

*Lodestar Anstalt v Campari America LLC* [2016] FCAFC 92

FEDERAL COURT OF AUSTRALIA

ALLSOP CJ, GREENWOOD, BESANKO, NICHOLAS AND KATZMANN JJ

**ALLSOP CJ:**

1 I have had the advantage of reading the reasons to be published of Besanko J and Nicholas J. I agree with the orders proposed by Besanko J; I agree with his Honour’s reasons therefor; and I agree with the additional brief observations of Nicholas J.

**GREENWOOD J:**

2 I have had the benefit of reading the reasons for judgment of Besanko J in support of the orders proposed by his Honour and also the reasons of Nicholas J (in support of those orders) in which his Honour adds some brief observations of his own directed to the question of whether the use of the trade marks in suit by the licensee during the period 27 August 2007 to 27 August 2010 were or were not the subject of “any real or genuine control by the registered owner”. Nicholas J concludes that they were not so subject. The Chief Justice agrees with the orders proposed by Besanko J and the reasoning in support of those orders by both Besanko J and Nicholas J.

3 For my part, I agree with the orders proposed by Besanko J and his Honour’s reasons in support of those orders. However, I wish to add some observations concerning the licence agreement between the registered owner of the two trade marks in suit and the licensee, Wild Geese Wines Pty Ltd (“WGW”).

4 I accept and adopt the description of all of the factual matters set out in the reasons for judgment of Besanko J.

5 The licence agreement was entered into between Austin Nichols & Co, Inc (“Austin Nichols”) and WGW on 1 June 2007. By cll 1.1, 1.2, 1.3 and 2.1, Austin Nichols granted to WGW, subject to all of the obligations and conditions contained in the licence, a perpetual, exclusive licence (without the right to sub-license) to use the trade marks in connection with the manufacture and distribution of Australian wine sold in Australia.

6 By cl 3.1, WGW agrees that Australian wine bearing the trade marks will be “of a quality at least sufficient to obtain a continuing approval of the wine for export by the *Australian Wine and Brandy Corporation*” (the “AWBC”). Clause 3.1 also provides that if requested by Austin

Nichols, WGW will provide three bottles of its wine product to Austin Nichols as samples for consideration and evaluation by it during any period of 12 months throughout the period of the agreement.

7 Clause 3.2 provides that after an evaluation of such samples, WGW will, if requested by Austin Nichols, provide four bottles of its wine product (bearing the trade marks) to the *Australian Wine Research Institute* (“the Institute”) for analysis and submit the wine to the AWBC for its “continuing approval” (for export). Clause 3.2 also provides that if a continuing approval is given, the wine product “will be taken to be of a sufficient quality” in accordance with the agreement.

8 Clause 3.3 provides that if a continuing approval is not given, the wine product will be taken not to be of an appropriate quality for the purposes of the agreement and in that event WGW must withdraw the wine from sale in Australia until changes have been made to the wine and a continuing approval has been obtained from the AWBC.

9 By cl 5.2 WGW agrees to use the trade marks in connection with Australian wine only.

10 By cl 10.1 Austin Nichols has the right, put simply, to terminate the agreement should WGW breach any of its obligations under the agreement, which would have the effect of depriving WGW of the right to sell wine in Australia using the trade marks. WGW is not permitted to amend or abbreviate the marks. Nor is WGW permitted to identify itself as a licensee of Austin Nichols without the prior written approval of the licensor.

11 The primary judge undertook an analysis of the evidence in order to answer the question he posed: “How did these provisions play out in the *real* world”? (emphasis added). The framing of the question in one sense seems to contain the answer within it. Mr O’Sullivan is a director of WGW. It is his company. He is the wine maker. He has been making wine since 2001. In 2004 he produced 375 cases of Merlot wine in bottles marked with labels bearing the trade marks. The 2004 Merlot won a bronze medal at two wine shows. Commercial sales of that wine occurred between the contended non-use period, 27 August 2007 to 27 August 2010. Although Mr O’Sullivan had produced a Merlot wine in 2001, 2002, 2003 and 2004, he ceased bottling wine for sale in 2005 due to surplus stock on hand, a wine glut and some events taking place in his personal life: primary judge’s reasons at [15]. Nevertheless, he continued to sell the 2004 Merlot in the years 2007, 2008 and 2009.

12 At [26] the primary judge notes Mr O’Sullivan’s evidence that although he was aware of his obligations under the agreement, they did not have any “impact on the way in which he made his wine” at a “technical” level. That may be a function simply of a circumstance that Austin Nichols understood that Mr O’Sullivan was the wine maker and was content with the oenological processes he deployed at a technical level in making wine. At [26] the primary judge also notes that the “only effect” the agreement had upon WGW, so Mr O’Sullivan thought, was that he was obliged to provide samples of the wine to Austin Nichols. So far as the 2004 Merlot wine was concerned, Mr O’Sullivan gave evidence that he had not been requested to provide any samples of it to Austin Nichols under the relevant clauses of a licence agreement.

13 The primary judge also notes that the wine produced by Mr O’Sullivan (and thus WGW) “needed only to be of the quality necessary to obtain export approval from [the AWBC]”. The primary judge placed significant emphasis upon the fact that it was Mr O’Sullivan and not the licensor “who had desired that this should be the standard required by the agreement”. Whether the selection of a reference benchmark for the agreement of the quality of the wine product *began* with Mr O’Sullivan or not is not, in my view, a significant material matter except in the respect mentioned below. The parties reached *agreement* about and adopted an objective reference benchmark for determining the quality of the wine to which the trade marks would be applied (for sale of the product in Australia). That reference benchmark so agreed might reflect a measure of quality at any one of a number of points along a quality continuum. It is not a matter for the Court to determine whether the measure adopted by the parties reflects an early or low point on the quality measure or a later or more demanding point along that continuum, unless, of course, the selection of the reference benchmark is truly a *sham* or other than *real* or *genuine* in the sense in which those terms are understood. What matters is whether a quality benchmark was selected as an expression of the necessary control and the parties truly acted upon it.

14 The relevance of Mr O’Sullivan’s evidence is this.

15 At [28] the primary judge notes the evidence of Mr O’Sullivan that he had insisted that the benchmark measure of quality to go into the agreement was one of “quality at least sufficient to obtain a continuing approval of the wine for export by the [AWBC]”. That measure was selected by him because he “didn’t know who was going to taste [the wine] at Austin Nichols” and he “didn’t know their experience”. More particularly, he “wasn’t prepared to put the

assessment of a wine that [he] had produced to someone [without] show qualifications and experience [he] knew nothing about”. So, Mr O’Sullivan wanted not just the AWBC but the AWBC’s “Export Committee” to assess the wine. Also, Mr O’Sullivan said that he did not want to be “faced with a situation where there was only one strike and you’re out” based on a discretionary judgment from someone at Austin Nichols whose wine assessment experience was unknown to Mr O’Sullivan.

16 Mr O’Sullivan gave evidence that, at that time, he knew very little about the requirements of the AWBC for obtaining continuing approval for export other than that the AWBC “conducted an exercise on all wine that was going to be exported to make sure it was of an appropriate quality”. At least one purpose of the “control provision” he had suggested was to provide him with a measure of protection against action that might be taken by Austin Nichols to prevent WGW from continuing to sell wine under the trade marks in Australia. That purpose was plainly related to the uncertainty concern about the wine assessment and standing of some unknown person in Austin Nichols who might make a judgment about the quality of the wine. Thus, an objective benchmark was selected.

17 Importantly, Mr O’Sullivan gave evidence that in 2007 when he suggested the AWBC protocol on quality, he did not know (“at all”) the approximate proportion of wines that passed the “test” for export licences at the AWBC and nor did he know (as put to him) that “over 99% of wines submitted in that period [2007] obtained the approval of the AWBC”.

18 At [30] the primary judge notes that there was “some evidence about the AWBC”. That evidence was concerned with the years ending 30 June 2010 and 30 June 2011. In the year ending 30 June 2010, the AWBC assessed 18,019 wines and only 40 failed to receive export approval. In the year ending 30 June 2011, 14,569 wines were assessed and only 43 failed to receive export approval.

19 There is no suggestion in the reasons of the primary judge that any doubt was cast upon the evidence of Mr O’Sullivan. On the contrary, his evidence seems to have been accepted. It may well be that although Mr O’Sullivan had no knowledge, in 2007, when he suggested the AWBC quality protocol, of the proportion of wines that passed the AWBC’s export committee’s 2007 assessment process, he nevertheless came to understand later that virtually all wines seemed to pass the export committee’s test. Perhaps he later came to understand in 2010 and 2011 that the quality benchmark he had selected was, objectively viewed, pitched at a low point on the assessment process continuum and that, as a question of “fact and degree”,

*actual control* of the quality of the wine by the owner of the trade marks under the protocol he had suggested in 2007 had largely become illusory.

20 To the extent that the trade mark owner had *selected*, for the purposes of the licence agreement (by agreement with WGW albeit on the suggestion of Mr O’Sullivan), an AWBC quality control assessment mechanism as the expression of the trade mark owner’s *control* for the purposes of s 8 of the *Trade Marks Act 1995* (Cth), the *degree* of control in the period 27 August 2007 to 27 August 2010 seems, in fact, to have been so entirely attenuated that the *commercial use* of the trade marks (accepted by the primary judge at [17] and [18]) on the labels on the bottles of the 2004 Merlot in the period 2007/2008, 2008/2009 and 2009/2010 did not operate to indicate a *connection*, in the course of trade, *with* the owner of the trade marks in suit.

21 Thus, I support the orders proposed by Besanko J for the reasons given by his Honour, together with these observations.

22 However, I respectfully suggest that a conclusion was not open on the evidence before the primary judge that the licence agreement was “not intended by the parties” to it to deliver “anything but the appearance of control” to the Wild Turkey interests, on the footing that that conclusion is “amply borne out” by the “fact” that the quality control clause emanated from Mr O’Sullivan’s side. That finding is not supported, in my respectful opinion, by Mr O’Sullivan’s evidence and no claim is made that the licence agreement was or is a sham. Nor, respectfully, was the AWBC quality control protocol, when adopted, “entirely theoretical”. Nor did it have “no footing in reality”, when propounded by Mr O’Sullivan and adopted for the purposes of the licence agreement according to the evidence of Mr O’Sullivan. He seemed to have a rational basis for believing that the AWBC protocol represented an objective assessment benchmark. As it turned out, it proved to be *illusory* and failed to reflect any *proper* control by the owner of the trade marks of the quality of the Australian wine product manufactured and sold by WGW in Australia using the trade marks in the period 27 August 2007 to 27 August 2010.

## **BESANKO J:**

### **Introduction**

23 This is an application for leave to appeal under s 195(2) of the *Trade Marks Act 1995* (Cth) (“the Act”) from orders made by a judge of this Court on 12 June 2015. The orders made by

the primary judge were made in an appeal from a decision of a delegate of the Registrar of Trade Marks. The delegate granted an application for removal of two trade marks for non-use under Part 9 of the Act. The two trade marks were the word marks, WILD GEESE WINES and WILD GEESE, and they were registered in respect of wine (class 33) (“the trade marks”). On the appeal to this Court by the registered owner of the trade marks who was the unsuccessful opponent to the application for removal, the primary judge held that the appeal should be allowed and he made orders that the decision of the delegate be set aside and that there be an order that the application to remove the trade marks be refused (*Skyy Spirits LLC v Lodestar Anstalt* [2015] FCA 509). In essence, the primary judge held that there had been a use of the two trade marks during the relevant period and that that use was to be taken to be a use by the registered owner.

24 In relation to the conclusion that the use of the trade marks was to be taken to be use by the registered owner, the primary judge considered that he was bound to reach that conclusion by reason of the decision of the Full Court of this Court in *Yau’s Entertainment Pty Ltd v Asia Television Ltd* [2002] FCAFC 78; (2002) 54 IPR 1 (“*Yau*”). It is clear from the primary judge’s reasons that but for the decision in *Yau* he would have held that the relevant use was not to be taken to be that of the registered owner of the trade marks and that he would have upheld the delegate’s decision. The applicant for leave submits that the primary judge misinterpreted the decision in *Yau* and that it did not compel him to reach the conclusion which he did. In the alternative if that be wrong, the applicant submits that *Yau* was wrongly decided. Because of the latter submission, the Court is constituted of five judges. The respondent has filed a draft notice of contention in which it challenges a number of findings and inferences of the primary judge which led him to conclude that, but for *Yau*, he would have upheld the delegate’s decision.

25 An order has been made that the application for leave to appeal and, if granted, the appeal, be heard together. There are ample grounds for a grant of leave applying the test set out in *Decor Corporation Pty Ltd and Another v Dart Industries Inc* (1991) 33 FCR 397. The proposed appeal raises important questions concerning the interpretation and application of the authorised use provisions in s 8 of the Act and the applicant’s application for removal of the trade marks will stand refused if leave to appeal is not granted. The trade marks are an impediment to the appellant’s outstanding applications to register the word marks, THE WILD GEESE and THE WILD GEESE SOLDIERS AND HEROES. Furthermore, it is relevant that the primary judge would have decided the case in favour of the appellant but for the decision

in *Yau* and he considered that *Yau* was wrongly decided, and that he reached a different conclusion from that of the Registrar's delegate (*Imperial Chemical Industries PLC v EI Dupont De Nemours & Co* [2002] FCAFC 264; [2002] AIPC 91-818).

26 There is a discretion in the Registrar to allow a trade mark to remain on the Register despite the fact that a ground for removal has been made out (s 101(3) and (4) of the Act). The primary judge considered the discretion even though it did not strictly arise in view of his conclusion that a ground for removal had not been made out. He said that had he been required to exercise the discretion he would not have done so to allow the trade marks to remain on the Register. There is no challenge to that conclusion by the respondent in its notice of contention.

