with respect to any of the SnackCo Marks licenses hereunder (“SnackCo Trade Dress”) shall be owned by SnackCo IPCo (or, pursuant to separate assignment agreements, Affiliates of SnackCo IPCo designated by SnackCo IPCo) and deemed to be included in the SnackCo Marks licensed to GroceryCo IPCo hereunder, and GroceryCo IPCo hereby assigns to SnackCo IPCo all right, title and interest of GroceryCo IPCo in such SnackCo Trade Dress, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to SnackCo IPCo or an Affiliate of SnackCo IPCo designated by SnackCo IPCo any right, title and interest of such Affiliates of GroceryCo IPCo in and to such SnackCo Trade Dress. Any Trade Dress that is created in good faith after the Distribution Date by or on behalf of a GroceryCo Entity independently from such SnackCo Trade Dress in connection with the use of a SnackCo Mark licensed by SnackCo IPCo hereunder (“GroceryCo-Developed Trade Dress”) and that portion of any Trade Dress that relates specifically to any GroceryCo Marks shall be owned by GroceryCo IPCo or its respective Affiliates.

271 Article III is as follows:

**LICENSES**

**Section 3.1** License Grants by GroceryCo IPCo to SnackCo IPCo.

(a) Ten-Year License of Kraft GroceryCo Trademark to SnackCo IPCo. Subject to the terms and conditions of this Agreement, GroceryCo IPCo hereby grants to SnackCo IPCo from the Distribution Date until the tenth anniversary of the Distribution Date an exclusive, fully-paid, royalty-free, and nontransferable (except as expressly permitted herein) license to use and display in the following jurisdictions the Kraft GroceryCo Trademark in the same relative size or smaller on the principle display panel as used on the Distribution Date on SnackCo Products in the following product categories existing on the Distribution Date on which the Kraft GroceryCo Trademark appears on such date in such jurisdictions and on any substantially similar SnackCo Products and flankers and product line extensions of such SnackCo Products developed by or on behalf of the SnackCo Business or any member of the SnackCo Group after the Distribution Date and in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of such SnackCo Products in such jurisdictions:

(i) cheese, including without limitation, processed cheese, cream cheese, grated cheese, hard cheese and natural cheese in the Near East Countries, Australia and New Zealand, including the use of the GroceryCo mark “Singles” for processed cheese;

(ii) processed cheese in Mauritius, Mexico, Venezuela, Malaysia, Singapore and Philippines, including the use of the GroceryCo Mark “Singles” for processed cheese;

(iii) mayonnaise in the European Union, Mexico, Venezuela, Australia and New Zealand;

(iv) salad dressing in the European Union, Australia and New Zealand;

(v) **peanut butter in Australia and New Zealand**;

(vi) ketchup in the European Union; and

(vii) macaroni and cheese products in Australia and New Zealand including the use of GroceryCo Marks “Kraft Mac & Cheese” and “Kraft Easy Mac” for such products.

(emphasis added)

…

(i) Three Year License of Kraft GroceryCo Trademark as an Umbrella Brand on SnackCo Products to SnackCo IPCo. Subject to the terms and conditions of this Agreement, GroceryIPCo hereby grants to SnackCo IPCo from the Distribution Date until the third anniversary of the Distribution Date a non-exclusive, fully paid, royalty-free and nontransferable (except as expressly permitted herein) license to use and display in all jurisdictions the Kraft GroceryCo Trademark as an umbrella brand in the same relative size or smaller on the principle display panel as used on the Distribution Date on the packaging of SnackCo Products (e.g on processed cheese in Germany and Spain, or “Kraft Philadelphia” or “Kraft Vegemite” or “Kraft Miracle Whip”). For the avoidance of doubt, when the Kraft GroceryCo Trademark is used in conjunction with a SnackCo Primary Brand or a GroceryCo Primary Brand, the Kraft GroceryCo Trademark is considered to be an umbrella brand (e.g. “Kraft Philadelphia” or “Kraft Vegemite” or “Kraft Miracle Whip” or “Kraft Sottilette”). SnackCo Entities’ use of the Kraft GroceryCo Trademark shall appear in the same relative size or smaller than its use on each particular product on the Distribution Date.

…

(k) License Grant to GroceryCo Brand-Related Copyrights to SnackCo IPCo. Subject to the terms and conditions of this Agreement, GroceryCo IPCo hereby grants to SnackCo IPCo as from the Distribution Date a non-exclusive, fully paid, royalty-free and nontransferable (except as expressly permitted herein) license of the GroceryCo Brand-Related Copyrights to copy, publicly display, publicly perform, distribute and prepare derivative works based on any advertising, packaging and promotion materials (and derivatives thereof) that are the subject of the GroceryCo Brand-Related Copyrights and were used or exploited by the SnackCo Business prior to the Distribution Date in connection with the advertising, promotion, marketing or sale of SnackCo Products on which any of the GroceryCo Marks licensed to SnackCo IPCo in Sections 3.1(a)-(g), Section 3.1(i) or Section 3.1(1) appear (the “Licensed GroceryCo Copyright-Protected Materials”). The term of the license of Licensed GroceryCo Copyright-Protected Materials shall be co-terminus with the license of the GroceryCo Marks used on the SnackCo Products to which the Licensed GroceryCo Copyright-Protected Materials relate and the license of Licensed GroceryCo Copyright-Protected Materials shall be exercisable in the same jurisdictions in which the related license of GroceryCo Marks is exercisable and shall be assignable by SnackCo IPCo to the same extent as the related license of GroceryCo Marks is assignable by SnackCo IPCo under this agreement.

…

(m) Related Logos and Tag Lines. For clarity, and unless expressly provided otherwise, herein, references to a specific GroceryCo Mark that is a Licensed Trademark under this Section 3.1 shall include the logos, Sub-Brands, Trade Dress, and tag lines (other than “Make Today Delicious” which is owned by SnackCo IPCo) owned by a GroceryCo Entity as of the Distribution Date and used in connection with Such GroceryCo Mark in any product packaging immediately prior to the Distribution Date.

272 Section 3.5 is headed “Obligation to Phase-Out Use” and is as follows:

(a) Upon any termination or expiration of any license of a Licensed Trademark granted under Sections 3.1, 3.2 and 3.6, the Licensee agrees (i) to discontinue, and cause each of its Affiliates to discontinue, the production of packaging, promotion and marketing materials that display such Licensed Trademark and (ii) to cease all advertising, couponing and any other consumer-directed marketing or promotion activity making use of such Licensed Trademark. During the twelve (12) month period following any such termination or expiration of any such license of a Licensed Trademark, the Licensee shall have the right (i) to sell any finished goods bearing the Licensed Trademark held as inventory on the date of such termination or expiration and (ii) to produce products bearing such Licensed Trademark to the extent necessary to exhaust all packaging materials existing at the time of such termination or expiration and in connection therewith to use such packaging materials and sell such products as finished goods. Each party agrees that it and its Affiliates will not produce or authorize the production of any products or packaging materials bearing a Licensed Trademark licensed to such party with an intent that such quantities be in excess of the quantity that reasonably would be expected to be sold prior to the termination or expiration of the license of such Licensed Trademark and such party shall have no rights under this Section 3.5 following the termination or expiration of the relevant license to sell any such product or use any such packaging materials in excess of such quantity. Except as contemplated above in this Section 3.5, all use of a Licensed Trademark by the Licensee shall cease upon the termination or expiration of the license of such Licensed Trademark. For the avoidance of doubt, the rights and obligations set forth in this Section 3.5 shall apply to the sublicensees of SnackCo IPCo set forth in Section 3.1(1), subject to Section 2.10.

(b) If the Licensee intends to transition the name of a product from a Licensed Trademark to a new trademark or brand name after the expiration or termination of the Trademark license, the Licensee shall be entitled to announce such transition of a product name prior to the expiration or termination of the Trademark license in advertising, marketing and sales materials. The Licensee may announce such transition of a product name on the product packaging and shall be permitted to reasonably reduce the prominence of the logos of the Licensed Trademarks as they appear on such packaging in furtherance of such transition, provided that no so labelled products are shipped to customers or distributors after the expiration or termination of the Trademark license (except during the twelve (12) month period provided for in Section 3.5(a)). The announcement of the transition of a product name in advertising, marketing, sales materials and product packaging shall be unobtrusive and shall not denigrate or tarnish the image and reputation of the Licensed Trademark or impair or aggravate a potential market entry by the Licensor after the expiration or termination of the Trademark license.

273 Section 3.8 is headed “Quality Standards and Control” and relevantly is as follows:

(a) The parties acknowledge that the Trademarks licensed hereunder have established valuable goodwill and that it is important to the parties that this valuable goodwill and reputation be preserved. Accordingly, the parties agree that the products with which the Licensed Trademarks are used by a party or its Affiliates, as Licensee, shall for the term of the respective Trademark license meet quality standards that are substantially equivalent to or higher than those standards maintained by Kraft Foods Inc. and its Subsidiaries immediately prior to the Distribution Date. Each party Covenants and agrees that all of its and its Affiliates’ activities in connection with such Trademarks licensed to it by the other party will be conducted in conformity with all applicable Laws. In case a Licensed Trademark is used as an ingredient indicator on the packaging of a certain product, the Licensee shall purchase the indicated ingredient(s) from the Licensor or one of its Affiliates, or from a company designated and approved by the Licensor or one of its Affiliates.

…

274 Section 3.10 is headed “Goodwill Arising from Use of Marks” and is as follows:

Any and all goodwill arising from any Licensee’s or its Affiliates’ use of Trademarks licensed by the Licensor shall inure solely to the benefit of the Licensor and neither during the terms of the respective Trademark licenses nor after their termination or expiration shall either party assert any claim to the Licensor’s Trademarks or such goodwill relating thereto as a result of the use of such Trademarks pursuant to the license granted to the Licensee hereunder. Each party agrees that all goodwill in the Licensor’s Trademarks licensed to the Licensee hereunder that may be held by Licensee notwithstanding the foregoing is hereby assigned by the Licensee and its Affiliates to the Licensor, without the need for any further action by any person.

275 Section 3.11is headed “No Inconsistent Action” and is as follows:

Subject to Section 2.3, neither the Licensee nor any of its Affiliates shall knowingly or intentionally: (a) take, maintain or direct any action that is inconsistent with the Licensor’s ownership of the Licensed Trademarks (b) assert any claim of right in or ownership of the Licensor’s Licensed Trademarks or challenge the Licensor’s right, title, interest in, or ownership of, its Licensed Trademarks or its registrations therefor; (c) apply for, or cause any other entity to apply for, the registration of any logo, symbol, trademark, service mark, company or corporate name, product name, domain name or a new social media account or address that does not exist as of the Distribution Date (e.g., a new Facebook or Twitter address) other than for licenses for a term of not less than ten (10) years hereunder and then in a manner that does not include the territory reserved to the Licensor in such addresses and otherwise is consistent with the territorial restrictions in this Agreement, or commercial slogan which (i) consists in whole or in part of the Licensor’s Licensed Trademarks that have been registered in such jurisdiction or (ii) is confusingly similar to the Licensor’s Licensed Trademarks that have been registered in such jurisdiction; or (d) take any action that would diminish or dilute the value, reputation or goodwill of the Licensor’s Licensed Trademarks or that would otherwise denigrate the image and reputation of the Licensor, tarnish the Licensor’s Licensed Trademarks or harm the Licensor’s goodwill in its Licensed Trademarks. Neither party shall take any action with an intent to diminish the value, reputation or goodwill of or that would otherwise denigrate the image and reputation of the Split-Ownership Brands, in each case in a manner that would result in a materially adverse effect on the value, ownership, or such use of such Split-Ownership Brand by or to the other party in those jurisdictions in which such other party owns the Trademarks relating to such Split-Ownership Brand. For avoidance of doubt, to the extent that an exclusive license granted by a party hereunder as provided herein does not permit such party to use a Trademark for a particular purpose, such party shall not use a Trademark that is confusingly similar thereto for such purpose.

276 Article VIII deals with miscellaneous matters, including as follows:

**MISCELLANEOUS**

**Section 8.8** No Third Party Beneficiaries; AffiliatesNothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties hereto and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement. Without limitation to the foregoing, and for clarity, (i) references to Affiliates of a party herein does not render such Affiliates a party to this Agreement, (ii) each party hereto shall be responsible for providing to its Affiliates pursuant to separate agreements or other such arrangement any rights or benefits that such Affiliates may enjoy as a result of this Agreement and (iii) each party hereto shall be responsible for causing its Affiliates to comply with the applicable provisions of this Agreement.

**Section 8.9** Governing Law. This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal Laws of the State of New York, without regards to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York (other than Section 5-1401 of the New York General Obligations Law).

### Preliminary observations on issue 6

277 Bega’s written closing submission on the proper construction of the MTA says that the relevant issues of construction “involve some complexity”.

278 It is certainly true that the submissions of the parties involved some complexity. The suite of documents makes no mention, in terms, of the Peanut Butter Trade Dress, despite the fact that it is a very valuable asset. The parties’ submissions necessarily involved addressing the objective intention of the parties about a question that the agreements do not in terms answer. For that reason, as is often the case in such circumstances, the parties resorted to submissions that their particular proffered constructions of various provisions (principally of the MTA) made “commercial sense”, or were consistent with other provisions of the agreements. Resort was also had to a submission along the lines of “Well, if the parties had intended X, they surely would have said so”. (As to the unhelpfulness of such a submission, at least in the context of contracts governed by Australian law, see the cases collected in Lewison and Hughes, *The Interpretation of Contracts in Australia* (Lawbook Co., 2012) [2.12]).

279 For the reasons I set out below, and intending no disrespect to counsel who, on both sides, said everything that could reasonably have been said to support their competing contentions, in my view the answer to the question of construction is one that is available on the tolerably plain meaning of the critical provisions of the MTA, including in particular cl 2, and it is not necessary to consider at length the other submissions that I have described above that proceeded on the basis that the MTA was sufficiently ambiguous to warrant recourse to matters of that sort.

### New York law

280 The MTA was governed by “the internal Laws of the State of New York, without regard to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York”.

281 It was, however, common ground between the parties that Australian law governs the question of whether the MTA was effective to assign the goodwill in the PBTD because the question whether an intellectual property right is assignable at all and if so, in what conditions, is governed by the law of the country under which the right is created. See *Campbell Connelly & Co Ltd v Noble* [1963] 1 WLR 252 at 255; Dicey, Morris and Collins, *The Conflict of Laws* (Sweet and Maxwell, 15th ed. 2012) at 1354 to 1358 (rule 135(1)(b)), and 24-069 (pages 1364-5). See also *Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes* (American Law Institute Publishers, 2008) at 146-149.

282 Mr Graif, a partner of the law firm Curtis, Mallet-Prevest, Colt & Mosle LLP in New York, opined, without objection, that the laws of the state in New York include federal laws as applied by New York courts. He also expressed the view that “the word ‘internal’ is intended to emphasize the fact that the MTA precludes the possibility of any other jurisdiction’s law applying by virtue of New York conflict of law principles”.

283 Bega adduced evidence about the general principles of construction under the laws of the State of New York that apply in construing a written contract from Judge Ciparick, who served as an Associate Judge of the New York State Court of Appeals from 1994 until 2012. (The New York Court of Appeals is the highest court in the State of New York).

284 Judge Ciparick opined, without objection, among other things, that the fundamental, neutral precept of contract interpretation is that agreements are construed in accordance with the parties’ intent and that the best evidence of what parties to a written agreement intend is what they say in their writing. Thus, a written agreement that is complete, clear and unambiguous on its face must be enforced according to the plain meaning of its terms.

285 Judge Ciparick further explained that extrinsic evidence of the parties’ intent may be considered only if the agreement is ambiguous, which is an issue of law for the courts to decide and that it is settled law in New York that “parties cannot create ambiguity from whole cloth where none exists, because provisions are not ambiguous merely because the parties interpret them differently”, citing *Universal American Corporation v National Union Fire Insurance Co of Pittsburgh*, PA, 25 N.Y.3d 675, 680, 16 N.Y.S.3d 21, 23 (2015).

286 Judge Ciparick further explained that the New York Court of Appeals has been “extremely reluctant to interpret an agreement as impliedly stating something which the parties have neglected to specifically include …”, citing *Vermont Teddy Bear Co v 538 Madison Realty Co*, 1 N.Y.3d 470, 475, 775 N.Y.S.2d 765, 767 (2004).

287 Judge Ciparick also explained that under New York law, agreements are interpreted so as to give full meaning and effect to the material provisions; that a reading of the contract should not render any portion meaningless; that the contract should be read as a whole and every part will be interpreted with reference to the whole; and that if possible it will be so interpreted so as to give effect to its general purpose, citing *Beal Savings Bank v Sommer*, 8 N.Y.3d 318, 324-25, 834 N.Y.S.2d 44, 47 (2007).

288 The statements of general principle explained by Judge Ciparick are consistent with Australian principles governing the interpretation of contracts. Indeed, the parties agreed in the end that New York law in relation to the interpretation of contracts is not relevantly different to Australian law, at least for the purpose of this case. See generally *Mount Bruce Mining Pty Limited v Wright Prospecting Pty Limited* (2015) 256 CLR 104 at 116-117, [46]-[52].

289 The two parties to the MTA were the first applicant and Kraft Foods Global Brands LLC (SnackCo IPCo).

290 As earlier explained, Kraft’s case is that the goodwill associated with the PBTD was assigned to the first applicant by operation of the MTA. Kraft says that KFL had no relevant goodwill. It says that under the MTA, rights to “Trade Dress” followed “the Primary Brand” associated with the Trade Dress, and that because “Kraft” is a Primary Brand under the MTA, ownership of the Peanut Butter Trade Dress, because it was associated with the Kraft brand, was allocated to the first applicant. That is a necessary integer in Kraft’s case that the first applicant then licensed the PBTD to SnackCo IPCo under the MTA, together with the Kraft trade mark, and the goodwill generated from use by KFL (and then MAFL) of the Kraft trade mark and the PBTD under the MTA inured to the benefit of the first applicant.

291 Bega’s case, of course, is that the MTA was legally incapable of effecting any assignment of rights in the PBTD to the first applicant because KFL, which owned the relevant goodwill in its business, was not a party to the MTA; and rights in the PBTD were not assignable under Australian law without an assignment of the underlying peanut butter business and its goodwill. Such rights were instead retained by KFL/MAFL.

#### Is there any practical utility in resolving the MTA issue?

292 Bega also says that because Kraft recognises that there is no property in an unregistered trade mark per se in Australia, and because the proposition that the assignment of any rights in an unregistered trade mark can only be achieved by assigning the relevant business as a whole (together with its relevant assets) is accepted law in Australia, there is no practical utility in resolving the construction issues about the MTA. In the view I have taken on issues 1 - 5, there may well be merit in that submission. Nonetheless, given the time and effort committed by the parties to those issues, and in case it matters in the event of any appeal, I will now turn to consider the submissions made by the parties about the proper construction of the MTA.

### Kraft’s principal submissions about the proper construction of the MTA

293 As described above, the MTA defines “Trade Dress” as the rights in registered or unregistered characteristics of visual appearance of product packaging that: (i) serve as a source identifier and (ii) are used on packaging “in combination with a licensed GroceryCo Primary Brand or a SnackCo Primary Brand, as the case may be”.

294 Kraft’s closing written submission cited the following passage from the cross-examination of Professor Klein, whose expert report included evidence in relation to consumer purchasing behaviour, including about product packaging and Bega’s advertising. The passage is as follows:

[Mr McGrath SC] The most likely position, isn’t it, that for a consumer who has developed a set of preferred brands, that they’re going to be hard to shift to another brand if they have a preferred brand; that’s right isn’t it?

[Professor Klein] Yes, to the extent that they’re loyal to that brand which means they consistently buy it. It’s going to be – it’s expensive to move them, yes.

295 Kraft’s submitted in its written closing submission that this interchange between senior counsel for Bega and Professor Klein “ultimately underlines why the parties are in dispute. The largest selling peanut butter on the Australian market as of June 2017 was Kraft peanut butter; this was the preferred brand for Australian consumers”.

