

Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd
[2016] FCAFC 91

FEDERAL COURT OF AUSTRALIA

BESANKO, NICHOLAS AND YATES JJ

THE COURT:

BACKGROUND

- 1 This is an appeal from a judgment of the Chief Justice dismissing a proceeding brought by the first appellant (“STG Eersel”) and the second appellant (“STG Australia”) against the respondent (“Trojan”) for trade mark infringement, passing off, and contraventions of s 18 and s 29(1)(g) of the *Australian Consumer Law* (Schedule 2 of the *Competition and Consumer Act 2010* (Cth)) (“ACL”). In these reasons we shall refer to the appellants as “STG” except where it is necessary to differentiate between them.
- 2 STG Eersel is based in the Netherlands. It is the owner of the trade marks comprising the words “CAFÉ CRÈME”, “HENRI WINTERMANS” and “LA PAZ” (“the STG trade marks”) in respect of cigars. STG Eersel manufactures cigars in Belgium, Holland and Indonesia which are supplied in packaging to which the STG trade marks are applied by or under the control of STG Eersel. STG Australia is STG Eersel’s authorised distributor in Australia.
- 3 The *Tobacco Plain Packaging Act 2011* (Cth) and the *Tobacco Plain Packaging Regulations 2011* (Cth) (together “the plain packaging laws”) came into effect in 2012. The plain packaging laws provide for the plain packaging of tobacco products available for retail sale in Australia.
- 4 After the plain packaging laws came into force, STG Eersel took steps to ensure that quantities of its cigars were packaged in accordance with their requirements. Since early 2013, all authorised product distributed in Australia by STG Australia has been pre-packaged overseas by STG Eersel so as to comply with the plain packaging laws.
- 5 Trojan is an importer and supplier of cigars and other tobacco products. It imports cigars from overseas which it re-packages and sells in Australia. This includes cigars made by or under the control of STG Eersel that are supplied in packaging that does not comply with the plain packaging laws and are re-packaged by or for Trojan in compliant plain packaging. It is not disputed that the re-packaged cigars are themselves genuine goods that were made by or under the control of STG Eersel. Nor is it disputed that Trojan applies the STG trade marks, or causes

the STG trade marks to be applied, to the goods in the course of re-packaging the products and that this is done without the consent of STG Eersel.

6 STG Eersel's La Paz cigars are individually packaged in metal tubes with the brand name "La Paz Gran Corona" affixed to the exterior together with a barcode, the names of the manufacturer, the distributor and the place of origin. Each cigar is individually wrapped in cellophane and surrounded by a paper band bearing the name "La Paz" and "Gran Corona". La Paz cigars come in boxes of 10.

7 STG Eersel's Café Crème cigars are not individually wrapped but come in a cellophane wrapped metal box of 10. The "Café Crème" name appears on the front of the box together with the relevant batch code, bar code, and names of the manufacturer, the distributor and the place of origin.

8 STG Eersel's Henri Wintermans cigars are packaged in a cardboard box on the front of which appears the "Henri Wintermans" name. Each box contains five cigars each of which is wrapped in cellophane. Again, the manufacturer's name, the distributor's name and the place of origin appear on the box. The primary judge annexed to his reasons for judgment copies of photographs depicting boxes of Henri Wintermans cigars as re-packaged by Trojan. Copies of those same photographs are also annexed to these reasons for judgment. The Henri Wintermans trade mark is visible on the bottom of the front of the individual packet and at the bottom of the front of the wholesale pack. After Trojan acquires a quantity of STG Eersel cigars, it removes them from their original packaging and transfers them to new packaging that complies with the plain packaging laws.

9 In its appeal, STG challenges the correctness of the primary judge's finding that Trojan did not infringe the STG trade marks. We propose to deal with this aspect of the appeal first before addressing other issues arising out of the primary judge's rejection of STG's other claims under the ACL and for passing off.

THE TRADE MARK CASE

The trade mark issues

10 Two trade mark issues that were decided by the primary judge are in issue in this appeal. Briefly stated, those issues are as follows:

- Did Trojan use each of the STG trade marks “as a trade mark” as required by s 120 of the *Trade Marks Act 1995* (Cth) (“the Act” or “the 1995 Act”)?
- Did s 123(1) of the Act apply to any such use?

The first issue was raised by Trojan in this Court by way of notice of contention. In essence, Trojan contends that it could not be liable for trade mark infringement because it did not use any of the STG trade marks “as a trade mark” as required by s 120. The second issue, which is the focus of STG’s appeal, was decided in Trojan’s favour. Because the two issues are closely interrelated, and the second does not arise if Trojan did not use the STG trade marks as trade marks, it is convenient to consider the s 120 issue first.