### **The Facts and the Relevant Legislative Provisions**

27 The primary judge described the applicant for removal (the present appellant) as the "Irish Whiskey interests" and the opponent (the present respondent) as the "Wild Turkey interests". I will adopt the same description of the two groups. The Wild Turkey interests who own the trade marks, produce and sell Wild Turkey Bourbon and they own the Wild Turkey trade mark. The Irish Whiskey interests produce and sell Wild Geese Rare Irish Whiskey. The primary judge said that disputes between these two groups have occurred at an international level over a period of nearly 15 years. It is to be noted that various entities within each of the two groups have held the relevant rights at different points in time, but the chain of title is not in dispute and, therefore, it is not necessary for me to trace the changes of company name and assignments. It is sufficient for me to say that, although the relevant company representing the Wild Turkey interests is now Skyy Spirits LLC, in 2007, when some of the important agreements were signed, the relevant company representing the Wild Turkey interests was Austin Nichols & Co Inc ("Austin Nichols").

28 On 21 June 2000, the Irish Whiskey interests registered the work mark WILD GEESE as a registered trade mark in classes 32 and 33. At about the same time, Mr Patrick O'Sullivan, through a company called Wild Geese Wines Pty Ltd ("WGW"), began operating a small vineyard in South Australia selling merlot and pinot noir under the name "Wild Geese Wines". Mr O'Sullivan is a South Australian Queen's Counsel.

29 For reasons identified by the primary judge and which it is not necessary for me to relate, Mr O'Sullivan sought to register as trade marks the word marks WILD GEESE and WILD GEESE WINES. He sought to do that through his company on 26 July 2005, but he faced the obstacle of the registered trade mark of WILD GEESE owned by the Irish Whiskey interests.

It appeared to Mr O’Sullivan that the Irish Whiskey interests had never sold any of their whiskey in Australia and that they had never used the trade mark WILD GEESE in Australia. In those circumstances, he filed an application under Part 9 of the Act for the removal of the Irish Whiskey interests’ WILD GEESE trade mark.

30 As it happened, the Wild Turkey interests had also filed an application under Part 9 of the Act for the removal of the same trade mark, and when Mr O’Sullivan realised this he contacted the Wild Turkey interests. Initially, the latter’s response to Mr O’Sullivan’s approach was negative and the Wild Turkey interests accused Mr O’Sullivan of infringing their Wild Turkey trade mark by selling his wines under the mark, WILD GEESE WINES. Ultimately, however, an agreement was reached between Mr O’Sullivan’s company and the Wild Turkey interests.

31 On 1 June 2007, Austin Nichols and Mr O’Sullivan’s company, WGW, executed a Settlement Agreement, a Trade Mark Assignment Agreement and a Licence Agreement. Under the agreements, Mr O’Sullivan’s company, WGW, agreed to transfer to the Wild Turkey interests whatever the company’s interest was in the trade marks, and the Wild Turkey interests agreed to licence the trade marks back to WGW in perpetuity for a one-off fee of \$1. WGW also agreed to assign to the Wild Turkey interests its application to remove the WILD GEESE trade mark in the name of the Irish Whiskey interests. Further details of the Licence Agreement are set out later in these reasons.

32 The Wild Turkey interests then secured the removal of the Irish Whiskey interests’ WILD GEESE trade mark and they secured the registration of the trade marks.

33 In 2007, the Irish Whiskey interests began selling their whiskey in Australia and they wished to use the WILD GEESE marks on their product. On 27 September 2010, they brought an application for an order to remove the trade marks from the Register on the ground of non-use.

34 The relevant period for the purpose of s 92(4)(b) of the Act is 27 August 2007 to 27 August 2010 (the relevant period). It is convenient at this point to set out s 92(4)(b) of the Act:

**92 Application for removal of trade mark from Register etc.**

...

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

...

(b) that the trade mark has remained registered for a continuous



period of 3 years ending one month before the day on which the non-use application is filed, and, at no time during that period, the person who was then the registered owner:

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

in relation to the goods and/or services to which the application relates.

...

35 The Act puts the onus on the opponent (in this case the registered owner of the marks) to rebut an allegation of non-use during the relevant period (s 101(1)(c) of the Act).

36 The Wild Turkey interests sell their bourbon in Australia, but they do not sell it or any other alcoholic beverage under the name WILD GEESE. The only person using that name in Australia in relation to alcoholic beverages is Mr O'Sullivan's company, WGW, and the company uses the name in relation to the merlot and pinot noir wine it produces.

37 The evidence before the primary judge clearly established that the Wild Turkey interests had not directly used the trade marks during the relevant period. Nevertheless, they opposed the application for the removal of the trade marks on the ground that the use by Mr O'Sullivan's company, WGW, under the Licence Agreement was an authorised use within s 8 of the Act and, therefore, taken to be a use by the Wild Turkey interests by reason of s 7(3) of the Act. Those sections are in the following terms:

**7 Use of trade mark**

...

- (3) An authorised use of a trade mark by a person (see section 8) is taken, for the purposes of this Act, to be a use of the trade mark by the owner of the trade mark.

...

**8 Definition of *authorised user* and *authorised use***

- (1) A person is an *authorised user* of a trade mark if the person uses the trade mark in relation to goods or services under the control of the owner of the trade mark.
- (2) The use of a trade mark by an authorised user of the trade mark is an *authorised use* of the trade mark to the extent only that the user uses the trade mark under the control of the owner of the trade mark.
- (3) If the owner of a trade mark exercises quality control over goods or services:
  - (a) dealt with or provided in the course of trade by another person;

and

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

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

(4) If:

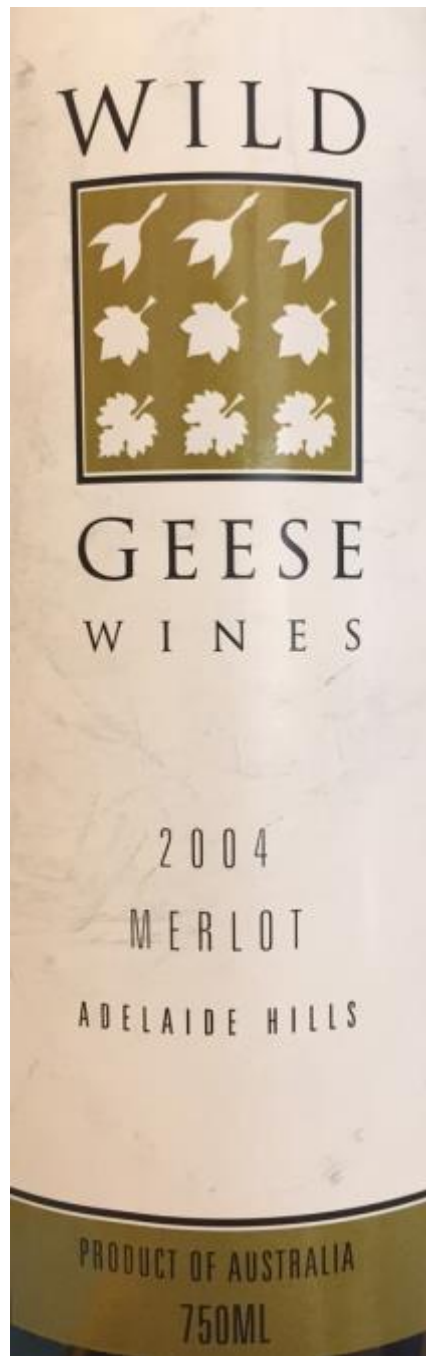
(a) a person deals with or provides, in the course of trade, goods or services in relation to which a trade mark is used; and

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

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

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

38 The first issue addressed by the primary judge was whether the trade marks had been used during the relevant period and the facts relevant to that issue were as follows. Mr O'Sullivan said that WGW had used the trade marks continuously since 2001 to sell wine by applying them to labels which were then affixed to bottles containing its wine. In 2001, 2002, 2003 and 2004 the company produced a merlot which was sold in bottles bearing both marks. The label on the bottle of the 2004 Merlot was as follows:



- 39 In 2005, Mr O’Sullivan stopped *bottling* new wine for reasons which the primary judge identified and it is not necessary for me to relate, and he did not resume bottling wine until 2010 when he commenced bottling a pinot noir. Mr O’Sullivan’s company, WGW, did *sell* the 2004 Merlot between 2005 and 2009.
- 40 The primary judge described the sales of the 2004 Merlot as modest; “a few cases here, a few cases there” (at [16]). The sales of the pinot noir bottled in 2010 were not effected until the end of 2011 which is outside the relevant period.

41 The primary judge said (at [17]):

This case then is really about the 2004 Merlot. It is appropriate, therefore, to tell a little more of its story. It was produced at Oakbank, near Balhannah in the Adelaide Hills. Only about 375 cases were bottled. In addition to the label set out above, the cardboard cartons in which the 2004 Merlot was packaged also bore the trade marks. In 2008, Mr O’Sullivan entered the 2004 Merlot at the Cowra Wine Show and the Adelaide Hills Wine Show at both of which it was awarded a bronze medal. Most of the sales which occurred were to private individuals but there do appear to have been some commercial sales, most notably to the Crayfish Hotel which bought seven cases but also to some other restaurants in Adelaide. As might naturally be expected in the case of such a modest vintage, the trading sales were small as the financial records of Wild Geese Wines attest:

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

42 Although the primary judge found that the sales had been modest, he was satisfied that Mr O’Sullivan’s company, WGW, had used the trade marks to sell the 2004 Merlot during the relevant period. I did not understand either party on the appeal to challenge that conclusion.

43 By the time the Licence Agreement was entered into on 1 July 2007, the grapes for the 2004 Merlot had been grown and harvested and the wine had been produced, barrel-aged and bottled. The trade marks had been applied to the bottles and the wine had been put into the market, offered for sale and some of the wine had been sold.

44 The second issue addressed by the primary judge was whether the use of the trade marks by WGW was an authorised use within s 8 of the Act and the facts relevant to that issue were as follows.

45 It is necessary to start with the provisions of the Licence Agreement. The licence to use the trade marks defined the “Products” to mean Australian wine, and the “Territory” to mean Australia. The licence was granted in the following terms:

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

46 WGW could not use the trade marks outside Australia without the agreement of Austin Nichols and that had implications for what it could do in relation to any export trade.

47 The licence, being both perpetual and exclusive, meant, as the primary judge observed, that it operated forever to prevent the licensor and its successors in title from using the marks in Australia.

48 The licence contained various sub-clauses dealing with quality control, and the primary judge described the effect of these clauses in the following way (at [23]).

Clause 3 then required Mr O’Sullivan’s company to observe certain quality control measures. These were that the wine would be of sufficient quality to obtain continuing export approval from the Australian Wine and Brandy Corporation (‘AWBC’) and that, if requested, Wild Geese Wines would provide Austin Nichols with three bottles of the wine in any 12 month period (cl 3.1); following the provision of the first three bottles, if Austin Nichols requested it then Wild Geese Wines would provide another four bottles to the Australian Wine Research Institute for analysis and further submission of the wine to the AWBC (cl 3.2); finally, if the AWBC did not give its continuing approval, the wine was to be withdrawn and not marketed under the marks (cl 3.3). If the licence agreement was breached in a material way Austin Nichols was entitled to terminate it which would deprive Wild Geese Wines of the right further to use the trade marks (cl 10.1).

49 The primary judge made findings about how the quality control measures operated in practice. He found that Mr O’Sullivan was aware of his obligations under the Licence Agreement, but that they did not impact on the way he made his wine at a technical level. Mr O’Sullivan said that the only effect the Licence Agreement had on WGW was that he was obliged to provide samples of wine. In relation to the 2004 Merlot, Mr O’Sullivan was never requested to provide samples of it. On 4 April 2011, which is after the relevant period, the Wild Turkey interests asked for samples of the wine WGW was then bottling which was either the 2009 or 2010 vintage. Three bottles were subsequently provided and, on 21 October 2011, the Wild Turkey interests wrote to Mr O’Sullivan saying that they had received the bottles and they went on to say:

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

50 There was evidence before the primary judge from the Wild Turkey interests that, although it was active in marketing the various brands in its stable, such as Wild Turkey, it had never marketed or distributed Wild Geese wines. The only revenue it had received in relation to Wild Geese wines was the consideration of \$1 paid under the Licence Agreement.

51 The primary judge addressed the negotiations which led to the quality control standard in clause 3.1 of the Licence Agreement and he found that it was Mr O’Sullivan who advanced the quality control criterion in cl 3.1. He also found that the testing processes of the Australian Wine and Brandy Corporation had a very low failure rate. In the year ending 30 June 2010, only 40 wines out of 18,019 wines tested ultimately failed to receive export approval, and the figure in the following year was 43 wines out of 14,569 wines tested.

52 The primary judge addressed other provisions in the Licence Agreement. He said that WGW was not permitted to amend or abbreviate the trade marks (cll 5.3 and 5.6) or use them in a scandalous fashion (cl 5.4). They could not be used on anything but Australian wines (cl 5.2).

53 Clause 7.2 of the Licence Agreement provided as follows:

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

54 The Licence Agreement required that Mr O'Sullivan's company was to maintain standard liability insurance in respect of its wine and to name Austin Nichols as an additional insured on the policy (cl 8.3). Finally, the Licence Agreement provided that if WGW breached the agreement in any material way, Austin Nichols was entitled to terminate it (cl 10.1) and that would deprive WGW of the right of any further use of the trade marks.