296 Kraft submitted that “[a] strong brand allows the consumer to minimise the cognitive effort required to select peanut butter from a crowded supermarket shelf; in short, the brand makes the purchasing decision easier. The purchaser trusts the brand and feels comfortable selecting a product based on that brand”. Continuing with Professor Klein in cross-examination, Kraft relied on these additional exchanges between senior counsel for Bega and Professor Klein:

[Mr McGrath] And the decision strategy of working through the choices for the consumer allows that consumer to, effectively, minimise the cognitive effort that they have to undertake when they go into a supermarket, doesn’t it?

[Professor Klein] Yes, I mean that’s sort of the idea of a brand. It’s kind of a promise of what you’re going to get inside. It’s a promise of consistency. They don’t have to go through the same thought decision process every time they want to choose their peanut butter, yes.

[Mr McGrath] That’s right because it can be both time consuming and energy sapping if every time you went to the supermarket to have to go through the same process all over about whether you do or don’t get a particular brand?

[Professor Klein] Yes, it’s easier just to identify your preferred brand.

297 Kraft submitted that “[b]randing ultimately assists the purchaser in forming an impression about the product in question because the consumer is informed as to the trade origin of the product”, again citing Professor Klein’s explanation in that regard:

I would say they’ve [consumers] developed a loyalty to the brand and they’ve developed a loyalty to the product. The two things are intertwined because there’s brand associations that help inform them of what the product tastes like. So we sort of have this idea that we develop our impressions of people, products, the taste of things, from the elements of the experience itself, like a bottom-up processing, but actually there can be a lot of top-down processing. So if it’s a high-end brand or a trusted brand, I may make assumptions about what it’s going - that experience will be like, and those expectations will actually influence my experience. Unless, as we said before, it’s clearly horrible or something like that, but if there’s any ambiguity, and for most taste, there’s a lot of ambiguity, what’s good, what’s better, the brand will help inform what the experience is like and what the attributes are of the product. So they do kind of interweave that way.

298 Kraft submitted that the evidence of other Bega witnesses reinforced the association between the Kraft brand and the PBTD.

299 For example, Kraft relied on the evidence of Ms Cam Nguyen, who was employed by Kraft Foods Inc, as a brand manager responsible for the general direction of branding for peanut butter products from September 2010 to October 2012. She deposed that the Kraft brand was a well-loved brand that had nourished generations of Australians for over 60 years with recollections of that brand going back to childhood and that the “[y]ellow lid background with blue/red area for descriptor has huge equity for Kraft Peanut Butter and is the key identifier on shelf for the Kraft brand”.

300 Kraft, relying on this and other similar evidence, submitted that the PBTD served as a short hand means for consumers to identify Kraft peanut butter, and as such served as a source identifier within the meaning of the definition of “Trade Dress” contained in clause 2 of the MTA.

301 Kraft next says that the PBTD also falls within the second part of that definition, viz that it is used on packaging “in combination with a licensed GroceryCo Primary Brand” because, at the time of the restructure, the PBTD was used in combination with the Kraft trade mark, and the Kraft trade mark was a GroceryCo Primary Brand under the MTA, that was licensed in the past, and was henceforth to be licensed under Article III of the MTA.

302 Kraft submits that the PBTD is therefore a licensed GroceryCo Primary Brand within the MTA’s definition of “Trade Dress”.

303 Kraft submits that “[r]eading the definitions of ‘Trademarks’ and ‘Trade Dress’ in combination, where trade dress has been used in combination with a licensed GroceryCo Primary Brand or SnackCo Primary Brand (as the case may be), it is ‘related Trade Dress’ in the case of that Primary Brand, such that the relevant ‘characteristics of visual appearance’ are included with the Primary Brand.”

304 Kraft says, as an alternative argument, that when SnackCo IPCo “assign[ed] to GroceryCo IPCo all right, title and interest of SnackCo IPCo in and to the GroceryCo Brand IP” (under clause 2.1(a)(i) of the MTA) the PBTD was therefore allocated to GroceryCo IPCo.

305 It is apparent, therefore, that clause 2.1(a)(i) of the MTA, which is the clause that sets out the intellectual property that SnackCo IPCo agreed to assign to GroceryCo IPCo (the first applicant), is the critical provision for the purposes of Kraft’s submission.

### Bega’s principal submissions about the proper construction of the MTA

306 Bega agrees that clause 2.1(a)(i) of the MTA is the critical provision, but urges a different construction of it.

307 It is helpful to recite clause 2.1(a)(i) and the other critical provisions upon which Bega places most emphasis.

308 Clause 2.1(a)(i) relevantly provides: “SnackCo IPCo hereby assigns to GroceryCo IPCo all right, title and interest of SnackCo IPCo in and to the GroceryCo Brand IP…”

309 It follows that that which is assigned is whatever the MTA defines the GroceryCo Brand IP to mean.

310 “GroceryCo Brand IP” is defined in clause 1.2 as “the GroceryCo Marks (and the goodwill associated therewith), the GroceryCo Brand-Related Copyrights and the GroceryCo Domain Names”.

311 “GroceryCo Marks” is in turn defined in clause 1.2 to mean:

**any of the Trademarks owned by Kraft Foods Inc**. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) **are GroceryCo Primary Brands** or (ii) **primarily relate to or are primarily used in the GroceryCo Business.** The “GroceryCo Marks” include all of the Trademarks listed in the **GroceryCo Mark Binders** (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein).

(emphasis added).

312 “Trademarks” means “trademarks, service marks, trade names and **other indications of origin** or similar rights and **all related Trade Dress**, in each case, **whether registered or unregistered**, including all registrations and all applications to register any of the foregoing”. (emphasis added).

313 It follows that the PBTD is a “Trademark” within that definition because it was both an unregistered “trademark” and an unregistered “indication of origin”. In that regard Bega pointed to the expert evidence of Professor Beebe adduced by Bega to the effect that under United States law, trade dress is a species of trade mark, which falls within the definition of “trademark” in s 2 of the Lanham Act and which can be registered as a trade mark where it meets the other requirements for registerability.

314 Bega submits that “GroceryCo Marks” is therefore defined by something:

(a) meeting the definition of a “Trademark”; and

(b) which additionally meets the requirement of being either:

(i) a trademark that is listed as a “GroceryCo Primary Brand” (which is defined in clause 1.2 as being those trade marks listed in Schedule B to the MTA); or

(ii) a trademark that primarily relates to or is primarily used in the GroceryCo Business; or

(iii) a trademark that is listed as a GroceryCo Mark in the GroceryCo Mark Binders (which are defined in clause 1.2 as being a specifically dated and labelled set of binders).

315 Bega’s case is that having fallen within the definition of “Trademarks” in clause 1.2 of the MTA, for the PBTD to be a “GroceryCo Mark” it must, **but does not**, also satisfy at least one of those three requirements of the definition of “GroceryCo Mark” because it is:

(a) not listed in Schedule B as a “GroceryCo Primary Brand”;

(b) not a trade mark that primarily relates to or is primarily used in the GroceryCo Business – the peanut butter business in Australia was instead a SnackCo Business; and

(c) not a trade mark that is listed in the GroceryCo Mark Binders as a GroceryCo Mark.

316 Those three statements – that the PBTD is not listed in Schedule B as a “GroceryCo Primary Brand”, that it is not a trade mark that relates to the GroceryCo Business, and that it is not listed in the GroceryCo Mark Binders – are unassailable facts.

317 Schedule B is under the heading “GroceryCo Primary Brands”.

318 The “GroceryCo Mark” is not a trade mark that relates to the GroceryCo Business. That is made clear by reading clause 1.2 of the Separation and Distribution Agreement together with the disclosures made by Kraft Foods Inc to the United States Securities and Exchange Commission in the Form 10-Q referred to earlier which, among other things, notified the SEC of the proposed spin-off transaction. Clause 1.2 of the Separation and Distribution Agreement defines “SnackCo Business” to include “the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Snacks, Kraft Foods Europe* and *Kraft Foods Developing Markets* segments”. That definition applies to the MTA. Section 1.2 of the MTA provides that “[c]apitalised terms used herein without definition shall have the meanings assigned to them in the Separation Agreement”. The Form-10-Q explained that Kraft Foods Inc manufactured and marketed packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products and that it managed and reported operating results through three geographic units: Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets. It further disclosed that Kraft Foods Inc managed the operations of Kraft Foods North America and Kraft Foods Europe by product category and that it managed the operations of Kraft Foods Developing Markets by location. It is clear from the reporting results contained in the Form 10-Q that Australia formed part of Kraft Foods Developing Markets. It must follow therefore that KFL’s peanut butter business in Australia was a “SnackCo Business” within the meaning of the MTA. (See too Schedule 1.2(19) item 3 of the Separation and Distribution Agreement which allocated all “facilities located outside the United States and Canada” to SnackCo.)

319 The third unassailable fact – that the “GroceryCo Mark” is not a trade mark that is listed in the GroceryCo Mark Binders as a GroceryCo Mark – is apparent from an examination of the relevant GroceryCo Mark Binders.

320 Bega says, therefore, that because the PBTD itself falls directly within the definition of “Trademarks” (because it is an “unregistered” “trademark” (with a lower case ‘t”) and an unregistered “indication of origin”)) the question of whether it falls with the phrase “and all related Trade Dress” does not arise.

321 Bega says that the phrase “all related Trade Dress” does, however, have work to do. In their written closing submissions, counsel advance the following submissions:

198. The definition of ‘Trade Dress’ is a specific one – it is directed to the trade dress that is licensed for use under the terms of the MTA.

199. If Kraft’s construction of clause 2.1(a)(i) in its opening outline were correct, then the words in the definition of ‘Trade Dress’ emphasised above should not be included.

200. If the definition of ‘Trade Dress’ were intended to operate as part of the allocation of ‘Trademarks’ pursuant to the GroceryCo/SnackCo Marks definitions, then why is the definition limited to use with a ‘licensed GroceryCo Primary Brand or a licensed SnackCo Primary Brand’ when the definition of ‘Trademarks’ does not include any reference to either ‘Primary Brand’ definition?

201. And why would the definition of ‘Trade Dress’ be by reference not to what trade dress had been used prior to the restructure (contrast with clause 2.1(a)(iii) with its reference to use ‘*prior to the Distribution Date’*), but instead refer to use in the future, by reference to use with a Primary Brand licensed after the Distribution Date?

202. Another difficulty for Kraft with tying it to a future use is that clause 2.1(a)(iii) contemplates that the Licensee might instead use its own ‘trade dress’, in which case the relevant trade dress would not be used with the licensed Primary Brand, and would not be allocated to KFGB.

203. The definition of ‘Trade Dress’ instead has a clear connection with the rights licensed by each party in clause 3.1 (trade marks licensed to SnackCo IPCo), and in clause 3.2 (trade marks licensed to GroceryCo IPCo).

204. The words ‘related Trade Dress’ in the definition of ‘Trademarks’ has a distinct and separate purpose to that contended for by Kraft.

205. The inclusion of those words in the definition of ‘Trademarks’ is relevant to the scope of what is being licensed when either of clauses 3.1 or 3.2 applies. Specifically, it relates to the operation of clauses 2.1(a)(iii) and 2.1(b)(iii), which each permits certain ‘Trade Dress’ to be used together with a licensed trade mark.

206. The definition of ‘GroceryCo Marks’ in the MTA relates not only to the allocation of ownership of intellectual property provided for in clause 2.1(a)(i) (which Kraft focuses upon), but also forms part of the definition of ‘Licensed Trademark’, which is relevant to the operation of Article III of the MTA.

207. An example of the practical significance of the inclusion of ‘*related Trade Dress*’ in the definition of ‘*Trademarks’* is found in clause 3.5(a), whereby upon the termination of a relevant licence the licensee agrees to discontinue the production of packaging, promotion and marketing materials that ‘*display such Licensed Trademark*’. The ‘*related Trade Dress*’ wording has a practical operation here, as it makes clear that use of the ‘Trade Dress’ that is deemed to be included in the relevant licence must also cease.

## Consideration

322 The construction of the MTA contended for by Kraft is the preferable one. In my view, the MTA **purported** to assign to the first applicant the goodwill associated with the Peanut Butter Trade Dress – but for the reasons I have earlier given, such a purported assignment was ineffective as a matter of (governing) Australian law. On one view, that may seem a surprising conclusion, because parties are usually assumed not to have intended to do something that is legally ineffective. Cf *Bank of Credit & Commerce International SA v Ali* [2002] 1 AC 251 at 269 per Lord Hoffmann; *Inland Revenue Commissioners v Williams* [1969] 1 WLR 1197 at 1202 per Megarry J.

323 But, as Bega acknowledged, the drafters of the MTA contemplated that rights in unregistered trade marks, including trade dress, might be separately assignable. In doing so, however, they proceeded on an incorrect assumption, so far as Australian law is concerned.

324 Counsel for Bega correctly summarised the competing positions of the parties in their closing written submissions. As counsel put it at [162]: “The key difference between Bega and Kraft in their construction of clause 2.1(a)(i) relates to how the definition of ‘Trademarks’ … interoperates with the other definitions and clauses that reference that definition, and critically, how that definition interoperates with the definition of ‘GroceryCo Marks’”.

325 Bega contends that because the PBTD is itself a “trademark” and an “other indication of origin” within the meaning of “Trademarks”, in applying clause 2.1(a)(i) it is necessary specifically to consider whether the PBTD meets any of the additional criteria for being a “GroceryCo Mark” (and hence to form part of the GroceryCo Brand IP that is to be assigned).

326 Kraft, on the other hand, says that because:

(i) Kraft is a GroceryCo Mark (something about which there is and can be no dispute, because it is a “GroceryCo Primary Brand” listed as such in Schedule B to the MTA);

(ii) “Trademarks” (with an upper case “T”) is defined to include “all related Trade Dress, in each case, whether registered or unregistered”;

(iii) “Trade Dress” is defined to mean rights in unregistered characteristics of visual appearance of product packaging that serve as a source identifier and are used in combination with a licensed GroceryCo Primary Brand; and

(iv) the evidence proves that the PBTD, at the time of the MTA, constituted such rights and they were used in combination with the Kraft trade mark,

then on the proper construction of the MTA, the goodwill associated with the PBTD was assigned to the first applicant under clause 2.

327 It seems to me unlikely that the parties intended to relegate the phrase “and all related [unregistered] Trade Dress” in the definition of “Trademarks” in the manner contended for by Bega. No principle of construction under New York law was cited to support the proposition central to Bega’s contention, that once it can demonstrate that the PBTD has “fallen within” the definition of “Trademarks” in clause 1.2, and it can then be demonstrated that it is not a GroceryCo Mark, then, as it was submitted in writing “before considering whether it might additionally come within the term ‘related Trade Dress’”, it is to be concluded that the PBTD was not intended to be assigned. It is true that Bega does seek to attribute some meaning to the phrase “and all related [unregistered] Trade Dress” (see [324] above), but, with respect, those submissions are unconvincing. Kraft’s construction is to be preferred.

328 Bega’s reading of clause 2, so it seems to me, is not consistent with the principles of contractual interpretation applicable under New York law because it does not read the definition of “Trademarks” as a whole.

329 As I said earlier, both Kraft and Bega said that their competing submissions each made more commercial sense then the other, or were more or less consistent with various other provisions in the MTA. Kraft, for example, says that its interpretation is commercially sensible.

330 Kraft says that it makes “eminent commercial sense” that trade dress accompanied the allocation of Primary Brands under the MTA (not just for the Primary Brand Kraft, but in the case of each Primary Brand), for these reasons:

(a) Schedules B and C allocate Primary Brands on a world-wide basis, with intended geographical limitations clearly stated.

(b) As regards the Primary Brand Kraft in particular, the brand word “Kraft” had been part of the name of most companies in the Kraft Foods Inc group; by cl 5.2 of the MTA SnackCo agreed effective immediately to change its corporate and business names in all states in which it was organised or doing business to a new name that did not include “Kraft”. Thus, in Australia, Kraft Foods Ltd became MAFL. The primary intention that SnackCo was to cease using the word “Kraft” around the world is clear.

(c) Not only are Primary Brands allocated by the MTA on a binary basis, but so too are the copyrights in all product packaging, advertising and promotional material that relates to products “primarily branded” (as the definitions of Brand-Related Copyrights show). In Australia copyright in an artistic work endures for 70 years or longer; s. 33 *Copyright Act 1968* (Cth). This allocation of packaging, advertising and promotional material to Primary Brands around the world evidences a clear intention of a simple basis upon which trade dress (which is only manifested through such materials) was to be allocated. This is borne out too by the definition of Trademarks which allocates to them trade dress used on associated licensed primary brand packaging.

(d) As already explained in relation to the [PBTD], consumers associate trade dress used with the Kraft brand with the Kraft brand (that is, Kraft mark); it is a diagnostic cue for that brand/mark. It would cause great confusion around the world if every time a license to use the Kraft brand expired, consumers were no longer entitled to associate the subsequent supply of the like branded product with Kraft. It is not to be supposed that the parties to the MTA intended such a result.

(e) The treatment in the MTA of the situation where either “KRAFT” or “KRAFT FOODS” (defined as the Kraft GroceryCo Trademark) was used in conjunction with a SnackCo Primary Brand is instructive. In such a case the Kraft mark was accorded the status of an “umbrella brand” which SnackCo was licensed to use for 3 years in the same relative size or smaller as it had been used on the Distribution Date on the principal display panel of the packaging only (cl 3.1(i)). The provision gives examples of four products so treated in the MTA covering different parts of the world (including Kraft Vegemite). The careful attention of the drafters to such situations underlines their intended distribution on a global basis, and according to Primary Brands, in the MTA.

(f) Finally, cl 5.1 of the MTA also underlines a construction that the drafters of the MTA understood and intended a global Restructure and the possibility that variations in local laws could lead to non-uniform results that might distort the allocation intended by MTA. Accordingly, so as to prevent this, by cl 5.1(a) the parties agreed to use their best efforts “to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable Law, regulations and agreements to consummate and make effective the transactions contemplated by [the MTA]”.

331 Kraft also submitted that the effect of clause 3.1(m) of the MTA is that the licence granted to SnackCo IPCo under clause 3.1(a) to use the Kraft trade mark includes the PBTD used in connection with the Kraft trade mark immediately prior to the restructure. Cause 3.1(m) is as follows:

Related Logos and Taglines. For clarity, and unless expressly provided otherwise herein, references to a specific GroceryCo Mark that is a Licensed Trademark under this Section 3.1 shall include the logos, Sub-Brands, Trade Dress and tag lines …owned by a GroceryCo Entity as of the Distribution Date and used in connection with such GroceryCo Mark in any product packaging immediately prior to the Distribution Date.

332 Kraft’s reasons supporting this construction are as follows.

333 First, Kraft says that Kraft Foods Group Brands LLC was assigned a number of registered trade marks pursuant to the restructure that comprised elements of the Peanut Butter Trade Dress, viz the Nut Device Marks. Kraft points to the fact that one feature of the Peanut Butter Trade Dress is a red or blue peanut device. The first applicant was assigned, and has since 2012 been the registered owner of, Australian Trade Mark No. 1454228. That mark is depicted below adjacent to the peanut butter sold at the time.



334 Kraft says that “[i]t would be incongruous for the drafters of the MTA to have intended that these registered marks be allocated to the First Applicant, but that the [PBTD] pass to SnackCo IPCo”.

335 Secondly, Kraft says that “the evidence overwhelmingly indicates that the [PBTD] is associated with and identifies the Kraft brand. That is why it is not commercially sensible for [it] to be divorced from the Kraft brand and allocated to the manufacturer that used the Kraft brand and [the PBTD] under licence. The [PBTD] does not signify a place of manufacture, or the manufacturing entity. Instead, the evidence shows that the relevant trade origin signified by the PBTD is the owner of the Kraft brand”

336 Bega, on the other hand, says that its proffered construction makes more commercial sense. Bega’s submissions in that regard were as follows:

176. The above construction of ‘Trademarks’ is a commercially sensible one, in that it ensures that for those trademarks, service marks, trade names and other indications of origin that were not specifically considered and allocated by the parties as being a ‘Primary Brand’, or included in the GroceryCo Mark Binders or SnackCo Mark Binders, the ‘Trademark’ is allocated to the group of companies (headed by SnackCo or GroceryCo) whose business primarily relates to that particular ‘Trademark’.