The Trade Marks Act 1995 (Cth)

11 It is necessary to set out the relevant provisions of the 1995 Act. It will also be necessary for us to refer to various provisions of the now repealed *Trade Marks Act 1955* (Cth) (“the 1955 Act”).

12 The relevant provisions of the Act are mostly found in Pt 2 (ss 6-16), Pt 3 (ss 17-26) and Pt 12 (ss 120-130).

13 Section 17 relevantly provides:

17 What is a trade mark?

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.

...

(original emphasis)

14 Section 7(4) defines “use of a trade mark in relation goods” to mean use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods).

15 Section 20(1) provides that the registered owner of a trade mark has, subject to Pt 3 of the Act, the exclusive right to use the trade mark, or authorise other persons to use the trade mark, in relation to the goods or services in respect of which the trade mark is registered. Section 20(2) provides that the registered owner has the right to obtain relief if the trade mark has been infringed.

16 Section 120(1) relevantly provides:

120 When is a registered trade mark infringed?

- (1) A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

...

(original emphasis)

17 Section 121 relevantly provides:

121 Infringement of trade mark by breach of certain restrictions

- (1) This section applies to a registered trade mark if the registered owner, or an authorised user of the trade mark having power to do so, has caused to be displayed on goods (*registered goods*) in respect of which the trade mark is registered, or on their package, or on the container in which they are offered to the public, a notice (*notice of prohibition*) prohibiting any act that is under subsection (2) a prohibited act in relation to the goods.

...

- (2) Each of the following is a prohibited act:

- (a) applying the trade mark to registered goods, or using the trade mark in physical relation to them, after the state, condition, get-up or packaging in which they were originally offered to the public has been altered;
- (b) altering, or partially removing or obliterating, any representation of the trade mark applied to registered goods or used in physical relation to them;
- (c) if the trade mark has been applied to registered goods, or used in physical relation to them, together with other matter indicating that the registered owner or authorised user has dealt with the goods—removing or obliterating, totally or in part, any representation of the trade mark without totally removing or obliterating the other matter;
- (d) applying another trade mark to registered goods or using another trade mark in physical relation to them;
- (e) if the trade mark has been applied to registered goods or used in physical relation to them—using on the goods, or on the packaging or container of the goods, any matter that is likely to injure the reputation of the trade mark.

...

- (3) Subject to subsection (4), a person infringes a trade mark to which this section applies if the person:

- (a) is the owner of registered goods; and
- (b) in the course of trade, or with a view to a dealing with the goods in the course of trade:

- (i) does an act that is prohibited under the notice of prohibition;
or
 - (ii) authorises that act to be done.
- (4) The trade mark is not infringed if the owner of the goods:
- (a) acquired them in good faith and without being aware of the notice of prohibition; or
 - (b) became the owner of the goods by virtue of a title derived from a person who had so acquired them.

(original emphasis)

18 Section 123(1) of the Act relevantly provides:

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

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

...

(original emphasis)

Section 123(2), which is in similar terms, is concerned with services rather than goods.

19 The expression “similar goods” is defined in s 14(1) to mean goods that are the same as, or of the same description as, the other goods. The expressions “applied to” and “applied in relation to” are defined in s 9(1) as follows:

For the purposes of this Act:

- (a) a trade mark is taken to be ***applied to*** any goods, material or thing if it is woven in, impressed on, worked into, or affixed or annexed to, the goods, material or thing; and
- (b) a trade mark is taken to be ***applied in relation to*** goods or services:
 - (i) if it is applied to any covering, document, label, reel or thing in or with which the goods are, or are intended to be, dealt with or provided in the course of trade; or
 - (ii) if it is used in a manner likely to lead persons to believe that it refers to, describes or designates the goods or services; and
- (c) a trade mark is taken also to be ***applied in relation to*** goods or services if it is used:

- (i) on a signboard or in an advertisement (including a televised advertisement); or
- (ii) in an invoice, wine list, catalogue, business letter, business paper, price list or other commercial document;

and goods are delivered, or services provided (as the case may be) to a person following a request or order made by referring to the trade mark as so used.