### **The Primary Judge's Reasons**

55 It is important to note his Honour's characterisation of the facts in relation to the issue of *control* under s 8 of the Act. His Honour found that, subject to an exception in relation to export trade which never arose, the Wild Turkey interests exercised no actual control over the way WGW used the trade marks in relation to the 2004 Merlot, nor actual quality control over the 2004 Merlot itself. His Honour further found that the Licence Agreement was not intended by the parties to deliver anything but the appearance of control to the Wild Turkey interests and that that was amply borne out by the fact that the quality control clause "emanated from Mr O'Sullivan's side" (at [31]). His Honour said that there was not a "jot of evidence" of the Wild Turkey interests being in the least interested in what Mr O'Sullivan was bottling or in any way supervising what was being done under the marks. The primary judge contrasted the case before him of a total lack of control or interest in the marks "beyond the most formalistic recognition of the Licence Agreement" with a case where the absence of evidence of interest and supervision by the trade mark owner supported a conclusion of instinctive and complete obedience by the licensee of the trade marks to the trade mark owner such that instruction was not necessary (at [31]).

56 The primary judge referred to the regime under the *Trade Marks Act 1955* (Cth) ("the 1955 Act") which dealt with the validity of a trade mark where the registered owner of the trade mark licensed the trade mark to another person. He referred to the leading case on that regime

of *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 (“*Pioneer*”) and he set out the often-cited passage in the reasons of Aickin J as follows (at 683):

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

57 The primary judge then referred to Australian authorities which have considered whether the regime under the Act differed from the regime under the 1955 Act. I will discuss these authorities later in these reasons. His Honour said that under the 1955 Act a trade mark could be licensed to another person as long as it did not result in the public being misled, and as long as the trade mark continued to conform with the statutory definition of a trade mark. This meant that the trade mark must indicate a connection between the goods and the registered owner. The 1955 Act used the language of a connection in the course of trade, rather than the language of control. His Honour said that control was a judicial exegesis of the concept of a connection in the course of trade.

58 His Honour said that the concept of a connection in the course of trade had been removed from the Act and that the authorised use provisions introduced the concept of control as an express element in the definition of authorised use.

59 His Honour then set out three important conclusions which he said he had reached. First, he said that unassisted by authority, the word “control” in s 8(1) and “exercises quality control” in s 8(3) are not ambiguous and require control in fact. Secondly, he said that it was permissible to consider the way in which the 1955 Act had been construed in order to determine the proper construction of s 8 of the Act. Thirdly, he said that under the 1955 Act theoretical control was not sufficient and actual control needed to be shown.

60 His Honour concluded this part of his analysis by saying (at [49]):

Applying ordinary principles of statutory construction, therefore, I would conclude that ‘control’ in ss 8(1) and (3) involves an inquiry into an actual state of affairs and is not satisfied by the mere possibility of legal control. This is what the word ‘control’ ordinarily means and this is how the issue had been approached under the previous statute.

61 However, his Honour said that the decision in *Yau* required him to take a different approach. His Honour considered that *Yau* was authority for the proposition that for the purpose of s 8(1)

of the Act “a mere theoretical possibility of contractual control was sufficient to constitute authorised use” (at [55]). Although he considered that *Yau* was wrongly decided, his Honour said that he was bound to follow the decision and hold that because the Wild Turkey interests had theoretical control in the sense that they could prevent WGW from using the trade marks on truly undrinkable wine that was sufficient for the purposes of s 8(1). Although *Yau* did not consider s 8(3) and it was not necessary for the primary judge to consider it, his Honour thought that *Yau* implied that the Wild Turkey interests would also succeed under s 8(3) of the Act.

62 As I have said, the primary judge concluded his reasons by saying that had he reached a contrary conclusion he would not have exercised the discretion in s 101(3) of the Act to refrain from making an order for the removal of the trade marks.

### **Issues on the Appeal**

63 Section 8(1) of the Act defines a person who is an authorised user of a trade mark and the key concept in the subsection is that the trade mark is used in relation to goods or services *under the control of* the owner of the trade mark. Section 8(2) makes it clear that an authorised use only applies to the extent that the trade mark is used under the control of the owner of the trade mark. By reason of s 7(3) an authorised use is taken to be a use of the trade mark by the owner of the trade mark. Subsections 8(3) and (4) provide for two cases where the use of a trade mark is taken to be use under the control of the owner of the trade mark: the owner of the trade mark exercises quality control over the relevant goods or services or the owner exercises financial control over the other person’s relevant trading activities. Section 8(5) makes it clear that the meaning of the expression *under the control of* is not limited to the two cases identified in s 8(3) and (4) of the Act.

64 The concepts of *authorised user* and *authorised use* are relevant not only to Part 9 applications for removal of trade marks for non-use. Section 26 of the Act sets out the powers and rights of authorised users of registered trade marks. Part 12 of the Act which deals with the infringement of trade marks and Part 13 which deals with the importation of goods infringing Australian trade marks both include reference to authorised users of trade marks.

65 Section 17 of the Act defines a trade mark in the following terms:

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.



66 It is necessary to examine the position under the 1955 Act and the circumstances leading to the enactment of the authorised use provisions in s 8 of the Act.

67 The 1955 Act contained provisions dealing with registered users, that is to say, persons who used a trade mark with the permission of the registered owner or under a licence granted by the registered owner. The 1955 Act did not refer to an authorised user. Part IX of the Act dealt with registered users and provided that they could be registered under the Act. An application was required and the information to be provided to the Registrar included particulars of the degree of control by the registered proprietor over the permitted use (s 74(2)(a)). Section 74(4) provided that the Registrar shall not register a person as a registered user of a trade mark if it appeared to him that “the registration would tend to facilitate trafficking in the trade mark”. The effect of the registration of a registered use was addressed in ss 77 (effect of permitted use) and 78 (infringement proceedings). The 1955 Act contained a definition of “trade mark” which was relevantly:

“trade mark” means:

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

...

68 The leading authorities on the 1955 Act made it clear that use by a licensee, whether registered as a user or not, may protect a trade mark from attack on the ground of non-use. In other words, registration as a user was not essential to preserve the mark (*Pioneer* at 683 per Aickin J; *Polo Textile Industries Pty Ltd v Domestic Textile Corporation Pty Ltd* (1993) 42 FCR 227 at 238-239 per Burchett J).

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.

70 The leading English case on the prohibition on registration as a registered user where the granting of the application would tend to facilitate trafficking in the trade mark is *Holly Hobbie Trade Mark* [1984] RPC 329 (“*Holly Hobbie Trade Mark*”) which is a case concerned with character merchandising. Although the prohibition is no longer part of English trade mark legislation (*Trade Marks Act 1994* (UK)) and it is not in the *Trade Marks Act 1995* (Cth), Lord Brightman, who delivered the leading speech in the House of Lords, made some observations about the control necessary to establish the required connection. His Lordship acknowledged by reference to the authorities that quality control by the licensor may be sufficient to establish the necessary connection in the course of trade between the licensor and the goods. His Lordship went on to say (at 356):

Such decisions are confined to their own factual circumstances, and I can discern no general rule that the mere ability to control quality is always to be sufficient to establish the required connection. In fact, the quality control exercisable in the cases before us, so far as we have seen examples of the licence agreements, is slight. In the Oneida case it is confined to a right to inspect and to approve if the appellants so wish. In the General Mills (Chad Valley) case, the licensee must submit samples for written approval prior to use or sale.

These observations by Lord Brightman suggest that the mere ability or power to exercise quality control is not sufficient or, at least, that there is no general rule that it is sufficient.

71 Whitford J took a similar approach in *McGregor Trade Mark* [1979] RPC 36 (“*McGregor Trade Mark*”). His Lordship discussed the question of control in the context of the registered user provisions in the English Act and suggested that the control required was actual control and not simply the power to control. In a passage which, although lengthy is, with respect, instructive, his Lordship said (at 52-53):

There is no dispute that at all relevant times under the terms of the registered user agreements the registered proprietors had the right and were permitted or should have been permitted to take samples of or to inspect the goods and the methods of manufacturing them though they never did any such thing. The contention of the applicants that there never were any directions given by the registered proprietors as to the materials and methods of manufacture was not challenged. If this be the case, prima facie, in my view the conclusion must be that there never was any use complying with the conditions and restrictions on the register; and accordingly there was no permitted use.

...

Registered trade marks, as is the case with trade marks at common law, serve to protect what may be a very valuable goodwill built up by some commercial enterprise. They also, however, serve as an indication to the public of the origin of the goods. If one buys a dressing gown bearing the trade mark “McGregor”, one may never know and may not even be concerned to enquire who in fact made the dressing gown in question; but if one buys a dressing gown and finds it satisfactory one would feel, if one were buying another dressing gown bearing the same brand name at a later stage, that one could reasonably expect it to be of a similar quality to the first dressing gown. In the same way, it is customary for people to make recommendations to their friends by reference to brand names for goods; and, upon a recommendation being made, the purchase is carried out in the confidence that the article purchased will be of a similar quality to that sold to the friend making the original recommendation.

It is for this reason that a bare licence under a trade mark has never been countenanced. A registered usership is accepted because in one way or another, by reason of financial control or express provisions in an agreement, a registered user is going to be subject to the control of the registered proprietor so far as the quality of the article made by the registered user is concerned. In this way, even if two persons are using a mark—the registered proprietor and the registered user—there is only one source controlling the question of quality; and if a member of the public were interested to find out who bore the ultimate responsibility for the quality of the goods, he or she would be able to do so by inspecting the relevant entries on the register.

In this case it is quite plain to me that the public have been misled since 1966. The mark “McGregor” has never been used by any registered proprietor at any relevant time. No registered proprietor has ever exercised any control over the activities of the registered user; and it appears to me that it was never intended that any such control should be exercised; but nonetheless the mark was maintained on the register and the present applicants, together with the registered proprietors, were prepared to present this mark as a registered mark being used by the applicants and their associates subject to the conditions of the registered user agreement. These are facts which, in consideration of the public interest, I must take into consideration.

Although the immediate context of his Lordship’s comments was compliance with conditions of a registered user agreement, I think that they have a broader relevance. Use of a trade mark under a bare licence between the owner of the trade mark and the user was not sufficient to establish the necessary connection between the owner and the goods. Some form of control by the owner had to be established. The mere ability or power to control was probably insufficient.

72 I turn now to the extrinsic material which assists in the construction of the authorised use provisions in s 8 of the Act.

73 For present purposes, the key points in the Second Reading Speech for the Act are as follows. First, the Act was designed to implement Australia’s obligations under the World Trade Organisation Agreement. Secondly, the Minister explained the reason the Act did not include registered user provisions. He said:

Secondly, the bill does not include provisions relating to registration of the use of a trade mark by a person other than the trade mark owner. The bill provides that where owners of trade marks exercise control over use of their trade marks by other persons, that use can be taken to be use by the owner. This is prescribed by the WTO Agreement and can be used by trade mark owners to defend an action to deregister their trade mark on the basis that they have not used it. The WTO Agreement does not require use under the control of the owner of the trade mark to be registered. Consequently, there is little benefit in retaining additional provisions for the registration of users. This change will simplify the new trade marks legislation significantly. Recent developments in Canada and the UK are consistent with this approach.

74 Thirdly, the Minister said that the “main thrust” of the bill was to implement the government’s response to the July 1992 report, “Recommended Changes to the Australian Trade Marks Legislation” as modified by the consultation process which had been undertaken.

75 As to the World Trade Organisation Agreement, article 19(2) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) provides:

When subject to the control of its owner, use of a trade mark by another person shall be recognised as use of a trade mark for the purpose of maintaining the registration.

76 As to the report referred to by the Minister, the report was prepared by a Working Party established to review the Trade Marks Legislation. The Working Party noted the then draft TRIPS Agreement (p 1). The Working Party addressed the licensing of trade marks and in the course of doing so said (at pp 78-80):

*It is now accepted that a registered trade mark may be validly licensed provided the registered proprietor maintains a sufficient connection in the course of trade with the goods or services of the licensee and the use of the mark does not become otherwise deceptive or confusing. The Working Party believes this should remain the law.*

Nevertheless, as indicated in the Discussion Paper (chapter 4.1-4.1.7), the key issues here are the need to simplify provisions and procedures which have become too cumbersome and expensive to maintain, and at the same time provide a system which reflects modern licensing principles, including those in relation to character merchandising, and makes relevant information about the use of a trade mark readily available to interested members of the public.

The Industrial Property Advisory Committee (IPAC) concluded, in 1988, that character merchandising had increased to the point where it had become a significant marketing tool, and recommended that the Act should be amended to permit protection of character merchandising, but without changing the fundamental notions of trade mark usage and protection. *It recommended that, to meet this objective, the express prohibition of registration of users tending to facilitate trafficking in trade marks (subsection 74(4)) be removed from the legislation, and that provision be made whereby “the exercise of quality control in accordance with a registered user agreement is, for the purposes of the Act, a sufficient “connexion in the course of trade”.”*

The UK Registry has reached similar conclusions with respect to their legislation, and proposes to simplify the recordal process and to repeal the provisions relating to trafficking.

NZ is proposing to recognise all use by licensees, whether registered or not and to abolish the anti-trafficking provisions in relation to registered users.

The TRIPS Agreement requires that, when subject to the control of the proprietor of the mark, use of a trade mark by another person shall be recognised as use of the trade mark for the purpose of maintaining the registration, with no requirement that such controlled use be the subject of a Register entry as registered use.