177. This construction also provides a sensible outcome in the following scenarios:

(a) Scenario 1: the same trade dress is used on two different products, one bearing a GroceryCo Primary Brand and the other bearing a SnackCo Primary Brand, or on a single product bearing two primary brands. On **Bega’s** construction, the rights in the goodwill will be determined by reference to which of the GroceryCo or SnackCo businesses that trade dress can be said to primarily relate – this is the same assessment that would apply for any other trade mark that had not been specifically allocated in the schedules (for Primary Brands) or in the binders. On Kraft’s construction there would be an irreconcilable conflict as the trade dress would be ‘related to’ each of the above trade marks (i.e. each of the above ‘Primary Brands’); and

(b) Scenario 2: the trade dress is used on a single product that bears two separate trade marks, one of which is allocated to GroceryCo, and the other to SnackCo. Again, on Bega’s construction, rights in the trade dress would be allocated by reference to whether the trade dress primarily relates to or is primarily used in a GroceryCo Business or a SnackCo Business. On Kraft’s construction there would again be an irreconcilable conflict.

178. Scenario 1 arises in relation to the Australian KRAFT VEGEMITE product – KRAFT was designated a GroceryCo Primary Brand, and VEGEMITE a SnackCo Primary Brand. Kraft submits that this conflict can somehow be resolved because clause 3.1(i) refers to the ongoing use of KRAFT as an ‘umbrella brand’, but notably Kraft’s submissions do not explain how such a ‘concept’ can be reconciled with the actual language used in the definitions that are relied on.

179. Scenario 2 arises in relation to the Australian peanut butter products. Two different registered trade marks were used on those products prior to the Distribution Date (1 October 2012), one of which was allocated to GroceryCo and the other of which was allocated to SnackCo, as follows:

(a) the KRAFT trade mark was allocated to GroceryCo IPCo; and

(b) the NEVER OILY, NEVER DRY trade mark was allocated to SnackCo IPCo.

180. Insofar as the Peanut Butter Trade Dress was ‘related’ to a trade mark, it was ‘related’ to each of these two trade marks.

181. Bega’s construction of ‘Trademarks’ allows the proper allocation of ownership of rights in trade dress, including the Peanut Butter Trade Dress, to be resolved in a commercially sensible way – by reference to the allocation of the underlying business that is primarily associated with that trade dress. Here, that is the Australian peanut butter business, which was allocated to SnackCo IPCo. Moreover, as submitted in paragraphs 171 - 173 above, this construction also corresponds with the law relating to the assignment of goodwill in unregistered trade marks applying in Australia.

(footnotes omitted, emphasis in original)

337 In my view, for the reasons given above, the differences between the parties about which of their competing contentions is more commercially sensible do not arise, or are at least unnecessary to decide. In those circumstances I do not propose to dedicate more ink to the myriad submissions made on the question of how the MTA is to be construed, firstly because, in the view I take of the other issues, there is no practical utility in the question and secondly because the correct view about what the parties to it purported to do is tolerably clear.

338 Accordingly, I find that the purported assignment of the goodwill in the Peanut Butter Trade Dress to the first applicant by the terms of the MTA was ineffective as a matter of Australian law.

339 For the reasons given above:

(1) I do not accept Kraft’s case that either before or after the restructure, the PBTD was validly licensed, or was capable of being validly licensed absent a sale of the KFL business, to either Kraft Foods Global Brands LLC and/or the first applicant.

(2) I do not accept Kraft’s case that because Kraft Foods Inc and then Mondelez International Inc “controlled” KFL/MAFL’s manufacturing, labelling, promotion and sales of peanut butter, the goodwill in the PBTD inured to the benefit of the relevant Kraft entity from time to time, ending up with the first applicant.

(3) I do not accept that the PBTD was only ever used as a “diagnostic cue” for the Kraft brand.

(4) The goodwill in the KFL/MAFL business, including the goodwill derived from the PBTD, at all times prior to the sale to Bega inured to the benefit of KFL/MAFL.

# CONCLUSIONS ON ISSUES 5-6

340 It follows that for the reasons given above, including with respect to issues 1-4, issues 5 and 6 are answered as follows:

Issue 5 – To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the PBTD inure immediately prior to the date of the restructure?

Answer: Kraft Foods Limited.

Issue 6 – To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the PBTD inure after the date of the restructure?

Answer: Kraft Foods Limited/Mondelez (Australia) Foods Limited.

# ISSUE 7: CAN THE ACL AND PASSING OFF ISSUES IN THE CASE BE DETERMINED WITHOUT ASCERTAINING WHETHER RIGHTS IN RESPECT OF TRADE DRESS ACCRUED TO THE FIRST APPLICANT UNDER THE MTA?

# ISSUE 11: HAS BEGA BREACHED THE ACL BY USING THE PEANUT BUTTER TRADE DRESS BECAUSE OF ANY ASSOCIATION THAT IT HAS WITH THE KRAFT BRAND?

# ISSUE 13: DID BEGA ENGAGE IN PASSING OFF OR MISLEADING AND DECEPTIVE CONDUCT THROUGH USE OF THE PEANUT BUTTER TRADE DRESS?

341 These issues may conveniently be dealt with together in that order.

## Issue 7

342 For the reasons set out earlier, I have found that rights in respect of the Peanut Butter Trade Dress did not accrue to the first applicant under the MTA. (For reasons which I will come to when I deal with issue 14, I conclude that Bega acquired the PBTD as part of its acquisition of the business and assets of MAFL, pursuant to the SPA).

343 The conclusion that rights in respect of the PBTD did not accrue to the first applicant under the MTA follow from the findings that:

(i) the PBTD was not licensed to either Kraft Foods Global Brands LLC and/or the first applicant;

(ii) the control by the US based companies of KFL/MAFL’s manufacturing, labelling, promotion and sales of peanut butter did not mean that the goodwill in the PBTD inured ultimately to the benefit of the first applicant;

(iii) the PBTD was not only a “diagnostic cue” for the Kraft brand; and

(iv) the goodwill in the KFL/MAFL business, including the goodwill derived from the PBTD, at all times prior to the sale to Bega inured to the benefit of KFL/MFL.

344 Kraft’s pleaded ACL case, which appears in Part D of the TFASOC, is founded on acceptance of propositions (i) – (iv) and rejection of the conclusion that Bega acquired the PBTD as part of its acquisition of the business and assets of MAFL, pursuant to the SPA.

345 It is convenient to set out Part D. Part D1 is entitled “Trade dress associated with Kraft Brand” and is as follows:

**PART D. BREACH OF THE AUSTRALIAN CONSUMER LAW**

**D1. Trade dress associated with Kraft Brand**

81. At all material times from the 1990s until mid-2017 the Peanut Butter Trade Dress has been continuously and exclusively used and promoted throughout Australia, in conjunction with the Kraft Brand.

82. Consequently, consumers of peanut butter in Australia:

(a) have come to associate the Peanut Butter Trade Dress with the Kraft Brand;

(b) are likely to assume that peanut butter sold under the Peanut Butter Trade Dress or any deceptively similar, substantially identical or confusingly similar trade dress is associated with the Kraft Brand or the owner of the Kraft Brand; and

(c) since at least mid-2017 consumers make the aforementioned associations whether or not the Kraft Brand also appears on the packaging or label of the peanut butter.

83. Kraft is the registered owner under the Trade Marks Act of the Kraft Trade Marks (which include the Kraft Brand) and it has the exclusive right under that Act to use and authorize others to use those trade marks.

84. By reason of the matters referred to in the three preceding paragraphs, in engaging in the conduct in respect of the Impugned Bega Packaging referred to in paragraphs 72 to 74, Bega has engaged in conduct in trade or commerce which is misleading and deceptive or likely to be so contrary to section 18 and sections 29(a), (g) and (h) of the Australian Consumer Law.

84A. Furthermore, by reason of the matters referred to in paragraph 74A and 74B, Bega has represented a connection in the course of trade with the Applicants or that the products in the Impugned Bega Packaging are otherwise associated with the Applicants and has engaged in conduct in trade and commerce which is misleading and deceptive or likely to be so contrary to section 18 and sections 29(1)(a), (g) and (h) of the Australian Consumer Law.

85. Each of the Applicants have (sic) suffered and stand to continue to suffer loss or damage by Bega’s contravening conduct alleged in the preceding paragraph.

**PARTICULARS**

The loss and damage sustained by the Applicants includes gross profits, and damage to business and assets, including brand dilution, and damage to the trade mark “KRAFT” in respect of peanut butter and otherwise.

346 Part D2 is entitled “Acquisition of goodwill” and is as follows:

**D2. Acquisition of goodwill**

86. Further and alternatively, by reason of the matters referred to in Parts A and C, Kraft acquired and is the owner of all goodwill generated through use of (a) the Kraft Brand and (b) the Peanut Butter Trade Dress prior to the Restructure.

87. Further, and alternatively, by reason of the matters referred to paragraphs 22 to 24, any goodwill and reputation generated through use of (a) the Kraft Brand; and (b) the Peanut Butter Trade Dress by Mondelez Australia (Foods) Ltd after 1 October 2012 up until 31 December 2017 inured to the benefit of and vested in Kraft.

88. As a result of the matters referred to in the two preceding paragraphs, packaging for peanut butter with the Kraft Brand and the Peanut Butter Trade Dress has:

(a) become well known to the public throughout Australia as denoting the business of Kraft and the goods sold by it or persons authorised by it, and has acquired substantial goodwill and a valuable reputation throughout Australia;

(b) come to be exclusively and distinctively associated with Kraft; and

persons who intend to acquire peanut butter or other goods sold under and in respect of those indicia intend and/or expect to acquire such products from Kraft or persons authorised by Kraft.

89. Further and alternatively, by reason of the matters referred to in the three preceding paragraphs, the Peanut Butter Trade Dress, has:

(a) become recognised by consumers of peanut butter in Australia as an indicator of trade source;

(b) become well known to the public throughout Australia as denoting the business of Kraft and the goods sold by it or persons authorised by it, and has acquired substantial goodwill and a valuable reputation throughout Australia;

(c) come to be exclusively and distinctively associated with Kraft; and

persons who intend to acquire peanut butter or other goods sold under and in respect of those indicia intend and/or expect to acquire such products from Kraft or persons authorised by it.

90. By reason of the matters alleged in four preceding paragraphs, Kraft has become very well and widely known and identified in the minds of the general public throughout Australia with respect to:

(a) the packaging of peanut butter which bears the Kraft Brand and the Peanut Butter Trade Dress; and

(b) further and alternatively, the packaging of peanut butter which bears the Peanut Butter Trade Dress.

91. The presentation of the Impugned Bega Packaging is deceptively similar, substantially identical or confusingly similar to the Peanut Butter Trade Dress.

92. By reason of the matters alleged in paragraph 86 to 91, the conduct of Bega in respect of the Impugned Bega Packaging contravenes sections 18 and 29(1)(a), (g) and (h) of the Australian Consumer Law.

93. Each of the Applicants has suffered and stands to continue to suffer loss or damage by Bega’s contravening conduct alleged in the preceding paragraph.

**PARTICULARS**

The Applicants refer to the particulars subjoined at paragraph 85 above.

347 The passing off claim is the same. Part E is entitled “Common Law Passing Off” and relies on the same material facts pleaded in respect of the ACL claim in Part D, as follows:

**PART E: COMMON LAW PASSING OFF**

94. By reason of the matters alleged in paragraphs 86 to 91 and 74A above, Bega has passed off peanut butter in the Impugned Bega Packaging as being supplied by or otherwise associated with Kraft.

95. By reason of each of Bega’s acts of passing off it has made profits and the Applicants have suffered loss and damage.

**PARTICULARS**

The Applicants refer to the particulars subjoined at paragraph 85 above.

348 Kraft seeks damages, or at their election, an account of profits.

349 Issue 7 is resolved in light of my earlier finding that Bega owns the rights to the PBTD. As Mr McGrath submitted:

Now, your Honour, it’s Bega’s position that this case can be determined without considering the master trademark agreement, because there is no possibility of the master trademark agreement affecting the central issue of who owns the rights in the peanut butter trade dress. And, for the reasons already given, those rights were originally generated by Kraft Foods Limited, which adopted, promoted and used the peanut butter trade dress such that it became an unregistered trademark, and thereafter it retained those rights in the form of the goodwill of its peanut butter business until that business, and the associated goodwill and assets in it, were purchased by Bega in July 2017.

The master trademark agreement simply cannot affect that position, even if all of the construction issues went against Bega. That’s the matter of law and fact.

350 It follows from what I have said earlier that I agree with that submission and that the answer to issue 7 is: Yes.

351 I should now deal with another point that Mr Garratt raised during his oral closing submission, apparently having something to do with issue 7. During that submission he put the proposition that it was doubtful that the Peanut Butter Trade Dress would even fall within the definition of a “sign” within the meaning of the Trade Marks Act (which includes any letter, word, name, signature, numeral, device, brand, heading, label, ticket, aspect of packaging, shape, colour etc).

352 The relevance of such an apparently equivocal proposition is not altogether clear to me, but lest it be important, I will deal with the point.

353 Mr Garratt’s submission, not made in any of Kraft’s written submissions, was this:

… [C]onduct will be misleading and deceptive if some form of association is conveyed about – although the precise form of association or connection may not be able to be articulated or identified, it doesn’t … matter that, when observing the conduct of Bega, some of the public cannot identify precisely what has occurred. So, whilst it would be sufficient, it is not necessary for consumers to assume that the goods are from the same source. It’s enough if consumers believe that there is some connection or association between the goods or the persons who provide them …

… There’s no question that peanut butter [was] continuously sold and extensively promoted throughout Australia from the 1990s through to mid-2017 and beyond, by reference to the word Kraft in the relevant trade dress. The product packaged in this way was referred to simply as Kraft Peanut Butter. And so there developed a longstanding association between the appearance of the product – the get-up – and the owner of the Kraft brand. Those branding elements were concurrently employed and became inextricably linked in the consumer’s mind.

The appearance of the product simply reinforced the brand association, your Honour. And I use the word “appearance” deliberately, because that is what get-up is. Your Honour has again and again been treated with the ‘unregistered mark’. I may as well make this point now. Get-up can be an unregistered mark, but let’s just be careful that we’re not losing crispness of analysis here. A registrable mark must be a sign which is adapted to distinguish or capable of distinguishing – section 17 of the Trade Marks Act. To call something an unregistered mark carries the implication it could have been registered. In other words, it is a sign adapted to distinguish.

**Well, one only has to look at the jars to see that it’s a bit hard to define what the sign might be that might be registrable. The appearance is – there’s a continuity of appearance, for sure – a continuity of get-up; a continuity of imagery – but to say that there’s necessarily a registrable sign that happens to be unregistered – it sort of is apt to lead one into a train of thought of thinking one’s dealing with an item of property, and that’s simply not what one is really dealing with here.** One’s dealing with aspects of appearance, of promotional get-up of a product – imagery – and so when one talks about rights it must be rights in respect of that imagery. And, as we say … the imagery had been associated, for a very long time by consumers, with the Kraft brand.

354 I do not accept the submission that it is doubtful that the PBTD falls within the definition of a “sign” within the meaning of the Trade Marks Act.

355 First, it is inconsistent with the way Kraft commenced closing submissions, when Mr Garratt said:

And to register something as a trademark, your Honour, it needs simply to be capable of becoming distinctive. It doesn’t necessarily mean that it is already distinctive. And whether something is distinctive in a particular case is really a matter for evidence. Now, **it’s common ground, your Honour, that these features of Trade Dress, although they move around a little bit, are relatively constant and are distinctive and operate as a trade mark**, and that they are recognisable by consumers and provide an identifier to them.

356 Secondly, it is inconsistent with Kraft’s pleaded case that the PBTD has: (a) become recognised by consumers of peanut butter in Australia as an indicator of trade source; and (b) become well known to the public throughout Australia as denoting the business of Kraft and the goods sold by it or persons authorised by it, and has acquired substantial goodwill and a valuable reputation throughout Australia. See [89] of the TFASOC above at [357].

357 In any event, even had it asked, I would not have permitted Kraft to amend its case, so late in the day, to say that the PBTD should not be considered a trade mark. The case was conducted on the agreed basis that it was.

## Issues 11 and 13

358 As is apparent from my earlier reasons, Bega does not dispute that at all material times from the 1990s until mid-2017 consumers formed an association between the Kraft trade mark and the PBTD.

359 Having found, however, that the rights to the PBTD were sold to Bega in July 2017, as I have, it follows that Bega is entitled to use the PBTD in the business that it acquired.

360 Bega applies the trade dress to **its** peanut butter products. It does so by applying its brand, “Bega”, or for a short time in 2017 “The Good Nut”, not the Kraft brand, together with the “Never Oily, Never Dry” trade mark. See Exhibit A1, Annexure C. In light of the findings that I have made, not only is Bega entitled to use the PBTD in conjunction with its peanut butter products (together with registered trade marks), but by doing so it represents the truth of the legal position. And to the extent that consumers, seeing the yellow lid and the peanut device on the supermarket shelves, might after July 2017 have believed (or might still believe) that the Bega peanut butter products have the same commercial origin as the Kraft product, they would be wrong. But having bought the business, the recipe, the goodwill, including the PBTD, Bega does not mislead a consumer within the meaning of the ACL by doing that to which it has a contractual right.

361 As to the proposition that consumer confusion that arises only by reason of an erroneous assumption is not as a general rule relevantly misleading or deceptive, see *State Government Insurance Corporation v Government Insurance Office of New South Wales* (1991) 28 FCR 511at 562; and *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at 203-204.

362 It follows that it is Bega who is entitled to take action to protect **its** goodwill in its peanut business by preventing use of its PBTD by others, including Kraft.

363 Accordingly, the answer to each of the questions posed by issues 11 and 13 is: No.

364 I now turn to issues 8 and 9, which may conveniently be dealt with together.

# ISSUE 8: DOES THE MONDELEZ LICENCE (AS DEFINED IN [18] OF THE TFASOC) PRECLUDE BEGA FROM CLAIMING “OWNERSHIP” OF THE PEANUT BUTTER TRADE DRESS?

# ISSUE 9: HAS BEGA BREACHED ANY TERM(S) OF THE MTA THAT IT IS BOUND BY IN RESPECT OF ITS USE OF THE PEANUT BUTTER TRADE DRESS FROM 1 JANUARY 2018?

365 In order to understand Kraft’s case with respect to these issues, it is necessary to rehearse parts of the pleadings and the provisions of the MTA relied on.

366 Paragraph 18 of the TFASOC defines the “Mondelez Licence” as follows:

Pursuant to the Restructure, Kraft granted Kraft Foods Global Brands LLC certain licences, including a 10 year licence to use the Kraft Brand and the Peanut Butter Trade Dress in Australia in relation to peanut butter (**Mondelez Licence**).

PARTICULARS

Clauses 3.1(a) and 3.1(m) of the MTA

367 Clause 3.1(a) of the MTA, set out above at [272], relevantly provides as follows:

Subject to the terms and conditions of this Agreement, GroceryCo IPCo [Kraft Foods Group Brands LLC] hereby grants to SnackCo IPCo [Kraft Foods Global Brands LLC] from the Distribution Date until the tenth anniversary of the Distribution Date an exclusive, fully-paid, royalty-free, and nontransferable (except as expressly permitted herein) license to use and display the following jurisdictions the Kraft GroceryCo Trademark in the same relative size or smaller on the principle display panel as used on the Distribution Date on SnackCo Products in the following product categories existing on the Distribution Date on which the Kraft GroceryCo Trademark appears on such date in such jurisdictions and on any substantially similar SnackCo Products and flankers and product line extensions of such SnackCo Products developed by or on behalf of the SnackCo Business or any member of the SnackCo Group after the Distribution Date and in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of such SnackCo Products in such jurisdictions:

(i) cheese …

(ii) processed cheese …

(iii) mayonnaise …

(iv) salad dressing

…

(v) **peanut butter in Australia and New Zealand** …

368 Clause 3.1(m) of the MTA, also set out above at [272], relevantly provides as follows:

Related Logos and Tag Lines. For clarity, and unless expressly provided otherwise, herein, references to a specific GroceryCo Mark that is a Licensed Trademark under this Section 3.1 shall include the … Trade Dress, and tag lines… owned by a GroceryCo Entity as of the Distribution Date and used in connection with Such GroceryCo Mark in any product packaging immediately prior to the Distribution Date.

