

CASE BRIEFING DISCUSSION – TECHNOLOGY AND IP

HOST: BENNETT & PHILP LAWYERS
LOCATION: Level 13, 15 Adelaide St, Brisbane
TIME: 7.30am
DATE: Wednesday, 27 February 2019
PRESENTER: Dimitrios Eliades, Barrister
CHAIR: Michael Finney, Solicitor

Part 2 – Trade Marks

Introduction

1. Schedule 1, Part 1 of the *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 and Other Measures) Act 2018* (Cth) ('the PC Part 1 Act'), which contains the parallel importation amendments to the *Trade Marks Act 1995* (Cth), commenced 25 August 2018 a day after Royal Assent.¹
2. The amendment seeks to clarify the circumstances in which the parallel importation of trade marked goods does not infringe a registered trade mark.

The previous regime

3. It will be recalled that a person seeking to establish that they have a defence under the trade marks legislation, the use of goods or services in Australia and which are the subject of threatened litigation or worse an infringement action, sought refuge in s.123 of the *Trade Marks Act 1995* (Cth).
4. This relevantly provided in respect of goods:

123 Goods etc. to which registered trade mark has been applied by or with consent of registered owner

- (1) In spite of section 120, a person who uses a registered trade mark in relation to goods that are similar to goods in respect of which the trade mark is registered does not infringe the trade mark if the trade mark has been applied to, or in relation to, the goods **by, or with the consent of, the registered owner of the trade mark.**

¹ The PC Part 1 Act s.2.

5. The cases usually related to situations where the respondent has obtained authentic goods overseas and wishes to bring them into Australia, regardless of the Appointment of any local authorized distributor of the goods under the trade mark.

Scandinavian Tobacco Group²

6. The applicants (together ‘Scandinavian’), initiated a proceeding against the respondent (Trojan), alleging Trojan had:
 - a) infringed Scandinavian’s registered Australian trade marks of for the words marks “CAFÉ CRÈME”, “HENRI WINTERMANS” and “LA PAZ” under the *Trade Marks Act 1995* (Cth) (the Act) in respect of cigars,
 - b) has engaged in misleading or deceptive conduct in breach of the Australian Consumer Law (Schedule 2 of the *Competition and Consumer Act 2010* (Cth)) (ACL); and
 - c) the tort of passing off.
7. Scandinavian claimed Trojan:
 - a) was applying the trade marks CAFÉ CRÈME, HENRI WINTERMANS and/or LA PAZ to or in relation to cigars without the control or consent of the trade mark owner, then selling such products.
 - b) used the trade marks in its price lists and on invoices to refer to such products no longer controlled by the trade mark owner.
 - c) would mislead ordinary retailers and consumers who knew and sought out the Scandinavian’s products by reference to the brand names and trade marks CAFÉ CRÈME, HENRI WINTERMANS and LA PAZ to think that its products bearing those trade marks were authorised by the owner of those trade marks, and/or packaged under its authorisation.
8. Trojan accepted that the use of the trade marks was to act as a badge of origin, a sign distinguishing a trader from other traders.³ However, it argued that the use was not by it, but by STG Eersel. This was so, it was submitted, because the connection in trade was between the goods and the manufacturer, not between the goods and Trojan.⁴
9. The primary judge found that there was infringement.

10. The Chief Justice said:

² *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2015] FCA 1086 (‘Scandinavian’ primary judge).

³ *Trade Marks Act* s.17.

⁴ *Scandinavian* [53].

...the process of re-packaging involved applying the three trade marks in relation to the cigars (on the boxes containing them) for the purposes of s 9(1)(b)(i). That and the sale to the retailer was the use of the trade mark “upon, or in physical or other relation to, the goods”: s 7(4). That is the exclusive right of the registered owner: s 20(1).⁵

11. There was infringement. The Chief Justice said at [67]:

It is, however, not for me to question the proposition that absent s 123 being engaged, the mere sale of goods already marked by the registered owner (a fortiori if a mark is applied by someone other than the registered owner) would be an infringing use of the mark by the importer. Four Full Courts can be seen so to have said in the context of the Act: *Transport Tyre Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd* [1999] FCA 329; 93 FCR 421 at 440 [94]; *Paul’s Retail Pty Ltd v Sporte Leisure Pty Ltd* [2012] FCAFC 51; 202 FCR 286 at 295 [66]; *Paul’s Retail Pty Ltd v Lonsdale Australia Limited* [2012] FCAFC 130; 294 ALR 72 at 82 [65]; and *Gallo* 175 FCR at 403-404 [57]-[58].