Comments received following the release of the Discussion Paper were in accord with the proposals for a simplified recordal only system, the definitions of registered user and authorised user, and the proposal that recordal of a user not be mandatory. Comments received almost unanimously supported the repeal of the trafficking provisions in the Act. While there were no adverse comments relating to the repeal of the retrospectivity provisions of subsection 77(2), one submission focused unfavourably on the right of a registered user to assign or transfer the right to use the mark, and questioned the need to retain any distinction between registered users and authorised users.

(Emphasis added; footnotes omitted).

77 Of course, one should be careful not to read too much into this passage. Nevertheless, the Working Party seem to recognise retention of the basic concept by then well-established in the Australian and English cases of a sufficient connection in the course of trade between the owner of the trade mark and the goods or services of the licensee. The Working Party express the view that the exercise of quality control should be taken to be a sufficient connection.

78 Leaving aside *Yau* which I will come to, there are three Australian cases which have considered the authorised use provisions of the Act, although not in a way which provides an authoritative statement for the resolution of this case.

79 In *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 the High Court considered the provisions of s 8(1) and (3) of the Act. The Court held that there had been authorised use by way of the exercise of quality control over the wine sold under the registered trade mark. The question was whether the evidence established that proposition rather than the proper construction of s 8(1) and (3) of the Act (at 166-167 [55]-[59] per French CJ, Gummow, Crennan and Bell JJ; at 172-174 [74]-[86] per Heydon J). While addressing this case, it is to be noted that the plurality specifically approved (at 163 [43]) the following statement of the Full Court of this Court in *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at 115 [19] per Black CJ, Sundberg and Finkelstein JJ:

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

(See also *Health World Ltd v Shin-Sun Australia Pty Ltd* (2010) 240 CLR 590 at 597 [22]).

80 In *Toddler Kindy Gymparoo Pty Ltd and Others v Gymporee Pty Ltd and Another* (2000) 100 FCR 166 Moore J addressed the definition of authorised user in s 8 and said (at 198 [111]):

In my opinion, this definition does not attempt to travel, for present purposes, beyond the bounds of what emerged from English and Australian authorities concerning the effect of licensing surveyed by Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 ...

81 In *CA Henschke & Co and Others v Rosemount Estates Pty Ltd* (2000) 52 IPR 42 (“*Henschke*”) the issue was whether the use of a trade mark by a partnership was use under the control of executors under a will. The executors were the owners of the trade mark. The primary judge concluded that in the particular circumstances it was, but in any event he went on to say that he would exercise his discretion under s 101(3) of the Act in favour of not ordering the removal

of the trade mark. The Full Court said that there was no basis upon which to interfere with the primary judge's exercise of the discretion. The Full Court's observations on the authorised use provisions in the Act were obiter dicta.

82 The Court started its analysis by noting that there was a revocable authority between the executors and the partnership as to the trade mark. The Court said that "it would perhaps be a bold argument" to suggest that a mere revocable authority was sufficient to ensure that the licensor had "control" for the purpose of s 8 (at 72 [69]).

83 The Full Court said of the authorised use provisions in the Act (at 72-73 [70]):

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

84 It is interesting to note that the Full Court in this passage suggest that the regime in s 8 of the Act represents a significant departure from the prior law and questioned whether s 8 has an operation substantially as wide as the prior law. Although the Full Court's observations were tentative, it is perhaps of some significance that the Full Court saw the question as being whether the provisions of s 8 were as wide as the prior law.

85 I turn now to consider the appellant's submission that the primary judge erred in concluding that *Yau* was authority for the proposition that a mere theoretical possibility of contractual control was sufficient to constitute an authorised use for the purposes of s 8 of the Act.

86 Gyles J sitting at first instance, delivered two decisions in the dispute between Asia Television Ltd and its marketing arm, ATV Enterprises Ltd, (together "ATV") and Yau's Entertainment Pty Ltd ("Yau's Entertainment") and other parties. ATV licensed certain entertainment

programs for reproduction and distribution by Yau's Entertainment in Australia and New Zealand as video cassettes. In the first *Yau* decision, the issue was the validity of a written notice of termination of the agreement given by ATV. That issue was heard first because it required urgent resolution. Gyles J held that the written licence had been validly terminated (*Asia Television Ltd and Another v Yau's Entertainment Pty Ltd* [2000] FCA 254; (2000) 48 IPR 283). In the second *Yau* decision, (*Asia Television Ltd and Anor v Yau's Entertainment Pty Ltd (No 2)* [2000] FCA 838; (2000) 49 IPR 264) Gyles J dealt with ATV's claim that Yau's Entertainment had infringed its trade marks and the latter's cross-claim that the trade marks should be revoked for non-use pursuant to s 92(4)(b) of the Act, and that included a consideration of whether Yau's Entertainment had acted in breach of its licence. Yau's Entertainment relied on its own breach of the licence to negate authorised use within s 8 of the Act. That means, at one level, *Yau* is a very different case from the present case where the application for removal is made by a competitor, not the licensee. Gyles J rejected the argument advanced by Yau's Entertainment.

87 For reasons which will become clear, it is important to note the facts concerning the licence between ATV and Yau's Entertainment. ATV supplied the master tapes which bore the ATV logo and which Gyles J said (as to the logo) was the equivalent of ATV's trade marks, for copying and sale with the logo in Australia by Yau's Entertainment or its licensees. ATV also provided advertising and promotional material to Yau's Entertainment for use by it in relation to the sale of video tapes in Australia. The Full Court provided further detail as to the relationship between ATV and Yau's Entertainment. Hely J (with whom Sundberg and Finkelstein JJ agreed) said (at 2 [6]-[7]):

The primary judge did not make any specific finding as to the way in which videos or promotional materials were made available by Yau's to its sub-distributors. However, it appears to have been common ground that ATV or ATVE supplied Yau's with master tapes of the programs the subject of the licence arrangements. Yau's copied those tapes onto videograms which it supplied to its sub-licensees. The sub-licensees made copies of the videograms for home video rental purposes. The copies were hired to customers of the sub-licensees for private domestic viewing.

Again, although not the subject of a specific finding, it appears to have been common ground that along with the master tape of programs the subject of the licence arrangements, ATV or ATVE supplied Yau's with colour labels, spines, posters and other promotional items bearing the ATV logo and the relevant programme title. There was evidence from Mr Ng, the marketing manager of ATVE:

If the number of tapes copied from the master tape for rental exceeds the number of spines provided by [ATV, ATVE], the sub-licensee would print copies of the spines with the ATV logo or use labels with store logo or labels without any logo on it.



88 Gyles J was disposed to think that there had been a use in Australia of the trade marks by *ATV* following *Estex Clothing Manufacturers Pty Ltd v Ellis & Goldstein Ltd* (1967) 116 CLR 254 and expressing the opinion that the step of the local party reproducing the tape was not a critical distinction. Gyles J said, however, that there was a more fundamental reason for rejecting the non-use application. His Honour described that reason in the second *Yau* decision in the following terms (at 268 [10]):

... For many years, the logo has been used extensively in relation to goods offered to the public by Yau's Entertainment and its licensees, pursuant to the successive licence agreements which were analysed in the first judgment. In my opinion, Yau's Entertainment was an authorised user of the mark, as it used the mark in relation to the video tapes under the control of the owner of the trade mark within the meaning of s 8(1). Yau's Entertainment would not have had access to the master tapes except under cover of the licences, and would have had no authority to reproduce video tapes including the logo were it not for the licences. In my opinion, this is the very type of control envisaged by the section. The relief which is being sought in this case is a practical illustration of that control.

89 Yau's Entertainment submitted that his Honour's findings in the first *Yau* decision that it had used the *ATV* name, logo and reputation without *ATV*'s permission meant that *ATV* did not control the use by Yau's Entertainment of its trade marks and that *ATV* "was not exercising the actual control of the kind which was envisaged by the section" (at 268 [11]). His Honour rejected the submission saying that this kind of control was not envisaged by the section. He referred to the well-known passage in the reasons of Aickin J in *Pioneer* and said that the concept had been carried into the 1995 Act by the definition of trade mark in s 17. In applying the concept of sufficient connection, his Honour said that the reputation of *ATV* and its programs was significant among the Australian Chinese population and use of the mark *ATV* was calculated to identify the goods with the proprietor of the mark, even though distributed by Yau's Entertainment and its licensees.

90 Yau's Entertainment appealed against both decisions. As to the non-use application, the Full Court interpreted Gyles J's decision at first instance as being based on two alternative grounds. First, Hely J said that Gyles J had held that there had been use of the trade mark in Australia by *ATV* and he upheld that conclusion. Secondly, Hely J referred to Gyles J's conclusion that there had been an authorised use of the trade mark by Yau's Entertainment. After referring to the observations of Aickin J in *Pioneer* and, in particular, that the connection between the use of the mark in the course of trade and the registered proprietor may be slight, Hely J said, in rejecting the appeal as to the non-use application, that the entitlement to use the marks was referable to the licensing arrangement, one of the terms of which was that title selections were

subject to ATV's approval and that that provided a sufficient connection (at 16 [80]). The title selections related to the programs supplied under the licence agreement.

91 It is possible to interpret some of Gyles J's observations as supporting the proposition that a mere contractual power is sufficient to establish control, but the focus must be on the decision of the Full Court. It is necessary to identify the ratio decidendi of the Full Court's decision.

92 In *Quinn v Leatham* [1901] AC 495 at 506, Lord Halsbury LC said:

[E]very judgment must be read as applicable to the particular facts proved or assumed to be proved, since the generality of the expressions which may be found there are not intended to be expositions of the whole law, but governed and qualified by the particular facts of the case in which such expressions are to be found.

93 This observation of Lord Halsbury was referred to with approval in *Burns Philp and Company Limited v Gillespie Brothers Proprietary Limited* (1947) 74 CLR 148 at 179 per Rich J. I would only add, respectfully, that the particular facts referred to in this passage are the particular material facts identified by the Court whose decision is being considered.

94 The Full Court in *Yau* did not analyse in detail the issue of the control necessary to satisfy s 8 of the Act. The Court did not say in express terms that a mere theoretical possibility of contractual control was sufficient to satisfy s 8 of the Act. In my opinion, a particular material fact in *Yau* was the fact that ATV provided the programs on master tapes from which copies were made and then used by Yau's Entertainment. That was undoubtedly a high degree of control over the goods to which the trade mark was applied and used by Yau's Entertainment. That was control for the purposes of s 8 of the Act. To the extent that the Full Court said that a contractual power of title selection was without more authorised use for the purpose of s 8, I think that was obiter dictum. The respondent submitted that the Full Court's decision in *Yau* could not be explained by the fact that ATV supplied master tapes to Yau's Entertainment. It submitted that in the relevant passages in the Full Court's reasons (at 16 [75]-[81]) the Court was addressing two matters, namely, use of the trade mark by Yau's Entertainment falling within the Licence Agreement, and use of the trade mark by Yau's Entertainment falling outside the Licence Agreement. The latter category involved use of the trade mark on non ATV programs and on ATV programs which were not supplied by ATV. The respondent submitted that Hely J's observations were made in the context of the latter use not the former use. It followed from that, so the argument went, that the Full Court's observation could not be explained by reference to the supply of master tapes by ATV. I reject this submission. To my mind, the two situations addressed by Hely J at 16 [75]-[81] are use by ATV in Australia

as a matter of fact and authorised use in Australia by Yau’s Entertainment. Furthermore, it seems clear from the decision of Gyles J in the first *Yau* decision that there was use by Yau’s Entertainment within the Licence Agreement during the relevant period. I respectfully disagree with the primary judge that the Full Court’s decision in *Yau* was such as to bind him to uphold the respondent’s case that the use by WGW was an authorised use within s 8 of the Act.

95 The meaning of “under the control of” in s 8 is informed by the principle stated by Aickin J in *Pioneer*, that is to say, that the trade mark must indicate a connection in the course of trade with the registered owner. The connection may be slight, such as selection or quality control or control of the user in the sense in which a parent company controls a subsidiary. It is the connection which may be slight. Aickin J was not saying the selection or quality control or financial control which may be slight. I think the principle stated by Aickin J informs the meaning of “under the control of” for the following reasons. First, the attribute of control by the registered owner was a key feature of the principle stated by Aickin J as his Honour’s remarks make clear. The same may be said of the approach taken in England as the English cases to which I have referred mark clear. Furthermore, two of the examples given by Aickin J in *Pioneer* of a sufficient connection, namely, quality control and financial control are embodied in s 8 (subs (3) and subs (4)). This suggests to me that Parliament did not intend to effect a major change in the law in enacting s 8 in the Act. This conclusion is supported by the report of the Working Party. The Working Party expressed the view that a sufficient connection in the course of trade between the registered owner and the goods or services of the licensee should remain the law. Finally, I am fortified in reaching this conclusion by the fact that both Gyles J at first instance and the Full Court in *Yau* took a similar approach.

96 “Control” is defined in the *Macquarie Dictionary* (6<sup>th</sup> ed, Macquarie, 2013) to mean the following:

- |           |    |   |
|-----------|----|---|
| <i>vt</i> | 1. | to exercise restraint or direction over; dominate; command.         |
|           | 2. | to hold in check; curb  |
| <i>n</i>  | 4. | the act or power of controlling; regulation; domination or command. |

97 I think control in s 8 means actual control in relation to the use of the trade mark and it means actual control in relation to the trade mark from time to time. I think (as the primary judge did) that that is the primary meaning of the word, and the English cases, so far as they go, support that conclusion. Control involves questions of fact and degree as does the notion of a sufficient connection. There must be control as a matter of substance. For example, I do not think that

it could be suggested that the mere fact that the registered owner granted a licence or revocable authority to use the trade mark would be sufficient without more established control within s 8. That would be inconsistent with the approach taken under the 1955 Act and the *Trade Marks Act 1938* (UK). Had it been Parliament's intention it could be effected by a much simpler provision than s 8.