369 Bega’s Defence to that plea is in these terms:

18. As to paragraph 18 it says as follows:

(a) It admits that pursuant to the MTA, Kraft Foods granted Kraft Foods Global Brands LLC a 10 year licence to use the Kraft GroceryCo Trademark (as described in paragraph 64(c) below) in relation to peanut butter in Australia;

(b) It will refer to the MTA at trial for its full terms and effect;

(c) It otherwise denies paragraph 18; and

(d) It says further that:

(i) the goodwill in the Peanut Butter Trade Dress was owned and used prior to the Restructure by an Affiliate of SnackCo IPCo (Kraft Foods Limited) in relation to a SnackCo Business (as defined in the Separation Agreement);

(ii) there was no allocation of that goodwill to Kraft Foods in the Separation Agreement or the MTA;

(iii) there was in any event no assignment of that goodwill by Kraft Foods Limited to Kraft Foods in the Separation Agreement, the MTA or otherwise; and

(iv) the licence under clause 3.1(a) of the MTA did not relate to the Peanut Butter Trade Dress.

370 Paragraph 64(c), referred to in [18(a)] of Bega’s Defence is as follows: “[Bega] says that the Kraft GroceryCo Trademark consists of the word Kraft and the [Kraft hexagon] logo shown at paragraph 65(b) of the [TFASOC]”.

371 Kraft pleads that the benefit of the Mondelez licence had been assigned to Bega by operation of New York law and that Bega had assumed its obligations. See TFASOC at [38].

372 Bega admits that the licence granted under clause 3.1(a)(v) of the MTA to use the “Kraft GroceryCo Trademark” (as defined in the MTA) in relation to peanut butter in Australia was assigned to Bega pursuant to a “Supplemental Agreement in Relation to the Sale and Purchase of the Australia and New Zealand Meals Business of Mondelez International” dated 4 July 2017 between Intercontinental and Bega (among others) (**Supplemental Agreement**)”. It also admits that “the assignment … carried with it the consequential obligations to Kraft Foods in relation to that licence provided under clauses 3.5, 3.8, 3.10 and 3.11 of the MTA”.

373 Those clauses, by which Bega admits it is bound, are set out in full at [273] to [277] above. The relevant effects of them are as follows:

 upon any termination or expiration of any license of a Licensed Trademark granted under Sections 3.1, 3.2 and 3.6, the Licensee agrees (i) to discontinue, and cause each of its Affiliates to discontinue, the production of packaging, promotion and marketing materials that display such Licensed Trademark (clause 3.5).

 the parties agree that the products with which the Licensed Trademarks are used by a party or its Affiliates, as Licensee, shall for the term of the respective Trademark license meet quality standards that are substantially equivalent to or higher than those standards maintained by Kraft Foods Inc. and its Subsidiaries (clause 3.8).

 neither during the terms of the respective Trademark Licenses nor after their termination or expiration shall either party assert any claim to the Licensor’s Trademarks or such goodwill relating thereto as a result of the use of such Trademarks pursuant to the license granted to the Licensee hereunder (clause 3.10).

 neither the Licensee nor any of its Affiliates shall knowingly or intentionally: (a) take, maintain or direct any action that is inconsistent with the Licensor’s ownership of the Licensed Trademarks or challenge the Licensor’s right, title, interest in, or ownership of, its Licensed Trademarks or its registrations therefor (clause 3.11).

374 In its written opening submission, Kraft recognised that the scope of Bega’s admissions was limited to “the licence which Bega admits was granted to Kraft Foods Global Brands LLC/Intercontinental Great Brands LLC and then assigned to it (not the broader Mondelez Licence alleged by Kraft)”.

375 Kraft further submitted in relation to Bega’s admission as follows:

Bega’s admission on 10 July 2018 that it owes obligations to Kraft by reason of the assignment to it of the licence granted by Kraft to Kraft Foods Group Brands LLC to Kraft Foods Global Brands/Intercontinental Great Brands LLC leads to the conclusion that Kraft may directly enforce those obligations in this proceeding. For the reasons advanced in Part 3 above, contrary to Bega’s position (Amended Defence [18]), the licence which was granted under section 2.1(a)(v) was not limited in the manner alleged by Bega, and was the Mondelez Licence as pleaded by Kraft, encompassing the Peanut Butter Trade Dress. If Kraft, contrary to Bega’s position, establishes that the licence granted under section 2.1(a)(v) of the MTA was the Mondelez Licence, then Bega’s admission that it is bound by obligations to Kraft Foods Group Brands LLC under MTA sections 3.5, 3.8, 3.10 and 3.11 in relation to the licence it has admitted would as a matter of logic apply with equal force to the Mondelez Licence.

376 If Kraft’s submission only went that far, the answer to it, in the light of my earlier findings, would be straight forward. The licence is “limited”, as Bega contends, and does not extend to the Peanut Butter Trade Dress. So the obligations assumed by Bega with respect to “Licensed Trademarks” therefore do not mean that it has acted inconsistently with any them by manufacturing, promoting, or selling its peanut butter products using the PBTD, as Kraft alleges.

377 In its written closing submission, Kraft took the point a bit further, contending that “the allegations of breach of contract turn solely on the terms of the MTA; they do not depend on the ownership of goodwill or there being any valid assignment of goodwill under the MTA. There is good reason for the parties to agree to certain clauses which make their obligations plain on the face of the agreement without resort to more complicated historical factual matters to determine the ascertainment of rights”.

378 In his closing address, however, Mr Garratt was more explicit. It is best to set out the relevant passage from the transcript:

So, your Honour, these provisions, 3.5, 3.10 and 3.11, are freestanding obligations between contracting parties. Bega wanted to buy from MAFL the benefit of its business, including the benefit of this licence agreement, and acknowledges that it has stepped into the obligations of MAFL under the licence, as it must, if it’s an assignee. And the consequence is that it is held to these obligations. It’s not in a position, frankly, to say, “Well, the goodwill relating to the use of the marks is ours.” That’s the one thing they’ve agreed they won’t do. **Indeed, between us they’re obliged to concede, regardless of the true state of affairs – if it be otherwise – that the goodwill arising from the use of the marks belongs to [Kraft]**.

379 I do not accept that the assumption of the obligations under the MTA which Bega concedes to have occurred by operation of New York law (the details of which it is unnecessary to explain, in light of Bega’s admission) obliges Bega to concede any assertion by the first applicant that it owns the PBTD, even if, on a proper analysis, it does not. Kraft’s submission also amounts to saying that an assignee is bound by an obligation greater than that owed by the assignor. No authority was cited for it, and no expert evidence on New York law was adduced to support it. Accordingly, I do not accept it.

380 It follows that the answer to each of issues 8 and 9 is: No.

# ISSUE 10: WHAT IS THE PROPER INTERPRETATION OF THE MTA? DID THE MTA AFFECT RIGHTS IN RESPECT OF THE PEANUT BUTTER TRADE DRESS?

381 I have addressed the question raised by the first part of issue 10, of the proper interpretation of the MTA, at [325] to [342] above under the rubric of issue 6.

382 For the reasons there set out, the answer to the second part of issue 10 is: No.

# ISSUE 14: WHAT RIGHTS WERE ACQUIRED BY BEGA IN JULY 2017 IN RESPECT OF PEANUT BUTTER?

383 As described earlier, on 19 January 2017, Mondelez Global LLC, Mondelez Australia (Foods) Ltd, Mondelez Australia Pty Ltd and Bega entered into the SPA. The business the subject of the sale and purchase was called “the Joey Business” of the Mondelez Group (essentially, the business and assets of MAFL). The agreement was subsequently amended. The amended agreement that governed the transaction is dated 4 July 2017, and it is that agreement that the parties referred to as the SPA.

384 The “Joey Business” was defined by the SPA to include the business, among many others, of developing, manufacturing, marketing, selling and distributing spreads including peanut butter, as conducted by the Mondelez Group in Australia and New Zealand from time to time.

385 It is convenient now to set out the relevant provisions of the SPA.

386 Under the heading “Introduction”, the following clauses appear:

(A) The MDLZ parties have agreed to sell (or procure the sale of), and the Buyer has agreed to buy (or procure the purchase of), the Joey Business of the MDLZ Group.

(B) The MDLZ parties and the Buyer are entering into this Agreement in order to set out the terms of that sale and purchase.

387 The SPA then relevantly provides:

**SALE AND PURCHASE**

2.1 Each MDLZ Party agrees to sell, and the Buyer agrees to buy (or procure the purchase of), the Transferred Assets owned by it free of all Encumbrances.

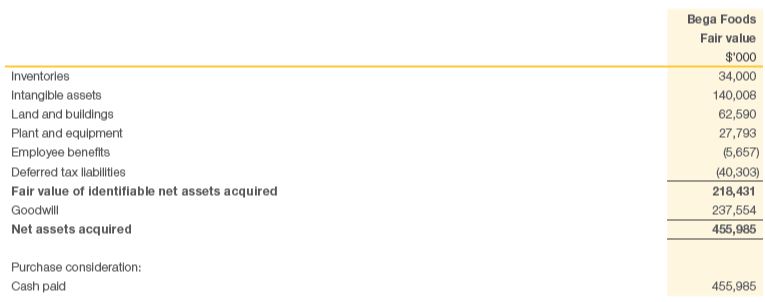
…

**CONSIDERATION**

3.1 The purchase price payable by the Buyer for the transferred assets (the “**Total Consideration**”) shall be an amount equal to the Initial Consideration as increased by the amount to be paid by the Buyer or, as the case may be, decreased by the amount to be paid by MDLZ, pursuant to clauses 4.2, 4.3, 14.5 and 14.6 in paragraph 2.3 of Schedule 10.

3.2 The Total Consideration will be allocated between the Transferred Assets as set out in Schedule 4, or as otherwise agreed between MDLZ and the Buyer.

388 The detailed purchase price figures calculated in accordance with clause 3.1 of the SPA were said to be confidential, but Bega’s Annual Report for the financial year ended 2017 dated 23 August 2017 included in “Notes to the Financial Statements” the following breakdown of the purchase consideration, which illustrates the importance of the goodwill component of it:



See <https://www.begacheese.com.au/investors/annual-reports.>

389 The “Transferred Assets” were defined relevantly to include:

(a) the benefit (subject to the burden) of the Exclusive Contracts;

(b) the benefit (subject to the burden) of that part of the Shared Contracts that specifically relates to the Joey business;

(c) the Transferred IP Rights;

(d) the benefit (subject to the burden) of the Transferred IP Licenses;

(e) the Fixed Plant;

(f) the Machinery;

(g) the Office Equipment;

(h) subject to the provisions of clause 13 and Schedule 11, the Property;

(i) the Stock, subject to any title transfer and retention arrangements relating to its purchase;

(j) the Joey Records;

(k) the Joey IT systems; and

(l) the Goodwill, defined to mean “the goodwill of the Joey Business at Closing and the right of the Buyer … to represent itself as operating the Joey Business in succession to the MDLZ Group”.

390 Clause 10.3 of the SPA is entitled “Existing Licences of Business IP”. It provides as follows:

**Existing Licences of Business IP**

10.3 Any transfer, assignment, licence or sub-licence, or disclosure of any Business IP to any Buyer Group Company pursuant to the transactions envisaged under the Transaction Documents shall be made on the basis that such transfer, assignment, licence or sub-licence, or disclosure is subject to the rights of any third parties under any existing licence, sub-licence, or other agreement or arrangement pertaining to such Business IP (including pursuant to the Existing IP Licences Out). For the purposes of this clause 10.3 the rights of third parties include rights of MDLZ Group Companies (i) under the IP Agreement and (ii) in relation to Retained IP Rights and the Retained IP Licences, as to which the MDLZ Group Companies’ right to use in the Joey Business shall be limited to the extent necessary to comply with licensing or other obligations to third parties existing as of the Closing Date. Any existing licence, sub-licence, or other agreement or arrangement granting rights of use of Business IP as between or among any MDLZ Group Companies shall terminate and be of no further force or effect from and after Closing to the extent in effect prior to Closing and to the extent it relates to the Joey Business.

391 “Business IP” is defined in Schedule 14 to mean “the Transferred IP Rights, the Retained Licensed IP Rights and the Transferred IP Licenses”.

392 Transferred IP Rights are in turn defined to mean “the Dedicated IP Rights and the Transferred Licensed IP Rights”. Appendix B-2 to schedule 1 part B of the SPA includes among many other trade marks owned by MAFL and assigned to the buyer as part of the Joey Business (which included among many other products, Vegemite) the trade mark “NEVER OILY, NEVER DRY”.

393 Transferred Licensed IP Rights are have “the meaning given in Part B of Schedule 1”. Part B of Schedule 1 defines “Transferred IP Licenses” as follows:

“**Transferred Licensed IP Rights**” means:

(a) those patents, design patents and design registrations and applications for patents, design patents and design registrations which are listed at appendix B-5 to this Agreement and which are to be transferred to the Buyer subject to a licence to the MDLZ Group under the IP Agreement;

(b) any other Intellectual Property rights deemed to be Transferred Licensed IP Rights under clauses 4.2 and 6 of the IP Agreement; and

(c) Dedicated IP Rights to the extent a MDLZ Group Company requires a licence to support an Existing IP Licence Out which the relevant MDLZ Group Company is unable, or has not yet obtained any necessary consent, to assign to the Buyer Group.

394 Clause 10.4 of the SPA is entitled “KFG Agreements”. It provides as follows:

**KFG Agreements**

Each MDLZ Party and the Buyer hereby acknowledges that certain of the Business IP is subject to the KFG Master Trademark Agreement or the KFG Master Patent Agreement. Any transfer of Business IP subject to, and of any related rights under, the KFG Master Trademark Agreement and the KFG Master Patent Agreement, is made on the basis that any Buyer Group Company which is a transferor of any such Business IP and related rights expressly assumes in writing all of the obligations of the relevant transferor under the KFG Master Trademark Agreement and KFG Master Patent Agreement with respect to such transferred Business IP and related rights, and acknowledges KFG as the intended beneficiary of those obligations.

395 The “Transferred Assets” within the meaning of clause 2.1 of the SPA included “Dedicated IP Rights”, defined in Part B of the SPA as follows:

**Dedicated IP Rights**

“Dedicated IP Rights” means:

(a) the registrations and applications for registration of Intellectual Property listed as “Dedicated IP Rights” in appendices B-1 (patents, etc), B–2 (trade marks) and B-3 (domain names) to this Agreement, provided that any composite mark included in part 2 of appendix B-2 shall be treated as Retained IP Rights, and cancelled or allowed to lapse unless otherwise agreed;

(b) the Restricted Technologies, trade secrets and know how (including recipes and formulae) listed as “Dedicated IP Rights” in appendix B-4 to this Agreement solely to the extent that:

(i) with respect to Restricted Technologies and recipes and formulations (but not Trade Secrets and Know How) listed in appendix B-4, as between the MDLZ Group and KFG, they are owned legally and beneficially by any MDLZ Group Company (as opposed to KFG); and

(ii) they relate to the Joey Business and in each case solely in the territories identified in appendix B-4; and

(c) any unregistered rights in get-up, trade dress, advertising and promotional materials or manufacturing processes which:

(i) relate to get-up, trade dress or advertising and promotional materials which were created by or for a MDLZ Group Company with respect to ZoOsh (but excluding any transitional branding, trade dress or advertising elements used for the foodservice range); or

(ii) are owned legally or beneficially by any MDLZ Group Company and were used, created, generated or acquired prior to Closing for use exclusively in the Joey Business:

(A) in Australia and New Zealand; and

(B) worldwide for products sold under the VEGEMITE brand,

excluding any such Intellectual Property identified as Retained IP Rights.

396 The “Transferred Assets” within the meaning of clause 2.1 of the SPA also included certain material contracts, including, relevantly, supply agreements for peanut butter jars and for plastic lids for peanut butter products, and certain “shared contracts”, including between MAFL and Mondelez Australia Pty Ltd and third parties for the supply of peanuts, management and merchandising services and in relation to the operation of distribution centres, among other agreements.

397 Kraft only faintly resisted the notion that if I were of the view that the goodwill remained with MAFL, the SPA was effective to convey to transfer to Bega all the rights in the PBTD. In any event, in my view, by the terms of the SPA set out above, as a result of the combination of all the assets transferred to Bega as part of the transaction for payment of a total and very substantial consideration, including a very substantial consideration for goodwill, Bega acquired all the rights in the PBTD.

398 It follows that the answer to issue 14 is: Bega acquired all rights to the PBTD pursuant to the terms of the SPA.

# ISSUE 12: DID BEGA BREACH THE ACL BY ITS TELEVISION/RADIO ADVERTISEMENTS IN NOVEMBER 2017?

## Kraft’s case

399 In late October 2017 and November 2017, Bega caused to be published a series of advertisements promoting its peanut butter product to consumers in Australia, namely:

(1) a radio advertisement broadcast on multiple radio stations nationally as part of regular “traffic report” segments, in which the following was said:

Australia’s favourite peanut butter has changed its name. Kraft peanut butter is now Bega peanut butter. Never oily, never dry, with the same taste you’ve always loved, and now is Aussie owned by Bega

(the **Bega Radio Advertisement**);

(2) a “Brand Power” television advertisement broadcast on major Australian television networks (being Channels 7, 9 and 10) in metropolitan markets as well as the digital channels GEM, Go, One, Eleven, 7Mate, 7Flix and 7Two, in which the following was said:

Australia’s favourite peanut butter has changed its name to Bega peanut butter. It’s never oily, never dry, with the same taste you’ve always loved, and now Australian owned and made. Bega peanut butter.

(the **First Bega Television Advertisement**); and

(3) a television advertisement depicting a worker named “Charlie” taste-testing peanut butter, broadcast on the major television networks in metropolitan markets, in which the following was said:

Charlie’s quality tested Australia’s favourite peanut butter here in Port Melbourne for 18 years. Now that it’s owned by Bega, let’s see what’s changed…It’s the same…Same great recipe, same great taste. Now Aussie owned by Bega.

**(**the **Second Bega Television Advertisement).**

400 The advertisements were broadcast for a total period of about one month. The precise particulars of each broadcast were provided in an 11 page letter from Addisons, solicitors for Bega, to Spruson and Ferguson Lawyers, solicitors for Kraft, dated 14 December 2017. The letter is contained in the court book. It is unnecessary to recite those particulars in these reasons.

401 The pleaded advertisements were played during the course of the hearing. They were tendered at trial as Exhibit BLC 6.

402 The First Bega Television Advertisement depicted the label being peeled off a jar of Kraft Peanut Butter to reveal a Bega label beneath it. Stills from the First Bega Television Advertisement showing this are set out below.



403 The Bega Advertisements aired until about 17 November 2017, when Bega launched a revised version of the Second Bega Television Advertisement, which did not directly refer to Kraft Peanut Butter (the **Revised Second Bega Television Advertisement**), but which contained the following voiceover:

Charlie’s quality tested Australia’s favourite peanut butter here in Port Melbourne for 18 years. Now that it’s owned by Bega, let’s see what’s changed…It’s the same…Same great recipe, same great taste. Now Aussie owned by Bega.

404 The lids of the Bega peanut butter product, for a time, included the following:



405 Outdoor advertising was also used, including as follows:



406 Supermarket displays also included the following:



407 The outdoor advertising and the supermarket displays were not, however, pleaded.

408 Kraft contends that the advertisements caused to be published by Bega conveyed false, misleading and deceptive representations in contravention of s 18 of the ACL.

409 The TFASOC pleads (at [40]) that each of the advertisements conveys to the ordinary reasonable consumer of peanut butter representations to the effect that:

(a) Kraft peanut butter is now Bega peanut butter (the **First Representation**)

(b) Kraft peanut butter is being replaced by Bega peanut butter (the **Second Representation**);

(c) peanut butter labelled with the Kraft Brand is no longer available for purchase or will cease to be available for purchase (the **Third Representation**);

(d) the Kraft Brand has ceased to exist or is ceasing to exist in relation to peanut butter (the **Fourth Representation**);

(e) the Kraft Brand has changed to, or is changing to, Bega in relation to peanut butter (the **Fifth Representation**);

(f) the only difference between Kraft peanut butter and Bega peanut butter is the name (the **Sixth Representation**); and

(g) the Respondent is, or was until very recently, selling peanut butter under the Kraft Brand (the **Seventh Representation**).