12. The question was whether s.123 was engaged? The primary judge answered yes. The reasoning was as follows:

- a) The hearing was conducted on the basis that the goods in question were goods originally manufactured and packaged in Holland or Belgium and the trade marks were applied to the cigars, or in relation to the cigars, by STG Eersel;
- b) What was not applied by STG Eersel, but by Trojan, were the trade marks on the re-packaging.
- c) Thus, here, if the Australian Parliament had not passed the plain packaging legislation, Trojan could have sold the cigars in the boxes or packets with packaging placed on them by STG Eersel.⁶

13. The Full Court dismissed the appeal emphasizing the doing of an act reserved for the owner, namely to “use” the trade mark.⁷

The Productivity Commission

14. The Productivity Commission Report provided to Government in December 2016 identified concerns with the lack of certainty expressed in submissions, as to the defence under s.123 of the *Trade Marks Act*.⁸

15. For example:

⁵ *Scandinavian* at [72].

⁶ *Scandinavian* at [77] and [81].

⁷ *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2016] FCAFC 9 at [33] and [38].

⁸ “The Productivity Commission Inquiry Report into Intellectual property Arrangements”, No. 78, 23 September 2016 at [12.4] page 393.

a) IP Australia:

IP Australia notes that the existing law around the parallel importation of trade marked goods has led to uncertainty and confusion. It is also arguable that section 123 of the Trade Marks Act is not effectively implementing the policy intention of allowing for the parallel importation of legitimate goods. ... IP Australia notes that the complexity and uncertainty existing in this area makes it more difficult for potential parallel importers to operate with confidence that their activities will not lead to infringement of a trade mark. (sub. 23, p. 12).

b) Dr W. Rothnie, and the Law Council of Australia:

Trade Marks Act s123 provides an express defence against infringement for the use of a registered trade mark in relation to goods to which the trade mark has been applied by or with the consent of the trade mark owner. In a number of recent decisions, the Federal Court has struggled with the deceptively simple terms of the provision to the extent that, arguably, neither trade mark owners nor prospective parallel importers can confidently predict when the defence may be relied on.⁹

16. I am not aware of “a number of recent decisions”, but agree the examples other than Scandinavia, do not give a great deal of certainty. The examples the PC Report at page 395 are as follows:

Sporte Leisure case

This case involved trade marked clothing products imported into Australia by the retailer Pauls Warehouse. The trade marked clothing was imported from India. The Indian manufacturer had obtained a licence from the Australian trade mark licensor to use the trade mark, but had agreed to not supply the goods outside of India. The Federal Court held that even though the clothing products had been manufactured overseas with the consent of the Australian licensor, the unauthorised importation and sale of those goods in Australia may infringe the registered trade mark.

Lonsdale case

Similar to the Sporte Leisure case, this case also involved the importation of trade marked clothing into Australia. Here, a United Kingdom company, Lonsdale Sports Limited granted a German company, Punch, a licence to promote, distribute and sell goods bearing the Lonsdale trade mark within a defined territory in Europe. Pursuant to this licence, Punch sold Lonsdale branded clothing to a subsequent company in Europe. Ultimately, the Lonsdale branded clothing reached Paul’s Retail who offered and sold the trade marked clothing in Australia. Lonsdale Australia, the Australian trade mark owner commenced action for infringement. The Full Federal Court considered the application of section 123 of the Trade Marks Act. The court found that there was no consent by Lonsdale Australia as the use was outside the scope of

⁹ PC Report, Box 12.2 page 395.

the original licence, between Lonsdale Sports Limited and Punch, which was to sell the trade marked products within the specified territory.