98 As I have said, actual control will be a question of fact and degree. A licence agreement may contain a term that sets in detail a quality standard to be achieved. The details in the agreement may be such that it is not necessary for the registered owner to give directions or instructions from time to time. The licensee, aware of its obligations, may faithfully comply with those obligations without any entreaties or demands from the licensor. The primary judge had such a situation in mind when he referred to cases where there was obedience to the trade mark owner "so instinctive and complete that instruction was not necessary".

99 The respondent also sought to gain support for its submissions from the decision of the House of Lords in *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21; [2001] FSR 7 ("*Scandecor*"). That case does not support the respondent's submissions. English law as a result of the *Trade Marks Act 1994* (UK) and Australian law as a result of the *Trade Marks Act 1995* (Cth) have taken different paths. That can be seen clearly from the historical survey by Lord Nicholls of Birkenhead of English law with respect to licences of trade marks. The legislative provisions of the two Acts are quite different. This country's Act has the concept of authorised use in s 8 whereas under the English Act, an application of removal for non-use may be defeated by use by the registered proprietor or by a person with his or her consent (s 46(1)(a)). Under the 1994 Act, bare licences which Lord Nicholls defined as licences without quality control provisions are permitted (at 131 [14], 138 [41]).

100 The respondent submitted that the decision of Sundberg J in *Global Brand Marketing Inc v YD Pty Ltd* [2008] FCA 605; (2008) 76 IPR 161 supported its submissions. The respondent said that the primary judge was referred to the decision, but that he did not refer to it in his reasons. I do not think the authority advances the respondent's submissions to any great extent. Sundberg J found that quality control sufficient for the purposes of s 8 was made out, having regard to the recitals in an agreement (at 187-188 [128]). It is not possible to discern from the report the extent to which the precise point presently under consideration was debated.

101 Both sides sought to refer to the decisions of courts in countries other than Australia and the United Kingdom. I do not propose to traverse the legislation and authorities to which the Court

was referred because I do not think any of the authorities are sufficiently similar to be of assistance. For example, the respondent referred to the European Court of Justice case *IHT Internationale Heitztechnik GmbH & Anor v Ideal-Standard GmbH & Anor* [1994] 1 ECR 2789 (“*Ideal-Standard*”). In particular, the respondent referred to the following passages at [37] and [38]:

[37] ... In the case of a license, the licensor can control the quality of the licensee’s products by including in the contract clauses requiring the licensee to comply with his instructions and giving him the possibility of verifying such compliance.

...

[38] It must further be stressed that the decisive factor is the possibility of control over the quality of goods, not the actual exercise of that control.

*Ideal-Standard*, however, was an exhaustion of rights case concerning the application of national laws of countries within the European Community. The test for “control” was considered in the context of enforcing a policy of preventing arbitrary discrimination or disguised restrictions of trade between member states within the European Community. It is of limited assistance in interpreting our own legislative provisions.

102 I turn now to apply s 8 as I have interpreted it to the facts of this case. Because the primary judge would have found in favour of the appellant but for *Yau*, it is the respondent which challenges a number of the primary judge’s findings.

103 The respondent submitted that the primary judge erred in not placing weight on the fact that Mr O’Sullivan said that he was conscious and aware of his obligations under the Licence Agreement and of the fact that a breach of the agreement could lead to termination of the agreement and the loss of the right to use the trade marks. It is true that Mr O’Sullivan did say that in his evidence and that there is no reason to think that the primary judge did not accept that evidence. It is also true that the primary judge did not refer to that evidence. However, I do not think that the evidence is of any particular significance. Of significance is the fact that the Licence Agreement, in practical terms, had no effect on the way in which Mr O’Sullivan conducted his business.

104 The respondent submitted that the primary judge erred in not concluding that the prohibition on WGW exporting its wine constituted control. It referred to evidence from Mr O’Sullivan that he considered a proposal to supply his wine to British Airways and that he was conscious that if the proposal went ahead, he would need approval from Austin Nichols. The fact is that

the proposal did not go ahead because British Airways wanted too much in terms of quantity. I do not think this evidence advances the respondent's case beyond the fact established by the Licence Agreement itself, namely, that WGW could not sell its wine outside Australia without the approval of Austin Nichols.

105 The respondent submitted that the primary judge erred in finding that the Wild Turkey interests were not in the least interested in what Mr O'Sullivan was bottling or in any way supervising what was being done. They submitted that the primary judge overlooked or failed to place sufficient weight on the following. First, although the objective standard in cl 3 may have emanated from Mr O'Sullivan's side, that is not to say that Austin Nichols did not want a quality control provision. That submission seems to be correct, having regard to the correspondence between the solicitors for the parties during the negotiations leading to the Licence Agreement in evidence before the primary judge. Secondly, the primary judge failed to take into account that no occasion arose for the exercise of quality control during the relevant period because Mr O'Sullivan did not bottle any wine during this period for reasons related to the state of the market and events in his personal life and that, as soon as he did begin bottling again in 2010, he received a request dated 4 April 2011 for samples from the Wild Turkey interests. As to the first of these matters, it may be accepted that Austin Nichols did advance a quality control provision during the negotiations for the Licence Agreement. However, I do not think that the matter of which party advanced the clause is of any great significance. The important matters are the nature of the clause and the conduct of the parties during the non-use period. I make essentially the same point as to the second matter, that is, the Wild Turkey interests request for samples on 4 April 2011. The primary judge referred to this but appears not to have placed any weight on it. I do not think he erred in taking that approach. It was after the Irish Whiskey interests had commenced its application for removal of the trade marks and outside the relevant period. As I have said, to my mind, the critical factors in a case such as the present are the provisions of the Licence Agreement and the conduct of the parties during the relevant period.

106 In addressing the facts, it is convenient to divide the provisions of the Licence Agreement into those dealing with quality control and those dealing with the use of the trade marks.

107 The quality control provision in the Licence Agreement is that the wine be of a sufficient standard to obtain the approval for export of the AWBC. There was no evidence of the precise content of that standard. It was not an exacting standard as the approval rate shows (at [51])

above). The primary judge considered that the standard involved no more than a rejection of what he called truly undrinkable wine (at [55]). It is plain that the standard had no effect on Mr O'Sullivan's wine making practices. He was interested in making good to high quality wine. At no time during the relevant period did Austin Nichols contact Mr O'Sullivan about the wine he was making or selling or both. There was never any request by Austin Nichols for samples under cl 3.1 or for the product to be supplied to the Australian Wine Research Institute under cl 3.2. Austin Nichols never asked Mr O'Sullivan for any information about the use of the trade marks or Mr O'Sullivan's wine making operations generally. There was no monitoring by Austin Nichols and nothing to suggest that Austin Nichols took steps to ascertain whether the terms in cl 3 were being complied with. I do not think s 8(3) was satisfied by the existence of cl 3 in the Licence Agreement.

108 The respondent relied on other provisions in the Licence Agreement to establish control within s 8(1). The starting point is, as I have said, the mere fact that WGW was licensed to use the trade marks is not sufficient to establish control. WGW had permission to use the trade marks in relation to the manufacture and distribution of Australian wine sold in Australia. The trade marks were registered in respect of wine. These are restrictions but not ones like controls on quality or manufacturing process which might suggest a connection between the registered owner and the use of the trade marks in connection with the provision or dealing with goods in the course of trade. There is no evidence that Austin Nichols monitored or informed itself as to whether WGW was only selling Australian wine in Australia. These requirements do not give rise to control. WGW was not permitted to amend or abbreviate the trade marks or use them in a scandalous fashion. These provisions seem to me to be standard provisions to be expected in a licence agreement for trade marks. There is no evidence of monitoring by Austin Nichols of these provisions and they do not amount to control within s 8. Finally, the provision about standard liability insurance and Austin Nichols' ability to terminate the Licence Agreement for a material breach is not sufficient to constitute control under s 8 of the Act.

109 In my respectful opinion, the primary judge erred in concluding that he was bound by the Full Court's decision in *Yau* to hold that the use by WGW was an authorised use within s 8 of the Act. He was not so bound. For the reasons I have given, the use by WGW was not an authorised use within s 8 of the Act.

## **Conclusions**

110 As I have said, leave to appeal should be granted. The appeal to this Court should be allowed with costs and the orders of the primary judge set aside. In lieu of the primary judge's orders, there should be an order that the appeal from the delegate to this Court be dismissed with costs.

111 The primary judge made an order for security for costs and, on 14 June 2015, he made an order releasing the security. However, he stayed the order releasing the security until twenty eight (28) days after the entry of final orders disposing substantively of any appellate proceedings in this Court. The order releasing the security should be set aside and it will be up to the parties to take such action as they may be advised with respect to that security.

## **NICHOLAS J:**

112 I have had the advantage of reading the reasons for judgment of Besanko J. I agree with his Honour's reasons and the orders he proposes. I wish to add some brief observations of my own.

113 Section 7(3) of the *Trade Marks Act 1995* (Cth) ("the Act" or "the 1995 Act") provides that an "authorised use" of a trade mark is taken to be a use of the trade mark by the owner. This is important when one comes to s 92(4)(b) of the Act. It provides that an application may be made to remove a trade mark for non-use if:

... the trade mark has remained registered for a continuous period of 3 years ending one month before the day on which the non-use application is filed, and, at no time during that period, the person who was then the registered owner:

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

in relation to the goods and/or services to which the application relates.

Section 7(4) of the Act defines "use of a trade mark in relation to goods" to mean "use of the trade mark upon, or in physical or other relation, to the goods...".

114 Section 8(1) of the Act provides that a person is an "authorised user" of a trade mark if the person uses the trade mark in relation to goods or services under the control of the owner. Section 8(2) then provides that use of the trade mark by an authorised user is an "authorised use" to the extent only that the authorised user uses the trade mark under the control of the owner. Sections 8(3) and (4) operate to deem the control requirement in s 8(1) to be fulfilled in certain circumstances. Section 8(3) is concerned with quality control and s 8(4) with



financial control. Section 8(5) provides that s 8(3) and s 8(4) do not limit the meaning of “under the control of” in s 8(1) or s 8(2).

115 An essential feature of a trade mark is that it distinguishes the goods of the registered owner from the goods of other traders and that it indicates a connection in the course of trade between the registered owner and the goods in relation to which the mark is used: *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at [41]-[42] per the plurality, French CJ, Gummow, Crennan and Bell JJ. Sections 8(3) and 8(4) recognise that financial control or quality control may be sufficient to both create and maintain the connection between the registered owner of a trade mark and goods or services in relation to which the trade mark is used.

116 In the well-known passage of his judgment in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 Aickin J referred to (at 683):

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

117 His Honour was concerned with the provisions of the *Trade Marks Act 1955* (Cth) (“the 1955 Act”). Although registered user agreements are now a thing of the past, his Honour’s reasoning is broadly reflected in the relevant provisions of the 1995 Act. Use of a registered mark by someone other than the registered owner will protect the mark against cancellation for non-use provided that such use occurs under the control of the owner. It is only if the registered owner exercises control over another person’s use of the mark that such use will be treated as use of the registered owner.

118 As the primary judge correctly observed at [54] of his reasons, Aickin J did not say in *Pioneer* that the degree of control exercised by the owner in relation to the use of the registered mark need only be “slight”. His Honour used that word to describe the degree of connection in the course of trade between the relevant goods and the registered owner, which might be slight in the sense that the registered owner need not be the person who manufactured the goods or who applied the mark to them.

119 The structure of s 92(4) of the Act makes clear that the trade mark may be removed not only where it was not used by the registered owner in the relevant period, but also where it was not used by the registered owner in good faith. An authorised use in the relevant period will only defeat a non-use application if it amounts to a use in good faith by the registered owner. And while s 7(3) deems an authorised use to be a use of the trade mark by the owner, it does not deem such use to be use in good faith. Applying s 92(4)(b), the question is whether *the registered owner* has used the mark in good faith. The registered owner carries the onus of proof.

120 The concept of “use in good faith” or “bona fide use” as it was described in the *Trade Marks Act 1938* (UK), is a familiar one and has been considered in a number of cases decided under the provisions of that Act, the 1955 Act and the 1995 Act. These cases have generally insisted that the trade mark use relied upon by the registered owner must be “real commercial use” or “ordinary and genuine use” and not “some fictitious or colourable use” if it is to defeat a non-use application. At the same time the authorities have recognised that the motives of the registered owner are largely irrelevant. Use of a trade mark will still be use in good faith even if engaged in for the sole purpose of protecting the owner’s trade mark registration from attack for non-use provided that the use is real and genuine.

121 In *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 Gummow J, when referring to s 23 of the 1955 Act, said at 354:

Section 23(1)(b) of the Act also uses the expression “use in good faith” as a criterion for expungement for non-use. There is, in relation to the comparable provisions in the *Trade Marks Act 1938* (Eng), authority to the effect that in order to qualify as such use there must be a real or genuine use in a commercial sense, rather than colourable activity and “token” use designed to lead trade rivals to think that the registered proprietor was using its mark in a way which gave it the protection of the legislation: see *Imperial Group Ltd v Philip Morris & Co Ltd* [1982] FSR 72; *KODIAK Trade Mark* [1990] FSR 49; D R Shanahan, *Australian Law of Trade Marks and Passing Off* (2nd ed, 1990), pp 272-274.

122 The relevant English authorities were discussed by the plurality in *E & J Gallo* at [62]-[64]. Their Honours noted at [65] that it was not contended in that case that the use was fictitious or colourable. It was held that the relevant use was genuine and sufficient to establish use in good faith by the registered owner.