410 It is also pleaded that the First Bega Television Advertisement represents that peanut butter sold under the Kraft Brand is not, or was not, Australian made (the **Eighth Representation**).

411 It is next alleged that each of the First, Second, Third, Fourth, Fifth, Sixth, Seventh and Eighth Representations (the **Impugned Representations**) are made in trade and commerce and that:

43. The First and Second Representations are false, misleading and deceptive or likely to be so in that Kraft peanut butter has not changed its name to Bega peanut butter and is not being replaced by Bega peanut butter, but rather Kraft peanut butter will retain its name and continue to be sold in Australia under that name.

44. The Third Representation is false, misleading and deceptive or likely to be so in that Kraft peanut butter will continue to be available for purchase.

45. The Fourth Representation is false, misleading and deceptive or likely to be so in that the Kraft Brand has not ceased to exist and is not ceasing to exist, but will continue to be used in the marketplace in relation to peanut butter and other products.

46. The Fifth Representation is false, misleading and deceptive or likely to be so in that the Kraft Brand has not changed and is not changing to Bega in relation to peanut butter or otherwise.

47. The Sixth Representation is false, misleading and deceptive or likely to be so in that the end of the Respondent’s licence to use the Kraft Brand is not a mere name change, but rather is a fundamental change to the trade origin and potentially the quality of peanut butter sold by Bega.

48. The Seventh Representation is false, misleading and deceptive or likely to be so in that Bega does not, and to the best of the Applicants’ knowledge has never, sold peanut butter labelled with the Kraft Brand including labelling as shown in the Bega Television Advertisement. Bega transitioned from the brand “The Good Nut” to Bega, and not from the Kraft Brand to Bega.

49. The Eighth Representation is false, misleading and deceptive or likely to be so in that peanut butter sold under the Kraft Brand in Australia is and previously was Australian made.

## The applicable legal principles

412 The applicable legal principles were not in dispute. In *Australian Competition and Consumer Commission v Coles Supermarkets Australia Pty Ltd* (2014) 317 ALR 73; [2014] FCA 634 at [35]-[47] (Allsop CJ) and in *Samsung Electronics Australia Pty Ltd v LG Electronics Australia Pty Ltd* [2015] FCA 227 at [60]-[76] (Nicholas J) a two-step analysis was adopted, as follows:

(a) whether each or any of the pleaded representations is conveyed by the impugned advertisements; and

(b) whether each or any of the pleaded representations is false, misleading or deceptive, or likely to mislead or deceive.

413 It is necessary to view the impugned conduct as a whole and in its proper context. See *Australian Competition and Consumer Commission v Coles Supermarkets Australia Pty Ltd* (2014) 317 ALR 73; [2014] FCA 634 at [41]. Whether conduct is misleading or deceptive or likely to mislead or deceive is a question of fact that must be determined in light of the relevant surrounding circumstances. See *Samsung Electronics Australia Pty Ltd v LG Electronics Australia Pty Ltd* [2015] FCA 227 at [61].

414 Advertisements often mean different things to different people. The question whether an advertisement is misleading or deceptive is to be answered in relation to any reasonably available meaning. In *Tobacco Institute of Australia Ltd v Australian Federation of Consumer Organisations Inc* (1992) 38 FCR 1 at 50, Hill J, referring to a newspaper advertisement, observed:

Where, as in the present case, the advertisement is capable of more than one meaning, the question of whether the conduct of placing the advertisement in a newspaper is misleading or deceptive conduct must be tested against each meaning which is reasonably open. This is perhaps but another way of saying that the advertisement will be misleading or likely to mislead or deceive if any reasonable interpretation of it would lead a member of the class, who can be expected to read it, into error…

415 That passage has been cited with approval on many occasions, including by Allsop CJ in *Australian Competition and Consumer Commission v Coles Supermarkets Australia Pty Ltd* (2014) 317 ALR 73 at [46].

416 A reasonably available meaning of an advertisement can also be a matter that the advertisement implies, without that meaning being expressly stated. As Weinberg J stated in *CPA Australia Ltd v Dunn* (2007) 74 IPR 495; [2007] FCA 1966 at [28]:

Statements that are capable of more than one meaning may be misleading or deceptive provided that the meaning for which the applicant contends is one that would be reasonably open, and might be drawn by a significant number of those to whom the representation is made. In the same way, a statement may contain a representation that is implied, rather than express. That is why a statement that is literally true can be misleading or deceptive.

417 In *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640 the High Court, by majority, allowed an appeal from a decision of the Full Court of the Federal Court. The relevant facts were as follows. The internet provider advertised an attractive price for the ADSL2+ service which it supplied. The advertisements displayed the offer to supply broadband internet ADSL2+ service for $29.99 per month. Much less prominently, the advertisements qualified this offer, stating that it was made on the basis that the ADSL2+ service was available only when bundled with a home telephone service, provided by TPG through landline technology, for an additional $30.00 per month. In addition, consumers had to pay a setup fee of $129.95 plus a deposit of $20.00 for telephone charges. The majority (French CJ, Crennan, Bell and Keane JJ) compared those facts to those in *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 at [46] and [47], as follows:

*Puxu* was a case in which the claim of misleading conduct rested ‘solely on the fact that the appellant sold goods which were virtually identical in appearance to those sold by the respondent’. The case was determined on the basis that potential purchasers of furniture costing substantial sums of money were able to inspect the furniture which was on display in the retailer’s showroom. The majority of the Court took the view that purchasers would, acting reasonably, pay attention to the label, brand or mark of the suite they were minded to buy and, as a result, would not be misled by similarities in the getup of rival products …

This case is in stark contrast to *Puxu* in three respects. First, TPG’s target audience did not consist of potential purchasers focused on the subject matter of their purchase in the calm of the showroom to which they had come with a substantial purchase in mind. Here, the advertisements were an unbidden intrusion on the consciousness of the target audience. The intrusion will not always be welcome. The very function of the advertisements was to arrest the attention of the target audience. But while the attention of the audience might have been arrested, it cannot have been expected to pay close attention to the advertisement; certainly not the attention focused on viewing and listening to the advertisements by the judges obliged to scrutinise them for the purposes of these proceedings. In such circumstances, the Full Court rightly recognised that ‘many persons will only absorb the general thrust’. That being so, the attention given to the advertisement by an ordinary and reasonable person may well be ‘perfunctory’, without being equated with a failure on the part of the members of the target audience to take reasonable care of their own interests.

[The other two respects referred to have no relevance here]

(Internal quotations and citations omitted).

418 Although Kraft sought to rely on Professor Klein’s evidence, to the effect that the pleaded representations were conveyed, that evidence, in cases such as this, is to be given little, if any weight. In *Domain Names Australia Pty Ltd v .au Domain Administration Ltd* (2004) 139 FCR 215 at 221 [20]-[22], a Full Court of this Court (Wilcox, Heerey and RD Nicholson JJ) said as follows:

Opinion evidence sought to be adduced as to the likely characteristics or reactions of recipients might be met by the observation of Dixon CJ, Kitto and Taylor JJ in *Transport Publishing Co Pty Ltd v The Literature Board of Review*; (1956) 99 CLR 111 at 119 that

ordinary human nature, that of people at large, is not a subject of proof by evidence, whether supposedly expert or not.

Certainly market research evidence has not been received with enthusiasm in this Court in recent years in cases like the present one. In *Cat Media Pty Ltd v Opti-Healthcare Pty Ltd* [2003] FCA 133 at [55] Branson J said:

... It seems to me that evidence of opinions based on market research and expert appreciation of consumer behaviour will rarely be of assistance in litigation where the Court’s primary concern is with the behaviour to be expected of, and the judgments likely to be made by, ordinary (even if it might be thought, somewhat credulous) members of the community intent on making a relatively modest purchase in a conventional way. I endorse the comment of Beaumont J in *Pacific Publications Pty Ltd v IPC Media Pty Ltd* [2003] FCA 104 [(2003) 57 IPR 28] at [92] that where a claim is essentially a matter for the Court’s impression, expert views which are merely ‘impressionistic’ can be given no more than nominal weight. ...

Consideration of these difficulties shows the practical wisdom of the firm rule that the likelihood of conduct being misleading or deceptive is a question for the tribunal of fact and not for any witness to decide: *General Electric Co v General Electric Co Ltd* [1972] 1 WLR 729 at 738 per Lord Diplock, applied in a s 52 context by Gummow J, with whom Black CJ and Lockhart J agreed, in *Interlego AG v Croner Trader Pty Ltd* [1992] FCA 624; (1992) 39 FCR 348 at 387.

419 The court is bound to form, and act upon, its own opinion, especially in cases concerning retail marketing of everyday consumer products. See *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd (No 8)* [2008] FCA 470; (2008) 75 IPR 557 at 574, [51].

420 It was agreed that the relevant class of consumers likely to be affected by Bega’s conduct comprises ordinary members of the Australian public who purchase peanut butter, which constitutes a very wide cross-section of the Australian public. The class will include the astute, the gullible, the intelligent, the not so intelligent, the well-educated and the poorly educated. See *Google Inc v Australian Competition and Consumer Commission* (2013) 249 CLR 435 at [7].

421 Kraft’s submissions about why the advertisements were misleading or deceptive and conveyed the representations alleged are as follows.

### Bega Radio Advertisement

422 Kraft says that the import of the Bega Radio Advertisement is clear and conveys to consumers that Kraft Peanut Butter is now, or is being replaced by, Bega peanut butter (First and Second Representations), or that the Kraft brand has changed to Bega in relation to peanut butter (Fifth Representation), with the only difference being the brand name (Sixth Representation). Kraft says that “[t]he representation goes far beyond merely conveying that there is a new product which uses the recipe previously used in Kraft Peanut Butter. If that were all that was intended to be conveyed a statement to that effect would have been made”.

423 Kraft says that the reference to Kraft Peanut Butter “is a reference to a product which bears the Kraft Trademark and which is known as Kraft Peanut Butter. There is no doubt that Kraft Peanut Butter is not Bega peanut butter. They are different products. Bega peanut butter is a new offering which has no connection with Kraft whatsoever”.

424 Kraft also says that by representing that Bega peanut butter is replacing Kraft Peanut Butter (or that the Bega brand is replacing the Kraft brand in relation to peanut butter), “it is further represented by implication that peanut butter bearing the Kraft brand will no longer be available for purchase in Australia, or that the Kraft brand has ceased to exist in relation to peanut butter in Australia” (Third and Fourth Representations).

425 Kraft says that those representations are false or misleading, as follows:

(1) The First and Second Representations are false or misleading because Kraft Peanut Butter is not now, nor has it been replaced by, Bega peanut butter. The true position is that the Mondelez Licence (pursuant to which the Australian Subsidiary and subsequently Bega were entitled to manufacture, promote and sell Kraft Peanut Butter in Australia under licence) has come to an end.

(2) The Third, Fourth and Fifth Representations are false or misleading because peanut butter bearing the Kraft brand is still available for purchase in Australia, and the Kraft brand has not ceased to exist (nor has it changed to Bega) in relation to peanut butter. Bega knew from March 2017 that the applicants were intending to sell Kraft Peanut Butter in Australia directly; preliminary discussions had been held with Bega in relation to Bega manufacturing for the applicants.

(3) The Sixth Representation is false or misleading because the differences between Kraft Peanut Butter and the Bega peanut butter product are more than just the name change. The peanut butter products manufactured, promoted and sold by Bega are no longer subject to quality control obligations under the MTA or by the applicants. Consumers rely upon brands as an assurance of product quality and an indicator of trade origin. By representing to consumers that Bega peanut butter is and will remain the same as that produced under the Kraft brand (but for a change in name), the Bega Radio Advertisement conceals that there has been a fundamental change to the trade origin, and potentially the quality, of the peanut butter sold by Bega when the contrary is the case.

### First Bega Television Advertisement

426 For the same reasons, Kraft says that the First Bega Television Advertisement conveys each of the First, Second, Third, Fourth, Fifth and Sixth Representations, and that the representations “are reinforced by the visual aspects of the advertisement. This is most apparent when the presenter in the advertisement peels the label off a jar of Kraft Peanut Butter to reveal a Bega label underneath.”

427 It is also submitted that the statement in the First Bega Television Advertisement that Bega peanut butter is “now Australian owned and made” conveys an additional representation, namely that peanut butter sold under the Kraft brand was not Australian made (**Eighth Representation**).

428 It is said that the Eighth Representation is false because Kraft Peanut Butter had been manufactured in Australia for several decades prior to the airing of the advertisement at the factory which Bega acquired from the Australian Subsidiary under the SPA.

### Second Bega Television Advertisement

429 Although the text of the voiceover is different to that in the Bega Radio Advertisement and the First Bega Television Advertisement, for similar reasons to those identified above, it is submitted that the Second Bega Television Advertisement still conveys each of the First, Second, Third, Fourth, Fifth and Sixth Representations.

## Consideration

430 During the course of closing submissions on this issue, Mr Garratt submitted that Bega had engaged in conduct that was likely to mislead or deceive because “Bega’s packaging got up in the same way as the peanut butter trade dress … falsely represent[ed] an association with the Kraft brand. If Bega had wanted to distance itself from the Kraft brand, it could have done so. Its point was, though, that it was entitled to the Kraft brand, and that’s why [it] didn’t. And it’s either right or it’s wrong. It’s either wholly right or it’s wholly wrong”.

431 For the reasons given earlier, in my view Bega is relevantly “wholly right” on the issue of the PBTD – the goodwill in it inures to its benefit.

432 In my view, for the reasons set out below, all but one of the advertising claims made by Kraft fails because, even if the advertisements could be understood by the ordinary consumer to convey the raft of the pleaded representations, in light of the earlier finding on the critical anterior question of entitlement to the goodwill in the PBTD, they are correct representations.

433 The starting point of any analysis of the representations said to be conveyed is the reasoning of the majority in *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640 at 654, [46]-[47], quoted above.

434 In my view, it is artificial to deconstruct a brief commercial into eight separate, and, it must be said, somewhat complex, representations. In this case, as in *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640, the advertisements were “an unbidden intrusion on the consciousness of the target audience”, and the audience “cannot have been expected to pay close attention” – or at least not the sort of attention that would have enabled them to infer each of the representations said to be conveyed. Indeed, on reviewing them again for the purpose of preparing these reasons, the advertisements, which in the case of the radio version, takes 12 seconds, and in the case of the television versions, 15 seconds, they do have an “over before they start” quality about them. Part of that impression may be due to the fact that the script is read rather quickly. In those circumstances, it is difficult to accept that consumers would have been able to do more than “absorb the general thrust” of them.

435 The first and second representations, “Kraft peanut butter is now Bega peanut butter” and “Kraft peanut butter is being replaced by Bega peanut butter” are, in light of my earlier findings, correct statements. As Mr McGrath put it in his oral closing submission:

Bega’s advertisement stated the correct position, which was that Bega peanut butter was the same as the peanut butter that had previously been marketed as Kraft peanut butter. So if one looks at the general dominant message that’s being given, that’s, in fact, true. What was Kraft peanut butter is now Bega peanut butter. That’s with a label peel, the products are identical. The same business is providing them; it just has a different owner. It’s exactly the same product as it was. And so when one looks at the dominant message being given, the supposed first representation said to be a misrepresentation, it’s in fact a correct – it’s a correct position.

436 As to the third representation, “peanut butter labelled with the Kraft Brand is no longer available for purchase or will cease to be available for purchase”, that too, even assuming it to be conveyed, was, in light of the earlier findings, a correct statement at the time the advertisements were broadcast (October - November 2017), because at that time Kraft peanut butter was not available for sale. It did not become available, in limited quantities, until at least April 2018.

437 As to the fourth representation, “the Kraft Brand has ceased to exist or is ceasing to exist in relation to peanut butter”, in my view that representation is not conveyed. The words of the advertisements certainly do not say that, and in order to arrive at such a view a consumer would, it seems to me, need to form some view that Kraft had forever departed the peanut butter products market in Australia. But the advertisements do not say that, and they do not reasonably convey that. In any event, as at the date of the broadcasts, the statement was true.

438 As to the fifth representation, “the Kraft Brand has changed to, or is changing to, Bega in relation to peanut butter”, that, it seems to me, is another way of saying that the peanut butter product formerly branded Kraft is now branded Bega. Again, that is a correct statement.

439 As to the sixth representation, that “the only difference between Kraft peanut butter and Bega peanut butter is the name”, again, that is a true statement.

440 As to the seventh representation, “[Bega] is, or was until very recently, selling peanut butter under the Kraft Brand”, in my view that representation is not reasonably conveyed.

441 The eighth representation is different. The allegation is that “the First Bega Television Advertisement represents that peanut butter sold under the Kraft Brand is not, or was not, Australian made”. These words are relied on: “Now Australian Owned and Made”. That statement, in my view, obviously enough, conveys the representation that Kraft peanut butter was not made in Australia. It was. It had been made in Port Melbourne since 1962. And it was made by an Australian company, albeit a wholly owned subsidiary of a U.S. company.

442 Mr McGrath submitted, to the contrary, as follows :

That included, that advertisement, the statement, “Now Australian owned and made.” Well, that statement by Bega is correct. The products sold by Bega were both Australian owned and made, whereas the – previously the products sold by Mondelez Australia was not Australian owned. The statement made in the advertisement does not say that a previous product was not Australian made and not Australian owned. The dominant message of that advertisement speaks to the characteristics of the product that’s being advertised and which is available for sale, and that is that it’s both Australian made and Australian owned. It’s not telling you anything about the characteristics of a product that had previously been on the market.

443 I do not accept that submission. On this occasion, it seems to me, Bega seeks to attribute an overly elaborate meaning that is not a dominant message that any consumer, with the unbidden intrusion of a 15 second commercial, is likely to have arrived at.

444 It follows that the eighth representation is made out.

445 The answer to issue 12 is: Yes, but only with respect to the eighth representation pleaded with respect to the First Bega Television Advertisement, as defined in [39] of the TFASOC.

# ISSUE 15: DID KRAFT BREACH THE ACL BY ITS RELEASE OF A PRESS RELEASE OF OCTOBER 2017, OR THE USE OF THE SLOGAN “LOVED SINCE 1935”?

446 This issue is pleaded in Bega’s Amended Statement of cross-claim dated 18 May 2018.

447 It is not necessary to set out the pleaded case.

448 The press release complained of, which was issued on about 24 October 2017, is in these terms:

**KRAFT RETURNS TO AUSTRALIAN STORES**

Kraft, a brand steeped in the life, culture and history of Australia since 1926, is set to appear on Australian supermarket shelves again with the planned return of two locally-manufactured traditional favourites, cheese and peanut butter.

The brand has been such an integral part of Australian families that its temporary absence has promptly been addressed by Kraft Heinz which has listened to its loyal consumers.

“We are thrilled to be bringing back Kraft to Australian supermarket shelves. Kraft is not just a brand, it is a way of life in Australia and we have unwavering commitment to strengthening it even further” said Bruno Lino, CEO of Kraft Heinz Australia.

“Kraft Singles is an Australian staple,” Mr Lino said.

In a move that will be further celebrated by millions of Australians, Kraft Peanut Butter will also be back on Australian supermarket shelves in early 2018.

“Kraft has been the top of mind brand in Peanut Butter for Australians for the last eight decades and when we surveyed consumers, Kraft Peanut Butter commanded a mammoth 65% market share. In addition, two out of three Australian households had Kraft product in their pantry at any point in time,” Mr Lino said.

“We are listening to our consumers and we know that Kraft Peanut Butter is the one Australians love.”

The return of these two Kraft favourites will be supported by an extensive marketing campaign.

449 Bega says the press release conveys two representations: “the 2017 Same Product Representation” and “the Bega Product Representation”.

450 Bega’s submissions are as follows.

## The 2017 Same Product Representation

451 Bega submits that the press release represented to a reasonable consumer that the peanut butter products that Kraft Heinz was launching in early 2018 (and later did launch in about April 2018) would be the same products that had been sold until about June 2017 under a Kraft trade mark.

452 Bega says that representation is consistent with Mr de Souza’s intention in making those statements. Mr de Souza, who goes by the surname Lino, is the managing director of Kraft Heinz, the second applicant in the main proceeding and the second respondent to the cross-claim. He gave this evidence in cross-examination:

[Mr Smith] what I’m saying is that you expected – you wanted readers of this press release to understand that Kraft Heinz would be launching a new – a peanut butter product in Australia under a Kraft trademark that would be the same as the product that had previously been sold in Australia under a Kraft trademark?