The new s.122A of the *Trade Marks Act*

17. The “goods” element of s.123, s.123(1) has been repealed leaving the s.123 defence for services and s.122A has been inserted as follows:

122A Exhaustion of a registered trade mark in relation to goods

- (1) In spite of section 120, a person who uses a registered trade mark in relation to goods does not infringe the trade mark if:
- (a) the goods are similar to goods in respect of which the trade mark is registered; and
 - (b) before the time of use, the person had made reasonable inquiries in relation to the trade mark; and
 - (c) at the time of use, a reasonable person, after making those inquiries, would have concluded that the trade mark had been applied to, or in relation to, the goods by, or with the consent of, a person (a **relevant person**) who was, at the time of the application or consent (as the case may be):
 - (i) the registered owner of the trade mark; or
 - (ii) an authorised user of the trade mark; or
 - (iii) a person permitted to use the trade mark by the registered owner; or
 - (iv) a person permitted to use the trade mark by an authorised user who has power to give such permission under paragraph 26(1)(f); or
 - (v) a person with significant influence over the use of the trade mark by the registered owner or an authorised user; or
 - (vi) an associated entity (within the meaning of the *Corporations Act 2001*) of a relevant person mentioned in subparagraph (i), (ii), (iii), (iv) or (v).

Note 1: For goods that are **similar**, see subsection 14(1).

Note 2: For subparagraph (c)(iv), an authorised user may, under paragraph 26(1)(f), subject to any agreement the authorised user has with the registered owner, permit another person to apply the trade mark to, or in relation to, goods in respect of which the trade mark is registered.

- (2) A reference in paragraph (1)(c) to consent to the application of a trade mark to, or in relation to, goods includes, without limitation, a reference to:
- (a) consent subject to a condition (for example, a condition that the goods are to be sold only in a foreign country); and
 - (b) consent that can be reasonably inferred from the conduct of a relevant person.
- (3) In determining whether a relevant person mentioned in subparagraph (1)(c)(iii) or (iv) was permitted to use the trade mark, disregard how that permission arose, for example:
- (a) whether it arose directly or indirectly; or
 - (b) whether it arose by way of proprietary interest, contract, arrangement, understanding, a combination of those things, or otherwise.
- (4) In determining whether a relevant person mentioned in subparagraph (1)(c)(v) had significant influence over the use of a trade mark, disregard how that influence arose, for example:
- (a) whether it arose directly or indirectly; or
 - (b) whether it arose by way of proprietary interest, contract, arrangement, understanding, a combination of those things, or otherwise.

18. The amendment sets out a regime whereby a person is required to make “reasonable inquiries”. If the result of those inquiries would make a reasonable person conclude that the trade mark had been applied to, or in relation to, the goods by, or with the consent of the owner or a person listed, the defence is available.
19. The Government’s acceptance of the PC recommendation¹⁰ is supportive of increasing competition by not finding goods imported bearing a mark or marks applied by the owner, as infringing Australian trade marks:

The Australian Government’s policy position on parallel imports is that they increase competition and the Trade Marks Act was intended to allow for the parallel importation of legitimately trade-marked goods. However, the existing section 123 is limited in its scope and clarity, and this has permitted the use of various corporate or contractual arrangements that subvert the policy intent of allowing parallel imports. The amendments in this Part are intended to ensure that parallel imports of legitimately marked goods are not taken to infringe an Australian registered trade mark when the goods have first been brought to market by the registered owner of that mark or another person who has (or had at the relevant time) some sort of relevant commercial or contractual relationship with the registered owner.¹¹

20. Certainly, the removal of the of limited approval based on jurisdiction as in Lonsdale, assists clarify the case for the importer if the importer can overcome the second limb of that deemed assumption.

Conclusion

21. There is little point to speculate as to what is a reasonable inquiry. Common sense will have some role to play and the facts of each case will vary. However, in the **highlighted** section below, the reality is that in those circumstances, the buyers will make no more inquiries for fear of learning what they strongly suspect:

The exact nature of the inquiry will depend on what the hypothetical objective reasonable person would do in the circumstances. Requesting and receiving a certificate of authenticity from the supplier would be sufficient in most circumstances. However, the extent of the inquiries will be determined by the facts of the situation. **For example, where the supplier is widely known or suspected to supply counterfeit goods or where the goods are being offered at suspiciously low prices or through dubious trade channels, more searching inquiries may need to be made, such as contacting the trade mark owner to confirm consent.** Conversely, by way of example, if the goods are purchased from a retailer widely known to be the licensed distributor of the trade mark owner at the normal price of genuine goods in the relevant market, then no further inquiries may be needed.¹²

¹⁰ PC Report Recommendation 12.1 page 397.

¹¹ *Intellectual Property Laws Amendment (Productivity Commission Response Part 1 And Other Measures) Bill 2018 Explanatory Memorandum (the EM) Schedule 1 Part 1 Parallel Importation page 13 [8].*

¹² The EM page 14 at [15].

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