123 The appellant did not submit that the licence agreement was a sham in any of the senses that word is employed in legal analysis: see *Raftland Pty Ltd v Commissioner of Taxation* (2008)

238 CLR 516 at [35] per Gleeson CJ, Gummow and Crennan JJ and [37]-[152] per Heydon J. Nor do I doubt that the licence agreement was intended by the parties to it to have legal effect and to operate in accordance with its terms. However, the terms of the licence agreement coupled with a consideration of the circumstances in which it came into existence and the evidence concerning the lack of steps taken under it during the non-use period reveal that Wild Geese Wines Pty Ltd's ("WGW") use of the trade marks during the non-use period were not the subject of any real or genuine control by the registered owner.

124 The "Quality Control and Approval" provisions in cl 3 of the licence agreement ("the quality control provisions") require WGW to ensure that the wine in relation to which the trade marks are used is of a quality at least sufficient to obtain Australian Wine and Brandy Corporation ("AWBC") export approval. Their practical effect is to prohibit WGW from using the trade marks in relation to Australian wine of low quality that (in the language of the primary judge) might not be "drinkable". The quality control provisions are clearly designed to provide WGW with as much latitude as it could ever need in terms of the standard of wine that it might wish to make and supply under the "Wild Geese" marks and to give the registered owner no say as to the quality of any Australian wine that WGW might make and supply under the "Wild Geese" marks beyond requiring that the wine meet the low threshold for export approval adopted by the AWBC.

125 Clause 3.1 obliges WGW to provide to the respondent (but only if requested) three bottles "for consideration and evaluation" during any 12 month period. The content of that obligation does not depend on the number of different wines made or sold by WGW or the quantities in which they are made or sold. The licence agreement does not confer on the owner any other right to inspect or evaluate WGW's products or manufacturing processes. Nor do any of the quality control provisions permit the owner to withhold consent to the use of the trade marks on any Australian wine that the AWBC would approve for export. The primary judge found that the owner never requested WGW to provide it with any samples until some time after the end of the non-use period. Of course, by that time it would have been aware that its trade marks were under attack for non-use and that its quality control arrangements might come under scrutiny.

126 Clause 3.4 merely requires that the wine be manufactured, distributed and sold "in accordance with applicable laws, rules and regulations in the Territory". It does not prohibit WGW from exporting Australian wine bearing the "Wild Geese" trade marks unless this would give rise to a contravention of any such laws, rules or regulations.

127 Clause 5.5 of the licence agreement requires WGW to notify the respondent of any infringement or misuse of the “Wild Geese” marks but does not impose any other reporting obligation on WGW. WGW is free to manufacture and sell as much Australian wine under the “Wild Geese” marks as it wishes without having to tell the respondent how much it has ever made or sold.

128 Clause 2.1 of the licence agreement grants to WGW:

... a perpetual exclusive licence, without any right to sublicense, subject to all of the obligations and conditions in this Agreement, to use the Trade Marks in connection with the manufacture and distribution of Products sold in the Territory.

Clause 1.1 defines “Products” to mean “Australian wine” and cl 1.3 defines “Territory” to mean Australia and such other places as may be agreed in writing.

129 In the course of argument, and in the primary judge’s reasons, reference was made to these provisions as preventing WGW from exporting wine bearing the relevant trade marks. The respondent submitted that this was indeed the effect of these provisions and the appellant did not advance any argument to the contrary.

130 The respondent submitted that this restriction provided another illustration of the control that was exercised by the registered owner over WGW’s use of the marks. However, I very much doubt that this is the kind of control referred to in s 8(1) of the Act. An owner who merely gives permission to use a registered mark on the condition that the goods to which it is to be applied can only be supplied in a particular country does not control the use of the mark so as to indicate a connection in the course of trade between the goods and the owner. All that could be said in such a case is that the owner had exercised some control over where goods to which it permitted the mark to be applied might later be sold.

131 The appellant did not put its case on the basis that there had been no use in good faith by the registered owner of the trade marks. Its submissions were directed to establishing that the marks were not used under the control of their owner in the sense required by s 8 of the Act and that, consequently, there was no use by the registered owner. I therefore would not decide this appeal on the basis that, if there was use by the registered owner, it was not use in good faith.

132 However, in considering whether or not the registered owner has exercised sufficient control over another person’s use of a mark so as to defeat an attack on the grounds of non-use, it is

important to recognise that the boundary between “use” and “use in good faith” by the registered owner cannot be defined by a bright line. This is because the question whether there has been any use by the registered owner may itself depend on whether the control it is said to have exercised was real or genuine control as opposed to something that was merely token or colourable.

133 In my opinion the licence agreement upon which the respondent relied to establish that the registered owner used the registered marks in the non-use period did no more than establish token or colourable “quality control” arrangements. There was, in my view, no use by the registered owner of the “Wild Geese” trade marks during the relevant period.

#### **KATZMANN J**

134 Section 92 of the *Trade Marks Act 1995* (Cth) provides that a registered trade mark may be removed for non-use, amongst other grounds where, at no time during a continuous period of three years ending one month before the day on which the application for removal is filed, the then registered owner used the mark in Australia or used the mark in good faith in Australia in relation to the goods and/or services to which the application for removal relates. “Authorised use” of a trade mark by a person is taken to be use of the trade mark by the owner for the purposes of the Act (s 7(3)). This appeal turns on the meaning of s 8 of the Act, which defines “authorised use” by reference to a trader’s use of the trade mark “under the control of” the trade mark owner.

135 The dispute arises in the context of a successful application by the applicant, Lodestar Anstalt, an entity incorporated in the Duchy of Lichtenstein, to have two trade marks removed from the Register of Trade Marks for non-use. The application was heard by a delegate of the Registrar of Trade Marks. On appeal, the primary judge held that there had been use of the marks within the meaning of the Act within the applicable period, that the delegate’s decision should be set aside, and that the non-use application should be refused with costs. As Besanko J points out, the primary judge only came to the conclusion that there had been use of the trade marks because he considered he was bound to do so by the judgment of the Full Court in *Yau’s Entertainment Pty Ltd v Asia Television Ltd* [2002] FCAFC 78; (2002) 54 IPR 1 (“*Yau*”). Appeals to the Full Court from a judgment or order of a single judge exercising the jurisdiction of the Court on an appeal from the Registrar only lie with the leave of the Court: Trade Marks Act, s 195(2). Lodestar applied for leave and on 13 July 2015 Besanko J ordered that the hearing of the application be heard concurrently with any appeal, should leave be granted.

136 I agree that leave to appeal should be granted. I also agree that the appeal should be allowed.

**The factual background**

137 On 21 June 2000 Lodestar, a purveyor of Irish whiskey, registered the word mark WILD GEESE (No 839740) in classes 32 (which includes beers and non-alcoholic drinks) and 33 (which covers all alcoholic beverages except beer) (the “Lodestar WG mark”).

138 About seven months later, another company — Wild Geese Wines Pty Ltd (“WGW”) — applied to register the composite mark 864538, which comprised the words WILD GEESE WINES and an image of a goose with outstretched wings. That application lapsed, but on 26 July 2005, WGW applied to register two other trade marks in class 33. They were WILD GEESE WINES (1066646) and WILD GEESE (1066650).

139 WGW is owned by an Adelaide barrister, Patrick O’Sullivan QC, who for some years has operated a small vineyard in South Australia and has been selling merlot and pinot noir wines under the name “Wild Geese Wines”. When Mr O’Sullivan learned that Lodestar had already registered the name WILD GEESE but had not apparently sold any of its whiskey in Australia or used the trade mark WILD GEESE in Australia, he applied to have the Lodestar word mark removed from the register. It transpired, however, that another company, Austin Nichols & Co (“Austin Nichols”), which made bourbon under a number of trade marks including WILD TURKEY (also registered in class 33, in respect of wines, spirits and liqueurs), had already applied to the Registrar of Trade Marks for the removal of the Lodestar WG mark. Both applications came to be considered together. The history is complicated. It finishes in 2012 with the Full Court of this Court ordering that the Lodestar mark be removed from the Register: *Austin Nichols & Co Inc v Lodestar Anstalt (No 1)* (2012) 202 FCR 490. Some of that history may be gleaned from reading that judgment. It is unnecessary to repeat it here.

140 In the meantime, a dispute broke out between Austin Nichols and WGW over WGW’s use of the words Wild Geese and Wild Geese Wines, with Austin Nichols alleging that WGW was infringing its Wild Turkey trade mark. That dispute was settled on 1 June 2007 with WGW assigning to Austin Nichols its interests in the WILD GEESE and WILD GEESE WINES registration applications and its application for the removal of the Lodestar trade mark, and Austin Nichols licensing the Wild Geese trade marks back to WGW for its exclusive use on terms and conditions contained in a licence agreement.

141 On 7 April 2009 the ownership of the Wild Geese trade marks and Austin Nichols' rights and interests under the licence agreement were assigned to Rare Breed Distilling LLC ("Rare Breed") (the respondent before the Registrar). Rare Breed later merged with Skyy Spirits LLC (the applicant before the primary judge), which later still changed its name to Campari America LLC, the present respondent. As a result of the merger, all the rights, privileges and powers of Rare Breed, including the rights in and to the Wild Geese trade marks and the rights under the licence agreement, vested in the respondent.

142 In 2009, after much litigation, Rare Breed managed to secure the removal from the Register of the Lodestar trade mark (No 839740) and succeeded in securing the registration of the applications assigned to Austin Nichols by WGW.

143 Then, on 27 September 2010, Lodestar filed its application for the removal of the Wild Geese trade marks for non-use.

144 The relevant non-use period, then, for the purposes of s 92 of the Act is from 27 August 2007 until 26 August 2010 (see *Acts Interpretation Act 1901* (Cth), s 36(1) item 7), although both the primary judge and the parties closed the period at 27 August 2010. It was not in dispute that WGW produced no wine during either period. Mr O'Sullivan's evidence was that WGW had produced merlot under the Wild Geese label in 2001, 2002, 2003 and 2004 and a 2010 pinot noir but that between 2005 and 2009 WGW did not bottle any wine for sale. Nor was it in dispute that during that period the Wild Geese trade marks were used by WGW in relation to goods it produced. They were applied by WGW to bottles of its 2004 merlot. The wine was put on the market. It was offered for sale and, as the primary judge put it, there were modest sales.

### **The licence agreement**

145 By clause 2.1 of the agreement Austin Nichols granted WGW a licence in the following terms:

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

146 "Products" was defined to mean Australian wine, the "Trade Marks" to mean the Wild Geese trade marks and the Territory to mean "Australia and such other places as may be agreed from time to time in writing by Austin Nichols and WGW" (cl 1.1).

147 In its opposition to Lodestar’s non-use application, the later assignees of the Wild Geese trade marks (“the Wild Turkey interests”) relied on the conditions of the licence to demonstrate that WGW and Mr O’Sullivan used the Wild Geese trade marks under their control. They pointed to the fact that throughout the non-use period the use by WGW of the Wild Geese trade marks had been subject to the licence agreement and that the agreement restricted what WGW could do with the trade marks in the following ways. It required that the marks be used only in connection with the manufacture and distribution of wine in Australia (cll 2.1, 5.2), only “in full and without any abbreviation or amendment whatsoever” (cl 5.3) (at least without the owner’s prior written approval (cl 5.6)), and not in connection with “any scurrilous, immoral, illegal or other improper material such as would impair [the marks’] goodwill” (cl 5.4). The Wild Turkey interests also relied on the obligation imposed on WGW to promptly notify the trade mark owner of any infringement or other misuse of the marks and to assist the owner in taking any action the owner deems appropriate (cl 5.5). They argued that the agreement imposed “a detailed quality control regime”. That regime was set out in cl 3, which reads as follows:

- 3.1 WGW agrees that Products bearing the Trade Marks will be of a quality at least sufficient to obtain a continuing approval of the wine for export by the Australian Wine and Brandy Corporation (“AWBC”). If requested by Austin Nichols, WGW will provide 3 bottles of the Products (“Samples”) to Austin Nichols as samples for consideration and evaluation by Austin Nichols during any period of 12 months during the continuation of the Agreement.
- 3.2 After the evaluation of any Samples by Austin Nichols in any period of 12 months during the continuation of this Agreement, after provision of Samples by WGW, WGW will, if requested by Austin Nichols, provide 4 bottles of the Products bearing the Trade Marks to the Australian Wine Research Institute (“AWRI”), and will request analysis of the wine by AWRI, and the submission of the wine to the AWBC for continuing approval for export (“Continuing Approval”). If a Continuing Approval is given for the wine, the Products bearing the Trade Marks will be taken to be of a sufficient quality in accordance with the provisions of this Agreement. If a Continuing Approval is obtained for the Products, the costs of obtaining the AWRI analysis and the Continuing Approval will be paid by Austin Nichols and, if not obtained, will be paid by WGW.
- 3.3 In the event that any Product bearing the Trade Marks that is submitted for a Continuing Approval does not receive a Continuing Approval, the wine will be taken not to be of an appropriate quality in accordance with the provisions of this Agreement. In that event, WGW must withdraw, and must cease to market, the Product, and must not market that wine as a Products (*sic*) bearing the Trade Marks unless changes are made to the wine and Continuing Approval for the wine is obtained, at the expense of WGW.



3.4 All Products bearing the Trade Marks must be manufactured, distributed and sold in accordance with this Agreement, in accordance with all applicable laws, rules and regulations in the Territory, and [in] such a manner as will not tend to mislead or deceive the public or damage the reputation of the Trade Marks.