[Mr de Souza] That’s correct. That’s the same – same product, the Kraft Peanut Butter that would be – when I say “same product”, I mean it’s pretty much the same taste, mouth and feel – everything that cares to – to consumer.

453 Bega pleads that the statements were made in respect of a future matter relating to the peanut butter products that Kraft Heinz proposed to launch in 2018, so by operation of ss 4(1) and (2) of the ACL, Kraft Heinz must prove that they had reasonable grounds for making them.

454 Bega also says that Kraft Heinz did not have reasonable grounds for making the 2017 Same Product Representation because it knew that it was not taking over the business operated by MAFL and then Bega; it knew that it did not have access to the assets of that business, including the production facilities in Port Melbourne that had been used to manufacture the Kraft branded peanut butter because Bega now owned them; and it knew that the product was not being supplied by the same business that had been supplying those peanut butter products in Australia for some decades.

455 Bega says that instead, Kraft Heinz was launching a new product, made by a contracted manufacturer (Sanitarium), and in respect of which substantial work over a long period of time was completed in order to seek to make a product with a similar taste and sensory profile to the one that it was targeting. In that regard, Mr de Souza gave the following evidence:

32. When I commenced working at Kraft Heinz in 2016, Kraft Heinz was preparing to develop a peanut butter product that it intended to launch in Australia in early 2018 immediately after the licence between the first applicant and Mondelez Australia was due to come to an end **(2018 Kraft Peanut Butter**). It was intended that the 2018 Kraft Peanut Butter product would bear the ‘Kraft’ trade mark and would use the iconic Kraft peanut butter trade dress, comprising a yellow lid and yellow label with red or blue peanut device on a jar that is brown-coloured when filled (the **Kraft Trade Dress**). Peanut butter packaged in this way has, in my experience, been referred to by consumers simply as “Kraft Peanut Butter”.

33. In mid to late-2016, Kraft Heinz first engaged in discussions with Sanitarium regarding the manufacture by Sanitarium of the 2018 Kraft Peanut Butter product. By late 2016, Kraft Heinz had commenced work on the development of the 2018 Kraft Peanut Butter product in conjunction with Sanitarium, using the 2012 Kraft peanut butter recipe which had been provided to the Kraft Heinz R&D team from the global brand repatriation team. In November 2016, Sanitarium carried out the first factory trial runs of that product (and Kraft Heinz received samples from that factory trial in late 2016).

34. The development of the 2018 Kraft Peanut Butter product took approximately 13 months (from about October 2016 to March 2018), and involved several rounds of trials until the correct sensory profile was obtained. By “sensory profile”, I mean the taste, look, smell and texture of the product.

35. I received regular updates on the progress of the factory trials throughout the period, including in my capacity as a member of the executive leadership team (**ELT**) at Kraft Heinz. The ELT received updates about once a month from Kraft Heinz’s project manager for the 2018 Kraft Peanut Butter development.

36. During the development of the product, Kraft Heinz engaged in a significant amount of consumer sensory testing of that product, and received updates from Sanitarium about internal sensory testing of the product conducted by Sanitarium. Kraft Heinz also carried out internal blind tasting sessions of factory samples received from Sanitarium and I participated in a number of them in the second half of 2017.

37. The first official production run of the 2018 Kraft Peanut Butter product took place in March 2018, after Sanitarium obtained the necessary tooling for the production line.

**E. Packaging**

38. When I commenced working for Kraft Heinz in late 2016, the Kraft peanut butter sold in Australia by Mondelez Australia bore a label containing the Kraft brand. Examples of Kraft peanut butter sold in Australia by Mondelez Australia under licence from the first applicant are shown below.

456 Bega’s final point is that Kraft Heinz itself recognises the importance to a substantial number of consumers of the concept of a legacy product and that there are consumers who will buy a product in part because of the duration of their association with the product.

457 It is said that this is demonstrated by Kraft’s adoption of the slogan “Loved since 1935”, which gives rise to the second part of issue 15. Bega says that by prominently displaying the slogan “Loved since 1935” on the front label of its newly launched peanut butter products (under the words “Peanut Butter”) (see [7] above) the use of the slogan on a Kraft branded peanut butter product bearing the PBTD, would cause a not insignificant number of consumers to understand that the product that Kraft Heinz was supplying was the same product as that which had been supplied prior to June 2017 by reference to the Kraft trade mark and by reference to the PBTD, when that was not the case. As a result, it says Kraft Heinz contravened s 18 of the ACL. It also says that Kraft Foods Group Brands LLC aided and abetted that contravention.

## The Bega Product Representation

458 As at the time of the publishing of the press release, sales of Bega’s peanut butter products had a market share of about 66% by volume.

459 Bega submits that a significant number of consumers who saw the press release (or any media resulting from that press release) would be familiar with the Bega product, and would understand from the press release that the Bega product was not the same product that had until about June 2017 been sold by reference to a Kraft trade mark, when in fact it was.

460 It also says that that representation is the logical corollary of the 2017 Same Product Representation, and that for those consumers who wanted to continue to buy the same product that they had previously purchased, those consumers would incorrectly understand from the press release that to do so they should not purchase the Bega product, and should instead purchase the Kraft-branded product, once launched.

### The case in oral closing submissions

461 In his oral closing submissions, Mr McGrath put Bega’s case in these terms:

Now, my submissions on this can be quite brief, your Honour. Your Honour was taken to the press release. I will make these points. At the point of time at which Kraft commenced to produce and sell peanut butter products in Australia for the very first time, it placed the slogan “loved since 1935” on those products. Those products had never been loved by anyone at any time.

The slogan, however, gave the misleading impression that they were products that had been produced for many decades and loved across those decades because the slogan is actually being attached to the product itself. By the time at which Kraft were placing those – was placing the brand new products on the market, the only peanut butter that had been loved since 1935 was that which had been produced by Kraft Foods Limited because it had been Kraft Foods Limited that had been producing that peanut butter since 1935, and it was Bega that had then bought that business in 2017. So it was Bega that could describe the product as being loved, but certainly not Kraft.

And the use of the slogan was an obvious attempt by Kraft to create an association to the product which had been produced by the business owned, first, by Kraft Foods Limited, and then by Bega continuously since 1935. That business and all of the assets used in it had no connection at all to the peanut butter products being made by Kraft for the first time in Australia. In the circumstances of Kraft’s use of the slogan on its new peanut butter product, a not insignificant number of consumers are likely to understand that Kraft was supplying the same product that had been supplied prior to July 2017, when that was obviously not the case.

There had been no continuity in that product. It was, instead, a new copy product made by a different business, and even Mr de Souza in his cross-examination had only described it as a very similar, pretty much the same product. And your Honour will find the transcript reference at 243 in Mr de Souza’s cross-examination. And the same goes, your Honour, for the manner in which the press release was put out. It was an attempt to form an association with the new product that was to be placed on the market as Kraft branded with the product that had previously been on the market, and it simply was not correct. So what Kraft was attempting to do by both the slogan and the press release related to the slogan was to inform consumers of something which they hadn’t been associated with.

… They talk about a market share for Kraft peanut butter as though it is their market share, when they had no market share. Their product had never had any form of market share whatsoever. So what they, effectively, are seeking to do is … to appropriate all of the goodwill that had been built up in the Kraft branded peanut butter, the goodwill which had been bought by Bega, and attach that in some way to a product that they were intending to launch on the market that took them 18 months to develop.

And, in the circumstances, the statements that are made in the press release about the Kraft brand and the like are actually attaching to the product because that’s what consumers are after, and Professor Klein in her evidence said both the brand – it’s not simply a matter of associating, for example, the peanut butter trade dress and the brand. Consumers aren’t buying a brand; they’re buying a product. Underlying both the brand, whether it be a registered mark brand or the dress itself, what consumers want is the underlying product. And that’s the vice of the advertising in the form of the “loved since 1935” and in the form of the press release. That’s the vice. They’re seeking to attach themselves to a product that they had never produced and give the impression as though they had.

## Kraft’s response

462 Kraft denies Bega’s claims about the press release.

463 Kraft submits first that the Same Product Representation alleged was not made. Kraft says that the press release does not convey any information as to the particular content of Kraft peanut butter that would be sold in 2018, and does not represent that the product would be made in the same factory as the peanut butter sold under the Kraft mark before June 2017.

464 Secondly, Kraft says that the representation in fact conveyed by the press release is true because peanut butter branded Kraft was to be back on shelves in Australian supermarkets in early 2018.

465 Thirdly, Kraft says that the peanut butter sold by Kraft in 2018 is made to the same recipe and has the same sensory profile as peanut butter sold under the Kraft mark before June 2017, and so is relevantly the “same” notwithstanding that it is made in a different factory.

466 As to the Bega Product Representation, Kraft submits that the press release does not mention Bega or otherwise make any reference to Bega’s peanut butter. The press release concerns peanut butter to be sold under the Kraft brand, and does not depict the Peanut Butter Trade Dress.

467 Kraft also says that Bega’s submission fails to explain why any reasonable consumer would understand the press release to convey any information about Bega’s peanut butter or the manufacture of Bega’s peanut butter. Kraft says that a reasonable consumer would not understand the press release to be saying anything at all in relation to Bega’s peanut butter.

## Consideration

468 It seems to me that in circumstances where it is common ground that Bega purchased the recipe for the peanut butter that was, before the sale, manufactured and sold by KFL, and then MAFL, it must be likely to mislead or deceive a consumer to say that “Kraft Peanut Butter will … be back on Australian supermarket shelves in early 2018”. That peanut butter is surely the very peanut butter product that Bega acquired, along with all the other assets. It was thus not Kraft Heinz’s to bring “back”. It seems from the evidence of Mr de Souza and Ms Dal Maso that the newly incorporated Kraft Heinz may well in fact have developed a product with a similar sensory profile (that is, with a similar quality, flavour, aroma and texture) as the product that is now the Bega peanut butter. See Kraft’s Closing Submissions in Answer dated 5 November 2018 at [35]-[50]. Bega makes no complaint about that in this proceeding. But it seems to me that whatever new product Kraft Heinz has been able to develop, it cannot say, because it would be misleading to say, that it is the same product that MAFL sold to Bega. As Mr McGrath put it, the vice of the advertising in the form of the “Loved since 1935” slogan and the press release that says “Kraft peanut butter will … be back … in early 2018” is that Kraft Heinz, a company that has never before made peanut butter, seeks to attach itself to a product that it has never had anything to do with, let alone produced.

469 It follows, as Bega submits, that consumers who saw the press release who were familiar with the Bega product, could well reasonably believe from it that the Bega product was not the same product that had until about June 2017 been sold by reference to a Kraft trade mark, when in fact it was.

470 Bega submits that Kraft Foods Group Brands LLC, the first respondent to the cross-claim, is a person involved in the contraventions alleged against Kraft Heinz.

471 Section 236 of the ACL provides that if a person (the claimant) suffers loss or damage because of the conduct of another person; and the conduct contravenes a relevant provision of the ACL (here, s 18) the claimant may recover the amount of the loss or damage by action against that other person, or against any person involved in the contravention.

472 “Involved” is defined in s 2 as follows:

a person is involved, in a contravention of a provision of this Schedule or in conduct that constitutes such a contravention, if the person:

(a) has aided, abetted, counselled or procured the contravention; or

(b) has induced, whether by threats or promises or otherwise, the contravention; or

(c) has been in any way, directly or indirectly, knowingly concerned in, or party to, the contravention; or

(d) has conspired with others to effect the contravention.

473 Although the parties did not deal with the point in any great detail, because Kraft admits that it authorised Kraft Heinz to display the Kraft trade mark on peanut butter products in Australia from early 2018 (see TFASOC [21], and Amended Defence to Amended Statement of Cross- Claim, [21]) and because it also asserts (mistakenly, in the view I have taken) in this proceeding that it has the rights to the PBTD, it follows that Kraft Foods Group Brands LLC is purporting to authorise Kraft Heinz to use the trade dress in Australia on its new peanut butter products. It seems to me, therefore, that Bega’s submission that Kraft Foods Group Brands LLC has been knowingly concerned in the contraventions of the ACL by Kraft Heinz referred to above must be accepted.

474 For those reasons, the answer to issue 15 is: Yes.

# ISSUE 16: DID KRAFT ENGAGE IN MISLEADING AND DECEPTIVE CONDUCT OR PASSING OFF THROUGH USE OF THE PBTD?

475 Ultimately, it must be the case that if one party establishes that it owned the relevant rights in the PBTD, then the other party must accept that its own use of the PBTD amounted to misleading or deceptive conduct and passing-off. Bega made that concession expressly. Kraft did not, but in my view it must necessarily follow. As explained at [100] above, rights associated with trade dress are rights to protect goodwill in actions for passing off and under s 18 of the ACL.

476 For the reasons set out earlier, in my view the goodwill in the PBTD inures to the benefit of Bega. It follows that the claims made in [25]-[38] of Bega’s cross-claim are made out.

477 For that reason, the answer to issue 16 is: Yes.

# ISSUE 17: DID BEGA OWN, AND DID KRAFT INFRINGE, COPYRIGHT IN RESPECT OF THE 2012 OR 2015 LABELS?

478 Bega’s copyright claim is contained in its cross-claim. I will set out the relevant part of that pleading, and Kraft’s defence, in order to show that the myriad and complex issues to which the claims give rise are unnecessary to decide in light of the earlier finding that the goodwill in the PBTD inures to the benefit of Bega. That is because the New Kraft Product Labels (see [59] of the cross-claim set out below) which Bega says infringe its copyright in two earlier labels are the same labels that gave rise to its claim that Kraft has unlawfully used its PBTD. The relief to be granted in respect of Bega’s claim concerning the PBTD will (presumably), in addition to an award of damages, extend to the granting of injunctive relief to restrain Kraft from using the PBTD, and thus preclude it from using the New Kraft Product Labels. In those circumstances, no purpose is served in deciding Bega’s copyright claims. Bega’s pleaded copyright case is as follows:

**Copyright infringement**

48. In or around late 2011, the following packaging labels were created for Kraft Foods Limited (now named Mondelez Australia (Foods) Ltd) (**2012 Labels**):



49. The 2012 Labels were artistic works within the meaning of s 10 [of the] *Copyright Act 1968* (Cth).

50. The 2012 Labels were original works.

51. Copyright subsists in the 2012 Labels pursuant to s 32 [of the] *Copyright Act*.

52. By reason of the matters alleged in paragraphs 48 to 51 above, Kraft Foods Limited (now named Mondelez Australia (Foods) Ltd) was the owner of the copyright in the 2012 Labels.

53. In about 2015 Mondelez Australia (Foods) Ltd had reworked label designs prepared for it which resulted in the following packaging labels (**2015 Labels**):



54. The 2015 Labels were artistic works within the meaning of s 10 [of the] *Copyright Act*.

55. The 2015 Labels were original works.

56. Copyright subsists in the 2015 Labels pursuant to s 32 [of the] *Copyright Act.*

57. Since on or about 4 July 2017, Bega has been the owner of the copyright in each of the 2012 Labels and the 2015 Labels.

Particulars

Copyright was assigned to Bega pursuant to the terms of the sale and purchase agreement dated 19 January 2017 between Bega and (inter alia) Mondelez Australia (Foods) Ltd.

58. Bega has the exclusive right to reproduce each of the 2012 Labels and the 2015 Labels, or a substantial part thereof, pursuant to s 31 [of the] *Copyright Act.*

59. Kraft Heinz has used the labels shown in the particulars to paragraph 39 above for its New Kraft Products (**New Kraft Products Labels**).

[The New Kraft Product Labels at [39] are depicted as follows]:



60. The New Kraft Products Labels are a reproduction of a substantial part of each of the 2012 Labels and the 2015 Labels.

61. Kraft Heinz has infringed Bega’s copyright in each of the 2012 Labels and the 2015 Labels by making, or authorising the making of, the New Kraft Products Labels as used on its New Kraft Products, and by selling the New Kraft Products bearing the New Kraft Products Labels.

62. By reason of the matters alleged in paragraphs 19 to 21 above, Kraft Foods has authorised the infringement by Kraft Heinz of Bega’s copyright.

63. By reason of the infringements of copyright alleged above, Bega has suffered and will continue to suffer loss and damage, and is entitled to an award of damages or an account of profits against Kraft Heinz and Kraft Foods pursuant to s 115(2) [of the] *Copyright Act.*

64. Further, the infringements of Bega’s copyright alleged above are such as to warrant an award of damages against Kraft Heinz and Kraft Foods pursuant to s 115(4) [of the] *Copyright Act*.

**Particulars**

Kraft Heinz and Kraft Foods were at all material times aware that there had been no assignment of copyright in its favour in respect of the 2012 Labels or the 2015 Labels.

Bega may give further particulars following discovery.

479 Kraft’s defence to the copyright claim was pleaded as follows. The critical pleas are in bold.

52. As to paragraphs 48 to 52, **they say those allegations do not plead material facts establishing that Kraft Foods Limited was the owner of the copyright in the 2012 Labels** (referred to below as the **Pre-Split Labels**), **in the absence of pleas of material fact establishing the authorship of a work or works, which was original and the copyright in which was transmitted to Kraft Foods Limited**.

53. They do not admit the allegations in paragraph 48 in the circumstances where the matters alleged have not [been] properly pleaded or particularised.

54. They do not admit the allegations in paragraph 49 to 52 in the circumstances where the matters alleged have not been properly pleaded or particularised.

55. As to paragraphs 53 to 55, they do not admit those paragraphs and they say **those allegations do not plead material facts establishing that Kraft Foods Limited was the owner of copyright in the 2015 Labels, in the absence of pleas of material fact establishing the authorship of a work or works, which was original and the copyright in which was transmitted to Kraft Foods Limited**.

56. They further say that **the 2015 Labels are derived from the Pre-Split Labels and are not original works**.

57. They do not admit the allegation in paragraph 56 in the circumstances where matters relevant to ownership of copyright have not been properly pleaded or particularised.

58. They deny the allegations in paragraph 57 and say further **the sale and purchase agreement was incapable of transmitting to Bega any copyright that had already passed to the First Applicant pursuant to the MTA** in the circumstances outlined below, and that as Bega knew that it was the intention of the MTA that such copyright be transmitted to the First Applicant by or pursuant to the MTA, it is unconscientious of Bega to contend to the contrary.

59. They deny the allegation in paragraph 58 and say that **Bega has no right to reproduce the Pre-Split Labels or the 2015 Labels or a substantial part and use those in trade and commerce in circumstances where the First Applicant has trade mark rights in respect of those labels** as referred to below.

60. They say further:

(a) in respect of the Pre-Split Labels, paragraphs 61 to 68 below; and

(b) in respect of the 2015 Labels, paragraphs 69 to 70 below.

*Pre-Split Labels*

61. The Pre-Split Labels were presented on product packaging of peanut butter that was branded with the Kraft Brand in circumstances pleaded in paragraph 10 of the [TFASOC].

62. As a consequence of the matters in the aforementioned paragraph and the operation of the MTA, any copyright in the Pre-Split Labels (if it exists) was assigned in writing in around October 2012 to the First Applicant pursuant to the MTA as a GroceryCo Brand­Related Copyright defined in that agreement.

**PARTICULARS**

MTA and definition of: (i) “GroceryCo Brand-Related Copyright”; (ii) GroceryCo Marks; (ii) GroceryCo Brand IP; and by operation of clause 2.1. (sic)

63. Further and alternatively, various constituent elements of the 2012 Labels were the subject of separate trade mark registrations, namely:

(a) the Kraft Hexagon Logo as defined in paragraph 65 of the [TFASOC]; and

(b) the bear device comprising Australian Trade Mark No. 1454228 and referred to as a KFG Mark as defined in paragraph 8 of the Further Amended Statement of Claim:



(the **Kraft Label Trade Marks**)

64. The Kraft Label Trade Marks:

(a) were assigned to the First Applicant pursuant to the Restructure and the MTA

(b) are presently owned by the First Applicant; and

(c) each form part of the Pre-Split Labels and together form a substantial part of the Pre­ Split Labels;

(d) were licensed pursuant to the Mondelez Licence as defined paragraph 18 of the [TFASOC] and fall within the definition of Licensed Trademark within the MTA;

and further Australian Trade Mark No. 1454228 comprised part of the Peanut Butter Trade Dress that was licensed pursuant to the Mondelez Licence.