148 Clause 8.3 required WGW to obtain and maintain at its own cost standard liability insurance in the amount of \$10 million, naming Austin Nichols as an additional insured. It also required WGW to inform Austin Nichols of any change or cancellation of the policy.

149 Furthermore, the Wild Turkey interests pointed to the power of the owner to terminate the licence for breach (cl 10.1) with the result that WGW would be unable to use the marks (cl 11.2).

150 Finally, they submitted that throughout the non-use period WGW had used the marks in accordance with the licence.

151 Lodestar argued that the terms of the licence had no effect on the way the wine was made and contended that the quality control provisions were only inserted into the agreement at the request of WGW.

### **The legislation**

152 A trade mark is defined in s 17 of the Trade Marks Act as “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”.

153 If a trade mark is registered, the registered owner has the exclusive rights (subject to Pt 3 of the Act) to use the mark in relation to goods and/or services in respect of which it is registered and to authorise others to do so: s 20(1). “Use of a trade mark in relation to goods” means use of the “mark, upon or in physical or other relation to the goods” (s 7(4)) and “use of a trade mark in relation to services” means use of the mark “in physical or other relation to the services” (s 7(5)).

154 Section 92, with one qualification which is not relevant in the present case, permits a person to apply to the Registrar to have a trade mark removed from the Register on certain grounds. Those grounds, set out in subs (4), relate to lack of use of the mark and lack of a genuine intention to use the mark at or during specific periods of time. Relevantly they include:

- (b) that the trade mark has remained registered for a continuous period of 3 years ending one month before the day on which the non-use application is filed, and, at no time during that period, the person who was then the registered owner,
  - (i) used the trade mark in Australia; or
  - (ii) used the trade mark in good faith in Australia;in relation to the goods and/or services to which the application relates.

155 Nevertheless, each of the Registrar and the Court has a discretion to decide not to remove the mark even where these conditions are made out “if satisfied that it is reasonable to do so”: s 101(3). For this purpose the Registrar may take into account, for example, whether the trade mark has been used by its registered owner in respect of goods or services similar or closely related to those to which the application relates.

156 In any proceedings relating to a non-use application which is opposed, the opponent has the burden of rebutting the allegation made under (relevantly) s 92(4)(b). The opponent is taken to have rebutted the allegation if, relevantly (s 100(2)(a)):

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

157 Section 26(1)(a) of the Act permits an authorised user to use the mark in relation to goods and/or services in respect of which the trade mark is registered, subject to any agreement between the registered owner and any condition or limitation subject to which the mark is registered. As I observed at the outset of these reasons, for the purposes of the Act, an authorised use of a trade mark is taken to be use of the trade mark by its owner: s 7(3).

158 Section 8 is in the following terms:

- (1) A person is an ***authorised user*** of a trade mark if the person uses the trade mark in relation to goods or services under the control of the owner of the trade mark.
- (2) The use of a trade mark by an authorised user of the trade mark is an ***authorised use*** of the trade mark to the extent only that the user uses the trade mark under the control of the owner of the trade mark.
- (3) If the owner of a trade mark exercises quality control over goods or services:
  - (a) dealt with or provided in the course of trade by another person; and
  - (b) in relation to which the trade mark is used;the other person is taken, for the purposes of subsection (1), to use the trade

mark in relation to the goods or services under the control of the owner.

- (4) If:
- (a) a person deals with or provides, in the course of trade, goods or services in relation to which a trade mark is used; and
  - (b) the owner of the trade mark exercises financial control over the other person's relevant trading activities;
- the other person is taken, for the purposes of subsection (1), to use the trade mark in relation to the goods or services under the control of the owner.
- (5) Subsections (3) and (4) do not limit the meaning of the expression *under the control of* in subsections (1) and (2).

(Original emphasis.)

### The decision of the primary judge

159 On the facts as found by the primary judge, the modest sales of the 2004 merlot during the non-use period were sufficient to amount to “ordinary and genuine use” judged by commercial standards (*E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 (“*Gallo*”) at 168–9 [64]) and therefore use by WGW of the Wild Geese trade marks in relation to the goods in the class in which the marks were registered. The question, however, was whether the use of the marks by WGW was use under the control of the Wild Turkey interests.

160 The licence agreement aside, the primary judge's findings on this question appear in [31] of his reasons:

My conclusion on the facts is that the Wild Turkey interests exercised no actual control over Mr O'Sullivan's company in the way in which it used the marks in relation to the 2004 Merlot, nor actual quality control over the 2004 Merlot itself. The one exception to this is that Mr O'Sullivan's company would have needed to seek permission for any export trade, but this never arose and it certainly never arose in the case of the 2004 Merlot. Wild Geese Wines never concluded any agreement in relation to such trade because it lacked the capacity to produce sufficient quantities to justify export. A possible arrangement with British Airways foundered for this very reason. However, I do not regard that as material to the reality of what was taking place. The licence agreement was not intended by the parties to it to deliver anything but the appearance of control to the Wild Turkey interests as is amply borne out by the fact that the quality control clause emanated from Mr O'Sullivan's side. There is not a jot of evidence of the Wild Turkey interests being in the least interested in what Mr O'Sullivan was bottling or in any way supervising what was being done under the marks. This absence of evidence did not bespeak, as in some cases it might, an obedience to the trade mark owner so instinctive and complete that instruction was not necessary – rather it signified a total lack of control or interest in the marks beyond the most formalistic recognition of the licence agreement. The Wild Turkey interests' ability to control the quality of the wine was entirely theoretical and had no footing in reality.

161 Notwithstanding these findings, his Honour considered that he was constrained by authority to find that there was control by the Wild Turkey interests for the purposes of the definition of authorised use in s 8 of the Act. He added that, had he had the power to decide otherwise and thus to order the removal of the marks, he would have done so.

**The issues on the application to this Court and the foreshadowed appeal**

162 The following questions are raised by the draft notice of appeal:

- (1) Is *Yau* binding authority for the proposition that under s 8 of the Act a mere theoretical possibility of contractual control is sufficient to constitute authorised use? If so, is *Yau* plainly wrong?
- (2) What is the proper construction of s 8?
- (3) Was the sale by WGW of wines using the Wild Geese trade marks during the non-use period authorised use of the trade mark by the registered owner?

163 Lodestar argued that *Yau* is not binding authority for the proposition that a mere theoretical possibility of contractual control is sufficient to amount to authorised use and, if it is, it is plainly wrong. Lodestar contended that a right to control is not enough, that s 8 contemplated the exercise of “actual control” over the use of the trade marks, and that WGW used the marks during the non-use period without any such control by the Wild Turkey interests.

164 The case advanced by the Wild Turkey interests through its notice of contention and in its submissions was that:

- “control” in ss 8(1) and (3) does not require proof of an overt act of control but is satisfied by the existence of a contract the terms of which constrain the licensee’s use of the relevant marks;
- evidence of a valid and binding licence agreement under which the licensee’s use of the trade marks is constrained is no “mere possibility of legal control” but control in fact; and
- Mr O’Sullivan’s evidence showed that WGW was mindful of the terms of the agreement throughout the non-use period and so used the trade marks under the control of the Wild Turkey interests.

**Is *Yau* binding authority for the proposition that under s 8 of the Act a mere theoretical possibility of contractual control is sufficient to constitute authorised use?**

165 I agree with Besanko J, for the reasons his Honour gives, that the Full Court did not decide in *Yau* that, for the purposes of s 8(1) of the Trade Marks Act, “a mere theoretical possibility of contractual control is sufficient to constitute authorised use”. I also agree with his Honour that *Yau* is distinguishable on its facts and that it did not require the primary judge to conclude in the circumstances of the present case that the Wild Turkey interests had used the relevant trade marks.

**What is the proper construction of s 8?**

166 As I have already observed, this appeal largely turns on the meaning of the phrase “under the control of” in s 8 of the Act. It has been said that “control” is “an unfortunate word of ... wide and ambiguous import” (*Bank of New South Wales v Commonwealth* (1948) 76 CLR 1 at 385 (Dixon J)), “the content of [which] is normally dictated by its context and can vary from sole absolute dominion over the object ‘controlled’ to ‘something weaker than “restraint”, something equivalent to “regulation”” (*Federal Commissioner of Taxation v Australia & New Zealand Banking Group Ltd* (1979) 143 CLR 499 at [8] (Mason J)). The particular meaning of the word in the context of s 8 will either be apt to encompass the relationship between WGW and the Wild Turkey interests at the relevant time or it will not.

167 There was much discussion in submissions about whether “theoretical” or “actual” control is required for the purposes of s 8. But attempts like this to taxonomise the concept of control in the abstract can tend to obscure, rather than illuminate, the relevant inquiry. As French CJ, Hayne, Kiefel and Nettle JJ said in *Independent Commission Against Corruption v Cunneen* (2015) 89 ALJR 475; [2015] HCA 14 (“*Cunneen*”) at [57], the proper approach to construing a “protean” term of this nature is “to choose from among the range of possible meanings the meaning which Parliament should be taken to have intended”, guided by the context in which the provision appears and the policy of the Act. Context here includes the other provisions of the enactment. It also includes such things as the existing state of the law and the mischief that the provision was intended to remedy (which may be discerned from “legitimate means” including, where relevant, the reports of law reform bodies). See *CIC Insurance Ltd v Bankstown Football Club Ltd* (1997) 187 CLR 384 at 408, cited with approval in *Cunneen* at [57].

168 As with any exercise in statutory construction, however, the meaning of a word or expression in a statute must begin with the text: *Alcan (NT) Alumina Pty Ltd v Commissioner of Territory Revenue* (2009) 239 CLR 27 at [47]. I turn first, then, to a consideration of the terms of s 8.

169 Section 8 provides that whether a person is an authorised user of a registered mark and whether the use of the mark by that person is an authorised use depend on whether the person uses the mark under the control of the registered owner (subss (1) and (2)). Subsections (3)–(4) reveal that use will be taken to be use under the control of the owner where, for example, the owner “exercises quality control over goods or services ... dealt with or provided in the course of trade by another person ... and ... in relation to which the mark is used” or “exercises financial control over the other person’s relevant trading activities”. Subsection (5) states that subss (3)–(4) do not limit the meaning of the expression “under the control of” but this statement is ambiguous. It might signify that “control” is not limited to quality control or financial control. On the other hand, it might signify that control is not limited by the context provided by subs (3)–(4). The former construction is the preferable one. In my opinion, the examples given in subss (3) and (4) give colour to the concept of control in s 8. The language used in the two subsections strongly suggests that — regardless of the form control might take — it is the *exercise* of control that matters, not merely the right to do so.

170 Section 8 must also be read with s 17 as there can be no authorised use of a mark unless there is use of the mark as a trade mark. Section 17 makes it plain that for there to be use of the mark as a trade mark the mark must be used to distinguish the goods or services of one trader from the goods of another. French CJ, Gummow, Crennan and Bell JJ pointed out in *Gallo* at [42] that, although the definition of a trade mark in s 17 contains no express reference to the requirement in s 6(1) of the former Act — the *Trade Marks Act 1955* (Cth) (“the 1955 Act”) — that a trade mark indicate “a connexion in the course of trade” between the goods and their owner,

the requirement that a trade mark “distinguish” goods encompasses the orthodox understanding that one function of a trade mark is to indicate the origin of “goods to which the mark is applied”. 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. There is nothing in the relevant Explanatory Memorandum to suggest that s 17 was to effect any change in the orthodox understanding of the function or essential characteristics of a trade mark.

(Citations omitted.)

171 Their Honours went on to approve the statement by a Full Court of this Court in *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at [19] that use as a trade mark is use of the mark as a badge of origin in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods.

172 There is a tension between this fundamental proposition and the other proposition (now enshrined in s 21(1) of the Act) that a registered trade mark is the personal property of the registered owner, which itself can be traded (or licensed). As Aickin J explained in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 680–81, it was once thought that any licensing of a mark would render it incapable of remaining validly on the Register (a view his Honour attributed to a misreading of the House of Lords decision in *Bowden Wire Ltd v Bowden Brake Co Ltd* (1914) 31 RPC 385).

173 DR Shanahan pointed out in *Australian Law of Trade Marks and Passing Off* (2nd ed, Law Book Company, 1990) at 304–06 that it was in this context that a system of registration of users of trade marks was introduced into trade mark legislation both in the United Kingdom and in Australia. In this country they first appeared in the *Trade Marks Act 1948* (Cth).

174 Under the 1955 Act, the permitted use of a registered trade mark was deemed to be use by the registered proprietor (s 77(1)). “Permitted use” in relation to a registered trade mark was defined in s 6(1) as the use of the mark (a) by a registered user in relation to goods or services with which he was connected in the course of trade, in respect of which the trade mark remained registered, and for which he was registered as a registered owner; and (b) which complied with any conditions or restrictions to which his registration was subject. A person who was not the registered proprietor of a trade mark could be registered as a registered user of the mark for all or any of the goods or services in respect of which the trade mark was registered (s 74(1)).

175 Under s 74(2) of the 1955 Act, where it was proposed that a person be registered as a registered user of a trade mark, both the registered proprietor and the proposed registered user were required to apply in writing to the Registrar and to submit a statutory declaration by the registered proprietor or someone authorised by him and approved by the Registrar, amongst other things,

- (a) giving particulars of the relationship, existing or proposed, between the registered proprietor and the proposed registered user, including **particulars showing the degree of control by the registered proprietor over the permitted use which their relationship will confer ...**

(Emphasis added.)

176 Section 74(3) was the source of the power of registration. It stipulated that the Registrar could register the proposed registered user as a registered user for the goods or services if the requirements of s 74(2) were complied with and, after considering the material furnished to him under the subsection, he was satisfied that, in all the circumstances and having regard to any conditions or restrictions he thought appropriate, the use of the trade mark in relation to the proposed goods or services by the proposed registered user would not be contrary to the public interest. As Shanahan explained at 308 and 315–17, the Registrar’s primary concern in this regard was that the proposed use did not deceive the public as to the origin or quality of the product.

177 In *Pioneer Aickin J* stressed the importance to the validity of a trade mark of a continuing connection in the course of trade with the registered owner (at 683):

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

178 There is no textual or contextual reason to conclude that the authorised use provisions of the present Act were intended to remove the need to maintain the connection in the course of trade between the registered owner of a trade mark and the relevant goods or services. To the contrary, both point in the opposite direction.

179 The purpose of the present Act can be gleaned from the explanatory memorandum to the 1995 Bill:

The 1994 Bill incorporated changes to the trade marks legislation implementing the Government’s response to the July 1992 report of the Working Party to Review the Trade Marks Legislation, *Recommended Changes to the Australian Trade Marks Legislation*. Before the results of public consultation could be incorporated into the legislation, the Trade Marks Bill 1994 was introduced into the House of Representatives on 21 September 1994 as part of the legislation package necessary for Australia to accept the Agreement Establishing the World Trade Organization. The *Trade Marks Act 1994* was enacted on 13 December 1994 but has not yet come into force.



The Government has at all times indicated its commitment to introduce amending legislation that would take into account comments received during the public exposure period. Because of the nature of the changes that would be required to be made to the *Trade Marks Act 1994*, the Government has decided it would be more practicable to repeal the 1994 Act and replace it with new legislation as incorporated in this Bill. As well as implementing Australia's obligations under the WTO Agreement, other noteworthy provisions of the Bill include:

- (a) a new, broader definition of a trade mark;
- (b) a wider test for infringement of the owner's trade mark;
- (c) recognition of authorised use of a trade mark, that is, use of a trade mark by a person other than its owner, but under the control of the owner; and
- (d) streamlining of procedures under the trade marks system.

180 The Working Party referred to in this passage noted (at p 78 of its report) that a registered trade mark may be validly licensed “provided the registered proprietor maintains a sufficient connection in the course of trade with the goods or services of the licensee and the use of the mark does not become otherwise deceptive or confusing” and at 79 expressed the view that “this should remain the law”. It identified the need to simplify the provisions and procedures in the 1955 Act, which it described as “too cumbersome and expensive to maintain”, and “at the same time, [to] provide a system which reflects modern licensing principles, including those in relation to character merchandising, and makes relevant information about the use of a trade mark readily available to interested members of the public”.

181 The Working Party also took into account international developments in trade marks law, including the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”) negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade (known as GATT), which became effective on 1 January 1995 — after the report was published. The Working Party noted (at 79) that the TRIPS Agreement requires that, “when subject to the control of the proprietor of the mark, use of a trade mark by another person shall be recognised as use of the trade mark for the purpose of maintaining the registration, with no requirement that such controlled use be the subject of a Register entry as registered use”.

182 The Working Party recommended definitions of registered user and authorised use. Only the latter was accepted. In line with the terms of the TRIPS agreement, the 1995 Act removed the notion of registered user altogether and replaced it with authorised user. As the responsible Minister explained in his second reading speech (Australia, House of Representatives, *Debates* (1995) Vol 204, p MC1912):

[T]he bill does not include provisions relating to registration of the use of a trade mark by a person other than the trade mark owner. The bill provides that where owners of trade marks exercise control over use of their trade marks by other persons, that use can be taken to be use by the owner. This is prescribed by the WTO Agreement and can be used by trade mark owners to defend an action to deregister their trade mark on the basis that they have not used it. The WTO Agreement does not require use under the control of the owner of the trade mark to be registered. Consequently, there is little benefit in retaining additional provisions for the registration of users. This change will simplify the new trade marks legislation significantly ...

183 In my opinion, under the 1995 Act the use of a registered trade mark by an authorised user will only be taken to be use by the registered proprietor of the mark if the registered proprietor exercises control over the use of the mark during the period in question so as to maintain a connection in the course of trade between the goods or services and the registered proprietor. In a case where a registered proprietor of a trade mark is relying on use by an authorised user, it is still necessary to demonstrate that the trade marks indicate a connection in the course of trade with the registered proprietor. The purpose of s 8 is to identify the means by which that is done. At first instance in *Yau*, Gyles J asserted that the concept embedded in Aickin J's remarks in *Pioneer* (extracted at [177] above) was carried into the 1995 Act by the terms of s 17: *Asia Television Ltd v Yau's Entertainment Pty Ltd [No 2]* (2000) 49 IPR 264, [2000] FCA 838 at [12]. I respectfully agree, except that I would add "and s 8". In other words, control is the defining feature of the connection where the trade mark is used by an authorised user.

184 A bare licence to use a trade mark, particularly a perpetual licence, would not be sufficient. Without more, it would amount to a divestment of control. But there is no reason in principle why control might not be exercised through conditions imposed by agreement on the use to which the trade marks might be put and, in the event of an application to cancel the registration for non-use, proved by evidence that the authorised user is complying with those conditions. Whether or not that is sufficient in any particular case, however, will depend on the terms of the agreement, most importantly whether the control is such as to maintain the registered proprietor's connection with the marks. As the Act makes clear, that can be achieved if either quality control or financial control is exercised. If it is not, the registered proprietor (upon whom the burden of proof rests), must show that it has exercised some other form of control in the relevant period which maintains its connection with the marks.

**Did WGW use the Wild Geese trade marks under the control of the registered proprietor of the marks?**

185 So what did the evidence disclose on the question of control during the non-use period? Did the Wild Turkey interests prove that they exercised control over WGW's use of the trade marks at that time?

186 The Wild Turkey interests relied on those terms of the licence agreement which, it contended, "expressly circumscribe" the ways in which WGW might use the marks: the restrictions as to the goods (cll 2.1 and 5.2), territory (cl 2.1), alteration etc of the marks (cll 5.3 and 5.6); the quality control regime (cl 3); the right to terminate for material breach of any obligation (cl 10.1), and the consequences of termination (cl 11.2). In oral submissions they also pointed to the obligation imposed on WGW to obtain and maintain liability insurance and to inform Austin Nichols of any change or cancellation of the policy (cl 8.3). They also relied on Mr O'Sullivan's evidence.

187 There was no evidence that in the relevant period the Wild Turkey interests exercised any quality control over the wine in relation to which the Wild Geese trade marks were used or any financial control over WGW's trading activities. Evidence was also given to the effect that the Wild Turkey interests had never been involved in the production or promotion of Wild Geese wines, and had never had any financial interest in WGW.

188 Certainly, Mr O'Sullivan's unchallenged evidence was that he was mindful of his obligations under the agreement. In his affidavit he said (apparently without objection) that WGW used the Wild Geese trade marks pursuant to the terms of the agreement. He also said that he was, "and at all material times [had] been" conscious of the fact that WGW was bound by obligations under the licence agreement, including the obligations to ensure that the wines were of "a sufficient minimum quality"; to comply with a request for samples from the licensor, and to submit samples to "the Australian Wine Research Institute" for analysis if requested by the licensor to do so. He noted, too, that WGW was bound by terms restricting the goods in respect of which WGW could use the marks, the territory in which the wine could be sold, and the alteration, amendment or modification of the marks without the licensor's consent. He added that, since the licence agreement was made, he had tried to ensure that WGW's use of the marks fully complied with its obligations under the agreement, "given that a failure to comply could result in loss of WGW's longstanding [Wild Geese] brand".

189 Even so, in cross-examination Mr O’Sullivan said that the licence did not affect his wine-making. He explained that he conducted himself during the non-use period in the same way he had before his company entered into the agreement. In re-examination he was asked whether the agreement affected him in some other way. He replied:

Well, it has affected me in that we received a request from Austin Nichols for samples of wine 2010, which I provided. Recently I provided the 2012. Just after I entered – we entered into the licence agreement in 2007, I became aware of the opportunity to provide our samples to British Airways, which I did. They wanted too much in terms of quantity, and I wasn’t in a position to provide that or take the risk, but had that actually gone forward, I would needed to have sought approval from Austin Nichols, because it would have been an export ...

190 It was not suggested that the British “opportunity” arose during the non-use period.

191 The cross-examiner then asked:

So, is this a fair summary, it has affected you in the fact that you’ve twice provided samples of the wine to Austin Nichols?

192 Mr O’Sullivan replied:

Correct.

193 The difficulty for the Wild Turkey interests is that the requests for samples were not made until after the non-use period had passed.

194 Two inferences are available from the failure of the Wild Turkey interests to seek samples during the non-use period. One is that they were entirely uninterested in the activities of WGW. The other is that they were always interested but there was no need to call for samples because no new wine was bottled in the period. It was this inference that the Wild Turkey interests pressed upon the Court. Support for that inference may be derived from the 2011 requests which were made after new wine had been bottled. Although they were made outside the non-use period, the 2011 requests may permit a “retrospectant’ circumstantial inference” of that kind: see, for example, *Gallo* at [76] (Heydon J) and Heydon JD, *Cross on Evidence* (10th ed, LexisNexis Butterworths, 2014) at [1115], [1170].

195 But while the inference is available that they only failed to seek samples during the non-use period because no wine was bottled in that period, that is not enough to assist the Wild Turkey

interests. That is because the competing inference (that they were uninterested during the non-use period) is also available and the Wild Turkey interests have not shown that it is more probable than not that the inference they favour is the correct one. Indeed, on the evidence that is available, the competing inference is by far the more compelling one.

196 First, while samples were requested of the 2010 pinot noir once it was bottled, the evidence is that samples of the 2004 merlot were neither requested by the Wild Turkey interests nor provided to them. The 2004 merlot was the wine that was sold throughout the non-use period, yet there is no evidence that anyone at or at the behest of Wild Turkey had ever tasted it. Mr Hall, counsel for the Wild Turkey interests, sought to explain this away by resort to the following analogy: “[i]f one acquires the ROLLS ROYCE trade marks, s 8 may require you to monitor the quality of future production. It does not require you to doubt the roadworthiness of the existing stock.” But no one would acquire the ROLLS ROYCE trade marks without having any idea of the quality of the vehicles offered for sale under those marks.

197 In written submissions the Wild Turkey interests contended that there was no need for them to request samples during the non-use period because “the existing wine was of known high quality”. In support of this proposition they relied on a paragraph of Mr O’Sullivan’s affidavit in which he stated that the 2004 merlot had won medals in both the Cowra Wine Show and the Adelaide Hills Wine Show. That is commendable, but the devil is in the detail here.

198 The Wild Turkey interests referred to two documents relating to the two shows annexed to Mr O’Sullivan’s affidavit. The results booklet for the Cowra Show reveals a field of 29 merlots. None received a gold medal, one a silver medal and ten (of which the WGW was one) a bronze. The judges’ comments on the entire class of merlots read: “POOR CLASS. MANY TIRED AND FAULTY WINES”. The catalogue for the Adelaide Hills Show lists 14 merlots. WGW’s wine was among six that received a bronze medal, which was the only medal awarded in that class. The “Class Comments” read: “Very disappointing class with no highlights. From this class it would appear to be unsuited to the region. No wines showed any varietal character or even just brightness of fruit and character”. That is faint praise indeed. In any event, even if these accolades did reveal that the 2004 merlot was a wine of high quality, no evidence was led to show that this reputation was known to the Wild Turkey interests. They provide no explanation for the failure of the Wild Turkey interests to request samples for themselves.

199 Secondly, while the Wild Turkey interests said that they knew, at the time the first request for a sample was made, that since the date of the licence agreement WGW had not produced any

bottled wine under the WILD GEESE mark, there is no evidence of when they first became aware of that fact. Indeed, there is no evidence of when or how the Wild Turkey interests became aware, or were to become aware, of new vintages being bottled. Certainly the licence agreement did not require WGW to inform them of anything. The trigger for the entire quality control “regime”, such as it was, was the exercise by the Wild Turkey interests of their discretion to request a sample.

200 Thirdly, the first requests were not made until six months after Lodestar’s applications for removal of the marks for non-use were filed. The fact that no wine was bottled for sale in the three-year non-use period would not preclude them from requesting samples. If the Wild Turkey interests had any interest in the quality of the products WGW was offering for sale, it is reasonable to expect that they would have requested samples of the wine well before that time, more likely during the first twelve months of the licence agreement than four years later when their intellectual property was under threat. At the trial it was put to Franco Peroni, a director of Campari Australia, another company in the Campari Group, and the managing director of Campari’s Business Unit Asia-Pacific (which includes Australia), that it was Lodestar’s non-use application “which prompted the request in 2011 for the samples of the wines”. Mr Peroni replied that he was not then in Australia and did not know “how the request originated”. The inference that the request was made purely to strengthen the chances of the Wild Turkey interests successfully opposing the application is another one that is available on the evidence.

201 As for the terms of the licence agreement, I agree with the primary judge. The agreement made no practical difference to the use to which the marks were put or the way WGW conducted itself. It was business as usual for Mr O’Sullivan during the non-use period.

202 In all the circumstances, I am not satisfied that the Wild Turkey interests proved that during the non-use period the registered owner of the Wild Geese trade marks (whether Austin Nichols or Rare Breed) exercised any control over their use by WGW. Consequently, in this period the marks did not signify a connection between the products sold by WGW and the registered owner of the trade marks and the use of the marks by WGW was not authorised use and therefore use by the registered owner for the purpose of the Act.

### **Conclusion**

203 For these reasons I agree with the orders proposed by Besanko J.