**PARTICULARS**

MTA clause 3.1(a) and 3.1, Trademark Assignment between Kraft Foods Global Brands LLC and Kraft Foods Group Brands LLC dated 21 November 2012.

65. In the circumstances pleaded in the [TFASOC] where Bega was bound by the Mondelez Licence, the assertion of ownership of copyright in the Pre­ Split Labels is a claim of right or ownership contrary to the Inconsistent Action Clause.

66. Each of the Kraft Label Trade Marks and any copyright in the Pre-Split Labels falls within the meaning of Trade Marks and related intellectual property in the No Challenge Clauses.

67. Bega is bound by the No Challenge Clauses and the clauses pleaded in Part C of the Further Amended Statement of Claim and, in those circumstances, the conduct of Bega in seeking relief in respect of the Pre-Split Labels is contrary to both the Inconsistent Action Clause and the No Challenge Clauses, and is unconscientious.

68. Further and alternatively, Bega acquired the business of Mondelez in circumstances where it knew or ought to have known that the Applicants had the right to any copyright in the Pre-Split Labels, by reason whereof it is unconscionable for Bega to claim ownership of any such copyright, which is, to the extent that Bega holds title thereto, held on trust for the Applicants.

**2015 Labels**

69. They say further that the 2015 Labels were derived from the Pre-Split Labels and to the extent that they are original works, the pleas in paragraphs 65 to 68 above apply in respect of the Pre-Split Labels apply *mutandis mutatis* in respect of the 2015 Labels.

70. They say further:

(a) to the extent the 2015 Labels were owned by Mondelez Australia (Foods) Ltd that those labels were created in the exercise by Bega of rights as licensee under the Mondelez Licence; and

(b) in the circumstances ownership of any copyright in the 2015 Labels vested in the First Applicant, alternatively, Bega is estopped from asserting rights in any such copyright against the Applicants to prevent them selling peanut butter under the Kraft Brand and the Peanut Butter Trade Dress.

*Creation of the New Kraft Products Labels*

71. They admit the allegation in paragraph 59 and say further:

(a) the New Kraft Product Labels were created by reference to the Pre-Split Labels; and

(b) there is no causal connection between the New Kraft Products Labels and the 2015 Labels.

72. They deny the allegations in paragraph 60.

73. They deny the allegations in paragraph 61.

74. They deny the allegations in paragraph 62.

75. They deny the allegations in paragraph 63 and say the first time Bega raised these allegations was in its amended Cross-Claim.

76. They deny the allegations in paragraph 64[.]

480 The myriad issues to which I refer were the subject of detailed competing submissions, including disputes about a hearsay notice, the admissibility of evidence, whether Bega proved its claimed copyright in the first place and whether the MTA assigned the copyrights to the first applicant. There is no utility in deciding any of those issues in circumstances where, by reason of my answer to issue 6, Kraft is to be enjoined from using the Peanut Butter Trade Dress which is used on the New Kraft Products Labels in any event. And Mr Smith, junior counsel for Bega, quite properly conceded as much in response to a question from me about it.

481 Accordingly, the answer to issue 17 is: Unnecessary to decide.

# ISSUE 18: WAS BEGA’S USE OF THE SHIPPERS UNLAWFUL?

482 Kraft’s case is that Bega sold peanut butter in jars with the PBTD absent the Kraft mark in outer cardboard containers called “shippers” which bore the Kraft hexagon logo.

483 Bega established, and in the end Kraft did not dispute, that at various times between September 2017 and late March 2018 it supplied to supermarkets and to food service distributors peanut butter products branded “The Good Nut”, but not “Bega”, in Kraft shippers.

484 The precise products and the numbers are set out in lengthy and meticulous detail in an affidavit of Mr Matthew Broad, the Supply Planning and External Manufacturing Lead for Bega Foods, sworn 9 October 2018. It is not necessary to encumber these reasons with those details.

485 The evidence of the 2018 supplies is limited to 11 in number. See Mr Broad’s 9 October affidavit at [67].

486 Bega contended, and in the end it seemed to me that Kraft did not dispute, that to the extent that Bega branded product ever appeared on supermarket shelves in Kraft shippers, it was the result of supermarket staff replenishing empty or depleted shippers on those shelves.

487 Shippers are a form of “shelf-ready” packaging, with a perforated section that can be removed to act as a tray to hold the products for display on a supermarket shelf. Supermarkets commonly display products for sale in shippers, although Mr Broad gave evidence that there is no invariable practice in this regard. Shippers typically depict the name and colours of the products they contain.

488 It was not disputed that the Kraft shippers are designed such that the Kraft hexagon logo can be seen on the bottom left hand corner of the shipper when displayed on a supermarket shelf, and can be seen by consumers, and that shippers are used by trade mark owners as a communication tool to promote their brand when the product is placed on the shelf in the packaging in which it is delivered.

489 A photograph of Bega’s peanut butter products as presented on supermarket shelves in shippers was in evidence. It shows that the Kraft hexagon logo is presented adjacent the registered symbol ® with peanut butter labelled both “The Good Nut” and “Bega”, as follows:



490 It follows from what I said earlier that the Bega branded product in the above photograph is likely to have been put there by supermarket staff.

491 Kraft contends that Bega’s conduct between September 2017 and late March 2018 in supplying to supermarkets and food service distributors peanut butter products branded “The Good Nut” in Kraft shippers constitutes:

(1) infringement of each of Australian Trade Mark Registration Nos. 156444 and 181518 pursuant to s 120(1) of the Trade Marks Act;

(2) breach of the Mondelez Licence and, in particular, breach of the Transition Clause and after 31 December 2017 breach of the Discontinuance Clause; and

(3) breach of ss 18 and 29(1)(a), (g) and (h) of the Australian Consumer Law, and passing off.

492 Kraft relied on evidence given by Mr Spiteri, the Associate Finance Director of Bega, about the use of Kraft shippers and his acceptance that the use of the Kraft shippers was well known within Bega. Kraft also relied on his evidence given at the trial in the following terms:

[Mr Garratt] Did you know from the middle of 2017 that Kraft shippers were being used in those supermarkets to display Bega peanut butter for purchase?

[Mr Spiteri] Yes, I did.

[Mr Garratt] And that they were being used in those supermarkets to display Bega peanut butter for purchase?

[Mr Spiteri] Yes, I did.

[Mr Garratt] That was well known in the company, wasn’t it?

[Mr Spiteri] It was well known, that we had a transition period to the end of 2017, December; so - yes. So it was well known.

[Mr Garratt] So the view was taken - that you could use Kraft shippers in that period?

[Mr Spiteri] Yes.

493 Kraft also relied on the content of a report commissioned by Bega from the firm CrossMark, which Bega retained in November 2017 to send contractors to some 580 Coles and Woolworths supermarkets in metropolitan areas to remove and dispose of Kraft shippers as evidence that the task of removing the Kraft shippers was not a difficult one, despite their widespread prevalence.

## Trade mark infringement

494 The first applicant is the owner of Australian Trade Mark Registration No. 156444 for the word “Kraft”. It was lodged on 14 October 1959 in class 29 and it expressly encompasses goods including, inter alia, peanut butter. The first applicant is also the owner of Australian Trade Mark Registration No. 181518 for the Kraft hexagon logo which was lodged 15 July 1963 in class 29 and which expressly encompasses goods including, inter alia, peanut butter.

495 Section 120(1) of the Trade Marks Act provides:

A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

496 Section 7(4) of the Trade Mark Act provides that “use of a trade mark in relation to goods means use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods)”. It follows that a trade mark does not need to appear on the goods themselves to be used in relation to those goods, and that use of the Kraft hexagon logo on the Kraft shippers constituted use of that mark in relation to peanut butter.

### Kraft’s submissions on alleged trade mark infringement

497 Kraft contends that the Kraft hexagon logo as it appears on the shippers is a sign substantially identical to each of the registered trade marks referred to above, and that the sign was relevantly used in relation to peanut butter, being goods in respect of which those trade marks are registered.

498 Kraft says that a trade mark applied to goods by a manufacturer continues to be used by the manufacturer for the purposes of the Trade Mark Act when the products are offered for sale by a retailer, so that Bega’s distribution of “The Good Nut” peanut butter in shippers bearing the Kraft hexagon logo, Bega’s sale of the peanut butter in those shippers, and the display for sale by supermarkets of “The Good Nut” peanut butter in those shippers involved “use” of the Kraft mark by Bega for the purposes of s 120(1) of the Trade Marks Act. In that regard, Kraft cited *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at 161–164. [42] and [46] of that decision stand for the propositions that distinguishing goods of a registered owner from the goods of others, and indicating a connection **in the course of trade** between the goods and the registered owner, are essential characteristics of a trade mark and that goods remain in the course of trade as long as they are on the market for sale.

499 Kraft submits that the sole purpose on the appearance of the Kraft hexagon logo on the shippers is to function as a trade mark, so as to designate an association with Kraft.

500 It also says that its infringement case succeeds regardless of what branding is on the jars themselves, because the infringement follows from the use of Kraft shippers with products that were not labelled with the Kraft hexagon logo.

### Bega’s submissions on alleged trade mark infringement

501 Bega submits that the use of the Kraft branded shippers was permitted by clause 3.5 of the MTA, which concerns phasing out of packaging materials for 12 months after the expiry of the licence (i.e. until 31 December 2017).

502 Clause 3.1(a) of the MTA relevantly provides that “Subject to the terms and conditions of this Agreement, GroceryCo IPCo hereby grants to SnackCo IPCo from the Distribution Date until the tenth [it was later amended to mean fifth] anniversary of the Distribution Date an exclusive, fully-paid, royalty-free, and non-transferable (except as expressly permitted herein) license to use and display … the Kraft GroceryCo Trademark in … [the product category of peanut butter in Australia] … in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of such SnackCo Products in [Australia]”. See [272] above.

503 Clause 3.5(b) of the MTA relevantly provides:

If the Licensee [Bega] intends to transition the name of a product from a Licensed Trademark to a new trademark or brand name after the expiration or termination of the Trademark license, the Licensee shall be entitled to announce such transition of a product name prior to the expiration or termination of the Trademark license in advertising, marketing and sales materials. The Licensee may announce such transition of a product name on the product packaging and shall be permitted to reasonably reduce the prominence of the logos of the Licensed Trademarks as they appear on such packaging in furtherance of such transition…

504 It was, of course, common ground that Bega had a licence over the Kraft Grocery Co trademark (that is, the Kraft word and the Kraft hexagon logo) and that it had a licence to use the Kraft trade mark as a trade mark to sell peanut butter until 31 December 2017.

505 Bega’s primary argument is that if, in fact, Bega did use the Kraft trade mark on the shippers as a trade mark as Kraft alleges, then it says that it was licensed to do so because of the licence granted under clause 3.1(a).

506 Bega also contends that clause 3.5(b) permitted “a co-presentation of the Kraft mark with a new brand name used for the product”. The submission was as follows:

So all … that Bega has done is to do precisely what clause 3.5(b) says could be done, which is to use the Kraft shipper on the transition brand, and if, in fact, there was any association communicated by the use of the old Kraft-branded shipper and the Good-Nut-branded product, that is precisely what clause 3.5(b) permitted. It expressly provided for co-presentation of the two marks on the product packaging, being the licensed trademark, the Kraft word and the Kraft hexagon logo and the new transitional brand, which, in this case, was the Good Nut, and, in fact, clause 3.5(b) is expressed even more broadly, allowing for the advertising and promotion of the transition. So not just the packaging.

You could advertise and promote the transition from the licensed trademark, the Kraft word and the Kraft hexagon logo, to the new transitioned brand, and the evidence is the new transitioned brand was the Good Nut. It expressly contemplates and provides for an association to be drawn between the Kraft mark and the transition mark.

507 Bega also relies on clause 3.5(a) of the MTA, which relevantly provides:

Upon any termination or expiration of any license of a Licensed Trademark granted under Sections 3.1, 3.2 and 3.6, the Licensee agrees (i) to discontinue, and cause each of its Affiliates to discontinue, the production of packaging, promotion and marketing materials that display such Licensed Trademark and (ii) to cease all advertising, couponing and any other consumer-directed marketing or promotion activity making use of such Licensed Trademark. **During the twelve (12) month period following any such termination or expiration of any such license of a Licensed Trademark, [until 31 December 2018] the Licensee shall have the right (i) to sell any finished goods bearing the Licensed Trademark held as inventory on the date of such termination or expiration** …

(emphasis added).

508 The submission was put this way:

So we say that additionally allowed the using up of whatever product packaging was there. I mean – and it’s sensible. I mean, putting aside all of the environmental issues associated with it, it’s a sensible thing. You’ve had a licence of a mark going up to 31 December 2017, and it’s just a recognition of the fact that nothing would stop – drop dead on that date. You’re very likely to have materials lying around that hadn’t still been used up.

509 Bega also points to what it characterises as the de minimis nature of the use of Kraft shippers after 31 December 2018. See [487] above.

510 Bega contends that any “use” of the shippers by supermarkets involves use of the Kraft hexagon logo by those supermarkets, not Bega, and an “independent decision” of the supermarkets to make use of the shippers.

511 Bega also says that Kraft did not prove that consumers would recognise what is on a shipper tray as being used as a trade mark.

### Trade mark infringement claim: consideration

512 I do not accept Bega’s contention that the use of the shippers about which Kraft complains was authorised by the MTA. Those parts of clause 3 of the MTA upon which Bega relies can only sensibly apply to circumstances where Bega is using the licence to put Kraft marks the subject of the licence on the product. But it never did that after 4 July 2017.

513 The licence granted under clause 3.1(a) permits Bega to use that mark on the principal display panel of certain products (including peanut butter) and in connection with the production and sale of such products. Clause 3.1(a) does not permit Bega to use the Kraft hexagon logo on the packaging of (or otherwise in relation to) products, like “The Good Nut”, that are not themselves labelled with the Kraft hexagon logo.

514 Clause 3.5(a) is also of no help to Bega. It is a run off clause, to be sure, but it only relevantly confers the right “to sell any finished goods bearing the Licensed Trademark held as inventory …” It is thus expressly limited to the sale of finished goods bearing the Licensed Trademark. This, again, does not include peanut butter labelled “The Good Nut” which did not bear the Kraft hexagon logo.

515 And clause 3.5(b) is also beside the point. It applies if Bega had intended “to transition the name of a product from a Licensed Trademark to a new trademark or brand name after the expiration or termination of the Trademark License” in which case Bega would have been “entitled to announce such transition of a product name prior to the expiration or termination of the Trademark License in advertising, marketing and sales materials”. It is, in my view, unlikely that the placement of “The Good Nut” product in Kraft shippers could be regarded as “announcing a transition”. In any event, I would not make any such finding absent evidence to support it.

516 As for Bega’s submission that it did not use the mark – the supermarkets did – I accept Kraft’s submission that a mark which has been applied to goods by a manufacturer is relevantly “used” by the manufacturer at the time when the products are offered for sale or sold by a retailer. See *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at 162 – 164, [42] and [46].

517 I also do not accept Bega’s final point that Kraft did not prove that consumers would recognise what is on a shipper tray as being used as a trade mark. The Kraft shipper expressly says that the Kraft hexagon label is used as a trade mark.

518 It follows that Bega used the Kraft hexagon logo on shippers in relation to the “Good Nut” peanut butter product without the permission of the first applicant. Such conduct constitutes trade mark infringement under s 120(1) of the Trade Mark Act.

## Breach of the Mondelez Licence

519 Clause 3.5(b) of the MTA (the Transition Clause) provides that Bega must not denigrate or tarnish the image or reputation of a Licensed Trademark. Bega accepts that the Kraft Hexagon Logo is a Licensed Trademark under the MTA.

520 Kraft further submits that the unauthorised use by Bega of the Kraft hexagon logo in respect of products labelled “The Good Nut” denigrates or tarnishes the image or reputation of the Kraft mark, by associating the Kraft mark with products and brands that are not associated with or sold with the authority of the first applicant.

### Consideration

521 In my view, there is insufficient evidence to enable me to form any view about the allegations of denigration or tarnishing, so they must fail.

## Breach of the Australian Consumer Law and passing off

522 Kraft next contends that consumers seeing the Kraft hexagon logo on a shipper holding peanut butter labelled “The Good Nut” would inevitably assume that there was some form of association between the Kraft hexagon logo and the peanut butter displayed in the shipper. It is contended that a consumer is likely to assume that the peanut butter has been supplied by, or with the authority of, the owner of the Kraft hexagon logo, when no authority was given, or that the marks are all owned by the same entity or are otherwise “one and the same”, when they are not.

523 Kraft says that Bega’s conduct in supplying peanut butter labelled “The Good Nut” in Kraft shippers was likely to cause consumers to be misled or deceived in this way. It is not disputed that the Kraft hexagon logo is well known to consumers of peanut butter. It cannot be said that the supermarkets used the packaging in an unintended or unexpected way. Supermarkets used the packaging exactly as it was designed – they used it to display the peanut butter to consumers.

524 Kraft says that once it is accepted that Bega was not permitted under the MTA to use the Kraft hexagon logo as it did, it follows that Bega’s conduct in supplying peanut butter in Kraft shippers was likely to mislead or deceive consumers in breach of the ACL. If this were not the case, any company would be free to use the marks of its competitors on display packaging. For example, Kraft would be free to use Bega’s logo on Kraft’s own shippers. That proposition, it is submitted, cannot be correct.

525 The same conduct is also said to constitute passing off.

### Consideration

526 Ultimately, I am not satisfied that there is sufficient evidence to enable me to accept Kraft’s case under the ACL or for passing off with respect to the shippers. Kraft did not adduce any evidence about practices adopted by supermarkets with respect to shippers, and in any event, it is far from clear to me what a consumer would make of the conflicting “messages” that may (or may not) be conveyed by the fact that the Kraft mark is on the shipper and the “Good Nut” brand or Bega brand appears on the peanut butter jars.

527 Accordingly, the answer to issue 18 is: Bega’s use of the Kraft shippers constituted an infringement of Kraft’s trade marks, but was not otherwise unlawful.

# SUMMARY OF ANSWERS TO ISSUES

528 I have answered the issues as follows:

(1) What is goodwill and what is the legal nature of the Peanut Butter Trade Dress as an unregistered trade mark?

Answer: see reasons at [98]-[167] above.

(2) What did/does the Peanut Butter Trade Dress designate to consumers?

Answer: see reasons at [168] above.

(3) How does goodwill inure to an entity?

Answer: see reasons at [169] above.

(4) How is an unregistered trade mark in Australia assigned or transferred?

Answer: see reasons at [170]-[174] above.

(5) To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure immediately prior to the date of the restructure?

Answer: Kraft Foods Limited

(6) To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure after the date of the restructure?

Answer: Kraft Foods Limited/Mondelez (Australia) Foods Limited

(7) Can the ACL and passing off issues in the case be determined without ascertaining whether rights in respect of trade dress accrued to the first applicant under the MTA?

Answer: Yes.

(8) Does the Mondelez Licence (as defined in [18] of the TFASOC) preclude Bega from claiming “ownership” of the Peanut Butter Trade Dress?

Answer: No

(9) Has Bega breached any term(s) of the MTA that it is bound by in respect of its use of the Peanut Butter Trade Dress from 1 January 2018?

Answer: No

(10) What is the proper interpretation of the MTA? Did the MTA affect rights in respect of the Peanut Butter Trade Dress?

Answer: (as to the second part of the issue): No

(11) Has Bega breached the ACL by using the Peanut Butter Trade Dress because of any association that it has with the Kraft brand?

Answer: No

(12) Did Bega breach the ACL by its television/radio advertisements in November 2017?

Answer: Yes, but only with respect to the eighth representation pleaded with respect to the First Bega Television Advertisement, as defined in [39] of the Third Further Amended Statement of Claim.

(13) Did Bega engage in passing off or misleading and deceptive conduct through use of the Peanut Butter Trade Dress?

Answer: No

(14) What rights were acquired by Bega in July 2017 in respect of peanut butter?

Answer: Bega acquired all rights to the PBTD pursuant to the terms of the SPA.

(15) Did Kraft breach the ACL by its release of a press release of October 2017, or use of the slogan “Loved since 1935”?

Answer: Yes.

(16) Did Kraft engage in misleading and deceptive conduct or passing off though use of the Peanut Butter Trade Dress?

Answer: Yes.

(17) Did Bega own, and did Kraft infringe, copyright in respect of the 2012 or 2015 labels?

Answer: Unnecessary to decide.

(18) Was Bega’s use of the Kraft shippers unlawful?

Answer: Bega’s use of the Kraft shippers constituted an infringement of Kraft’s trade marks, but was not otherwise unlawful.

|  |
| --- |
| I certify that the preceding five hundred and twenty-eight (528) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justice O'Callaghan. |

Associate:

Dated: 1 May 2019

SCHEDULE OF PARTIES

|  |  |
| --- | --- |
|  | VID 1220 of 2017 |
| Cross-Respondents |  |
| Second Cross-Respondent | H.J. HEINZ COMPANY AUSTRALIA LIMITED |

# ANNEXURE A

**TABLE CROSS-REFERENCING THE “PARTIES’ AGREED GENERAL ORDER OF ISSUES” TO THE PLEADINGS**

| **Issue** | | **Paragraph references in Claim, Defence and Reply1** | **Paragraph references in**  **Cross-Claim and Cross-Claim Defence2** |
| --- | --- | --- | --- |
| 1. | What is goodwill and what is the legal nature of the Peanut Butter Trade Dress (**PBTD**) as an unregistered trade mark? | This issue raises purely legal questions on the facts of the case. The legal questions arise from the pleaded facts but are not pleaded as such. The relevant paragraphs are:  Claim [24], [86] (and Part C)  Defence [24], [86] (and Part C), additionally [18(d)], [106(b)], [107(b)], [112] | This issue raises purely legal questions on the facts of the case. The legal questions arise from the pleaded facts but are not pleaded as such. The relevant paragraphs are:  Cross-Claim [27] - [29]  Cross-Claim Defence [27] - [33] |
| 2. | What did/does the Peanut Butter Trade Dress designate to consumers? | Claim [10] - [12], Further Particulars filed on 23 July 2018, [22], [81] - [83], [88] - [90]  Defence [10] - [12], [22], [81] - [83], [88] - [90] | Cross-Claim [27] - [29]  Cross-Claim Defence [27] - [33] |
| 3. | How does goodwill inure to an entity? | As for issue 2  Defence additionally [18(d)], [101] - [112]  Reply [17] | As for issue 2 |
| 4. | How is an unregistered trade mark in Australia assigned or transferred? | This issue raises purely legal questions on the facts of the case. The legal questions arise from the pleaded facts but are not pleaded as such. The relevant paragraphs are:  Claim [86] (and Part C)  Defence [86] (and Part C), additionally [18(d)] |  |
| 5. | To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the PBTD inure immediately prior to the date of the restructure? | Claim [11] - [12], Further Particulars filed on 23 July 2018, [86]  Defence [11] - [12], [86], additionally [18(d)], [97] -  [100]  Reply [2] - [3], [10] | Cross-Claim [27] - [29], [31]  Cross-Claim Defence [27] - [33], [35] |
| 6. | To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the PBTD inure after the date of the restructure? | Claim [22] - [24], [87]  Defence [22] - [24], [87], additionally [101] - [112]  Reply [2], [11] - [23] | Cross-Claim [27] - [29], [31]  Cross-Claim Defence [27] - [34], [35] |
| 7. | Can the ACL and passing off issues in the case be determined without ascertaining whether rights in respect of trade dress accrued to the first Applicant under the MTA? | Claim [72] - [74A], [81] - [84], [86] - [92]  Defence [72] - [74A], [81] - [84], [86] - [92], [101] -  [112]  Reply [11] - [23] |  |
| 8. | Does the Mondelez Licence preclude Bega from claiming “ownership” of the PBTD? | Claim [38], [69], [80A] - [80B]  Defence [38], [69], [80A] - [80B]  Reply [15(d)] | Cross-Claim Defence [33] - [34] |
| 9. | Has Bega breached any term(s) of the MTA that it is bound by in respect of its use of the PBTD from 1 January 2018? | Claim [53], [66] - [71], [74A], [75] - [80]  Defence [53], [66] - [71], [74A], [75] - [80] |  |
| 10. | What is the proper interpretation of the MTA? Did the MTA affect rights in respect of the PBTD? | Claim [53] - [71]  Defence [53] - [71], additionally [18(d)] |  |
| 11. | Has Bega breached the ACL by using the PBTD because of any association that it has with the Kraft brand? | Claim [10] - [12], [22], [74A], [74B], [81] - [84A]  Defence [10] - [12], [22], [74A], [74B], [81] - [84A] |  |
| 12. | Did Bega breach the ACL by its television/radio advertisements in November 2017? | Claim [39] - [52]  Defence [39] - [52]  Reply [5] |  |
| 13. | Did Bega engage in passing off or misleading and deceptive conduct through use of the PBTD? | Passing off:  Claim [72] - [74A], [81] - [84A], [86] - [91], [94] - [95]  Defence [72] - [74A], [81] - [84A], [86] - [91], [94] -  [95]  Misleading and deceptive conduct: Claim [72] - [74A], [81] - [84A], [86] - [92]  Defence [72] - [74A], [81] - [84A], [86] - [92] |  |
| 14. | What rights were acquired by Bega in July 2017 in respect of peanut butter? | Claim [26], [29] - [30], [32] - [33]  Defence [26], [29] - [30], [32] - [33], additionally [107]  Reply [17] | Cross-Claim [10], [29]  Cross-Claim Defence [10], [33] |
| 15. | Did Kraft breach the ACL by its release of a press release of October 2017, or use of the slogan ‘Loved since 1935’? |  | Press release:  Cross-Claim [5] - [24]  Cross-Claim Defence [5] - [24] Slogan:  Cross-Claim [39] - [47]  Cross-Claim Defence [43] - [51] |
| 16. | Did Kraft engage in misleading and deceptive conduct or passing off through use of the PBTD? |  | Misleading and deceptive conduct: Cross-Claim [25] - [37]  Cross-Claim Defence [25] - [41] Passing off:  Cross-Claim [25] - [29], [38]  Cross-Claim Defence [25] - [33], [42] |
| 17. | Did Bega own, and did Kraft infringe, copyright in respect of the 2012 or 2015 labels? |  | 2012 labels:  Cross-Claim [48] - [52], [57] - [64]  Cross-Claim Defence [52] - [54], [58] - [68],  [71] - [76]  2015 labels:  Cross-Claim [53] - [56], [57] - [64]  Cross-Claim Defence [55] - [57], [58] - [60],  [69] - [70], [71] - [76] |
| 18. | Was Bega’s use of the Kraft shippers unlawful? | Claim [74A] - [74B], [77AA], [84A]  Defence [74A] - [74B], [77AA], [84A] |  |

1 These are references to the specified paragraphs of the Third Further Amended Statement of Claim filed 23 August 2018 (**Claim**), the corresponding responsive paragraphs and relevant additional paragraphs in the Defence to Third Further Amended Statement of Claim filed 14 September 2018 (**Defence**), and the Reply to Defence to Second Further Amended Statement of Claim filed 4 July 2018.

2 These are references to the specified paragraphs of the Amended Statement of Cross-Claim filed 18 May 2018 (**Cross-Claim**) and the corresponding responsive paragraphs in the Amended Defence to Amended Statement of Cross-Claim filed 25 May 2018 (**Cross-Claim Defence**).

# ANNEXURE B

**TRANSCRIPT OF TV ADVERTISEMENTS**

**TV Advertisement 1 – Late 1980s**

Girl: You know what I really don't like? Peanut butter with oil on top. It's horrible and mucky. [an animated oily peanut butter man coming out of the peanut butter jar. girl laughing]. Eeew. That's why I love Kraft peanut butter. It's never oily or dry and it's so easy to spread all the way to the bottom of the jar. Mmm

Voiceover : Kraft peanut butter. Smooth or crunchy but never dry, oily.

4 jars of Kraft peanut butter and a jar of generic peanut butter shown.

*Printed words at the end of the advertisement: Never dry, never oily*.

**TV Advertisement 2 – About 1991**

Animated peanut butter man: Hold your horses honey. How about some of this oily stuff? I've got gallons of it. Black gold. Texas tea.

Girl: No. Thanks. I like Kraft peanut butter. It's so easy to spread and it's never dry or oily.

Animated peanut butter man: All this could be yours. Stop. Kid. Don't be rash, kid.

Voiceover: Kraft peanut butter. Smooth or crunchy but never dry or oily.

5 jars of Kraft peanut butter shown.

*Printed words at the end of the advertisement: Never dry, never oily*.

**TV Advertisement 3 – Late 1990s**

Animated peanut butter man: Hey honey. There's a little somethin' I've been meaning to tell you.

Animated peanut butter man (singing): Oh when my baby spreads me. I didn't spread so good. I didn't have the peanut taste that peanut butter should. I've been so oily baby. I’ve been so oily ….

Girl: There's plenty of imitators but nothing's as good as the original Kraft peanut butter. Never oily and it's never dry.

Kraft logo. 5 jars of Kraft peanut butter shown.

*Printed words at the end of the advertisement: Never oily, never dry*.

**TV Advertisement 4 – About 2000**

Animated peanut butter man: Hey. You need oil.

Girl: No way. This tastes heaps better.

Animated peanut butter man (singing): But baby it's delish. [more singing]

Girl: I like Kraft peanut butter best because it's never oily and it's never dry.

Voiceover: Kraft peanut butter. Never oily. Never dry. 3 jars of Kraft peanut butter shown.

*Printed words at the end of the advertisement: Never oily, never dry*.

**TV Advertisement 5 – Early 2000s**

Animated ants (walking/singing)

Ant looking a girl eating a peanut butter sandwich: Mmm Kraft peanut butter. First platoon left. Second platoon right. Get a move on.

Ants form the words "spare a crust?" Girl laughing.

Ant: Ok boys. Into position.

Ants form the words "go on" Girl laughing.

Ant: Incoming.

Ants: I've got it. I've got it.

Girl catches crumb

Ant: Never mind. There'll be other sandwiches.

Girl: I love Kraft peanut butter best because it's never oily, never dry.

1 jar of Kraft peanut butter shown.

*Printed words at the end of the advertisement: Never oily, never dry*.

**TV Advertisement 6**

Family of 4 having a picnic. Girl walking towards family.

Mother: She's got the bears.

Father: She's got the bears.

Family packing up and running for the car.

Father: Kids. Kids.

Mother: She's got the bears.

Family gets in the car. Girl climbs on roof of car.

Boy: She's pulling up the boot. Oh no.

Father: Stay quiet.

Girl holds up jar of Kraft Nuts.

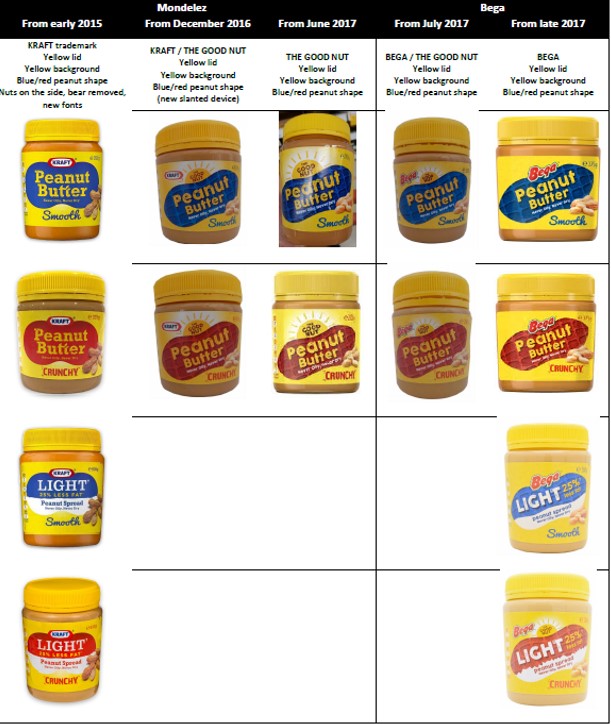
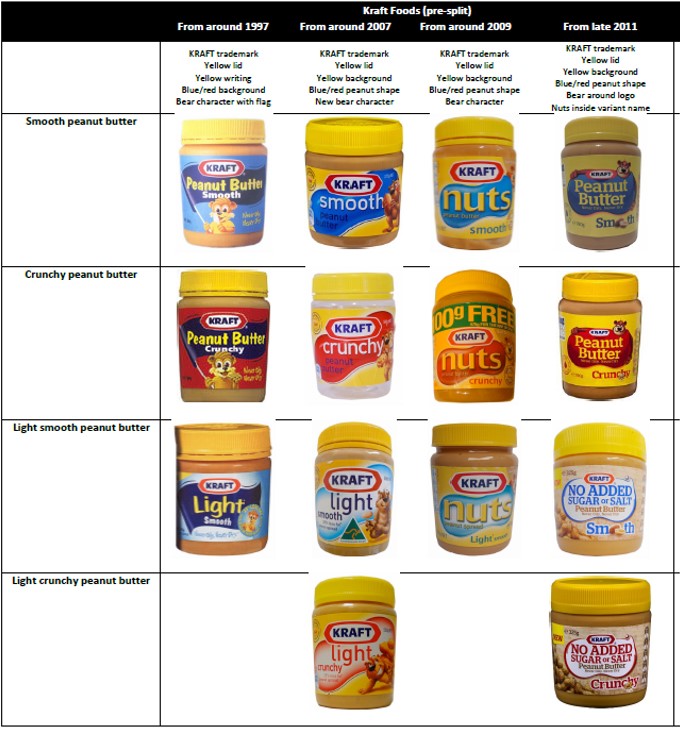
Girl eating peanut butter sandwich

Voiceover: Just got to have Kraft Nuts peanut butter? Then you’ve got the bears.

1 jar of Kraft nuts shown.

*Printed words at the end of the advertisement: Got the Bears. Never oily, never dry*.

# ANNEXURE C



# ANNEXURE D

|  |  |  |
| --- | --- | --- |
| **Official no.** | **Mark** | **Classes** |
| 457453 | BULLS EYE | 30 |
| 121423 | CRACKER BARREL | 29 |
| 241098 | KRAFT | 31 |
| 241095 | KRAFT | 5 |
| 241099 | KRAFT | 32 |
| 267863 | KRAFT | 32 |
| 189392 | KRAFT | 30 |
| 180678 | KRAFT | 29 |
| 156445 | KRAFT | 30 |
| 245435 | KRAFT | 21 |
| 58568 | KRAFT | 29 |
| 157796 | KRAFT | 30 |
| 156444 | KRAFT | 29 |
| 175906 | KRAFT | 29 |
| 68695 |  | 29 |
| 1002435 |  | 29 |
| 41110 |  | 29 |
| 781696 | KRAFT CHEESE WEDGES | 29 |
| 705577 | KRAFT DUNK ITS | 29 & 30 |
| 825519 | KRAFT DUNKERS | 29 & 30 |
| 515451 |  | 29 |
| 515452 |  | 30 |
| 597747 |  | 29 |
| 597748 |  | 30 |
| 740554 | KRAFT GOOD FOOD ... GOOD FOOD IDEAS | 29 & 30 |
| 705578 | KRAFT GRAB ITS | 29 & 30 |
| 245436 |  | 21 |
| 267862 |  | 32 |
| 181517 |  | 30 |
| 241096 |  | 5 |
| 181518 |  | 29 |
| 201253 |  | 30 |
| 365303 |  | 16 |
| 247144 |  | 16 |
| 241097 | C:\Users\litchf3j\AppData\Local\Microsoft\Windows\INetCache\Content.Word\K I 62.jpg | 32 |
| 241100 |  | 31 |
| 507282 |  | 29 |
| 382525 | KRAFT KITCHENS | 42 |
| 825520 | KRAFT LUNCHABOUTS | 29 & 30 |
| 776785 |  | 30 |
| 705127 | KRAFT PASTA SNACK FOR ONE | 30 |
| 705126 | KRAFT QUICK PASTA | 30 |
| 606984 | KRAFT RED LABEL | 29 |
| 606985 | KRAFT RED LABEL | 30 |
| 726563 | KRAFT SALAD LOVERS | 30 |
| 1005354 | KRAFT SENSATIONS | 30 |
| 1005355 |  | 30 |
| 671531 | KRAFT SHAKE’N’BAKE | 30 |
| 847682 |  | 29 |
| 605763 | KRAFT SPECIAL SELECTION | 29 |
| 67812 | LACTOKRAFT | 29 |
| 166877 | MIRACLE | 29 |
| 62631 | MIRACLE WHIP | 29 |
| 507281 |  | 29 |
| 69063 | VELVEETA | 29 |

# ANNEXURE E

|  |  |  |
| --- | --- | --- |
| **Official no.** | **Mark** | **Classes** |
| 971422 |  | 30 |
| 1317816 |  | 29 |
| 1317815 |  | 29 |
| 1422462 | Trademark Image | 29 |
| 1422461 | Trademark Image | 29 |
| 1454228 | Trademark Image | 29 |
| 118854 | CHEEZ WHIZ | 29 |
| 446731 |  | 30 |
| 299972 | COUNTRY TIME | 32 |
| 1466334 | EASY DOES IT | 30 |
| 401947 |  | 30 |
| 124801 | GOOD SEASONS | 29 |
| 239090 | GOOD SEASONS | 30 |
| 1186785 | Trademark Image | 29 & 30 |
| 28677 |  | 29 |
| 178757 | JELL-O | 30 |
| 114698 | KOOL-AID | 32 |
| 213268 | KOOL-AID | 30 |
| 213269 | KOOL-AID | 29 |
| 213270 | KOOL-AID | 3 |
| 234201 |  | 32 |
| 1033611 | KRAFT CHEESE DIP | 29 & 30 |
| 1367609 | KRAFT CHEESE INSPIRATIONS | 29 |
| 1031568 | KRAFT CHEESE WEDGES | 29 |
| 1376485 | KRAFT CREATIONS | 29 |
| 1404158 | KRAFT CREATIONS | 29, 30 & 32 |
| 1026958 | KRAFT DAIRY BITES | 29 & 30 |
| 1039304 |  | 29 & 30 |
| 947930 | KRAFT EASY MAC | 29 & 30 |
| 1230306 | Trademark Image | 16, 25 & 43 |
| 1059542 | KRAFT MARKET FRESH | 29 & 30 |
| 1059543 | Trademark Image | 29 & 30 |
| 1294171 | Trademark Image | 29 & 30 |
| 1229569 | Trademark Image | 29 |
| 947927 | KRAFT SNACKMAC | 29 & 30 |
| 1454044 | Trademark Image | 30 |
| 1476364 | MAYO WITH KICK | 29 |
| 557599 |  | 29 |
| 72329 |  | 31 |
| 1039186 | NUTS ABOUT Chocolate | 29 & 30 |
| 1039185 |  | 29 & 30 |
| 1454045 |  | 29 |
| 1442206 | PILES AND PILES OF SMILES | 30 |
| 160757 | PLANTERS | 30 |
| 168746 | PLANTERS | 29 |
| 168747 | PLANTERS | 30 |
| 168748 | PLANTERS | 31 |
| 168749 | PLANTERS | 32 |
| 168745 |  | 32 |
| 404296 |  | 29 [“low salt processed edible nuts”] |
| 405229 |  | 30 |
| 405230 | C:\Users\litchf3j\AppData\Local\Microsoft\Windows\INetCache\Content.Word\K I 84.jpg | 29 [“low salt processed edible nuts”] |
| 106823 | Trademark Image | 29 |
| 299615 |  | 30 |
| 299616 | C:\Users\litchf3j\AppData\Local\Microsoft\Windows\INetCache\Content.Word\K I 85.jpg | 31 |
| 168742 |  | 29 |
| 168743 | C:\Users\litchf3j\AppData\Local\Microsoft\Windows\INetCache\Content.Word\K I 87.jpg | 30 |
| 168744 | C:\Users\litchf3j\AppData\Local\Microsoft\Windows\INetCache\Content.Word\K I 87.jpg | 31 |
| 172839 | SANKA | 30 |
| 172039 | YUBAN | 30 |