(original emphasis)

The primary judge's decision

20 Before the primary judge Trojan accepted that there had been trade mark use, but submitted that this was use by STG Eersel and not Trojan. His Honour rejected this submission, and held that Trojan had used each of the STG trade marks as a trade mark. In his Honour's view, this conclusion was consistent with four previous Full Court decisions in which it was held that an importer of goods to which a trade mark has been applied by or with the consent of its registered owner used such marks "as a trade mark" within the meaning of s 120 of the Act: see *Transport Tyre Sales Pty Ltd v Montana Tyres Rims & Tubes Pty Ltd* [1999] FCA 329; 93 FCR 421 at 440 [94] ("*Montana*"); *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* [2009] FCAFC 27; 175 FCR 386 at 403-404 [57]-[58] ("*Gallo*"); *Paul's Retail Pty Ltd v Sporte Leisure Pty Ltd* [2012] FCAFC 51; 202 FCR 286 at 295 [66] ("*Sporte Leisure*"); and *Paul's Retail Pty Ltd v Lonsdale Australia Limited* [2012] FCAFC 130; 294 ALR 72 at 82 [65] ("*Lonsdale*").

21 However, the primary judge held that s 123(1) of the Act applied to Trojan's use of the STG trade marks because those marks were originally applied to, or in relation to, the goods by or with the consent of STG Eersel before those goods were acquired by Trojan. His Honour considered that s 123(1) requires one to ask whether the owner has either applied, or consented to the application, of its mark to the goods or in relation to the goods rather than whether the owner has consented to what is said to be a subsequent unauthorised application of the same mark by another party such as Trojan. His Honour said at [84]-[85]:

[84] ... The natural reading of s 123 is one that looks to (a) the use of a trade mark in relation to goods (b) the similarity of the goods to those in respect of which the trade mark is registered (c) an enquiry whether the trade mark **has been** applied to, or in relation to, the very goods as in (a); and (d) whether that application was with the consent of the registered proprietor. If one undertakes that enquiry, one finds that Trojan has used the trade marks in relation to cigars, being goods the same (and so similar: s 14(1)(a) of the Act) as those in respect of which the trade mark is registered, and the trade mark has been applied in relation to those very goods with the consent of the owner at the time of original packaging.

[85] This construction more naturally conforms with a purpose in s 123 of protecting as non-infringing use that which does no more than draw a connection between the goods and the registered owner, and does not draw a connection between the goods and the person using the trade mark being someone other than the registered owner. This would be seen as conformable with vindicating that very idea found in *Wingate Marketing v Levi Strauss* 49 FCR at 134-135; and in *Atari Inc v Fairstar Electronics Pty Ltd* 50 ALR 274 at 277.

(original emphasis)

Did Trojan use the STG trade marks as a trade mark?

22 Section 120(1) expressly requires that there be use of a sign “as a trade mark” in order for there to be infringement. The 1955 Act did not contain any express requirement to this effect but s 58(1) and s 62(1) of the 1955 Act, when read with the definition of “trade mark” in s 6, were held to impliedly require that the use referred to in those provisions be use of a mark as a trade mark.

23 Trojan did not submit that there was no use of the STG trade marks as trade marks on the packaged products it distributed. On the contrary, it accepted both before the primary judge and this Court that there was trade mark use. Trojan’s submission was that it did not use the STG trade marks as trade marks because it did not use any of the STG trade marks to do more than indicate a connection in the course of trade between its re-packaged goods and the owner of the STG trade marks.

24 In *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 (“*E & J Gallo*”) at [43] the plurality, French CJ, Gummow, Crennan and Bell JJ and at [87] Heydon J, expressly approved the following statement of the Full Court in *Coca-Cola Company v All-Fect Distributors Ltd* (1999) 96 FCR 107:

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 [see *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 341, 351]. 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.

25 The authorities provide many examples of use that was found not to constitute use as a trade mark. The principal authorities emphasise that the question whether there has been use of a mark as a trade mark depends upon the context in which the mark is used: see, for example, *Shell Co of Australia Ltd v Esso Standard Oil (Australia) Ltd* (1963) 109 CLR 407 (“*Shell*”) at

422 per Kitto J (with whom Dixon CJ, McTiernen and Owen JJ agreed); *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* (1991) 30 FCR 326 at 340-341 per Lockhart J, at 342-343 and 351 per Gummow J (both of which were decided under the 1955 Act).

26 *Shell* concerned the alleged infringement of the plaintiff's registered trade marks for a device in the form of a caricature of a man in the shape of an oil drop. The defendant was alleged to have infringed the marks by reproducing them in two television commercials. Kitto J said at 422:

The question, then, is whether such a user of the oil drop figure as takes place by the exhibition of the films on television involves infringement of the trade marks. It is a question not to be answered in favour of the appellant merely by pointing to the brevity of the occasions when substantial identity is achieved. The assumption I have made means, of course, that if the oil drop figure as appearing in some of the individual frames of the films were transferred as separate pictures to another context the use of the pictures in that context could be an infringement. But the context is all-important, because not every use of a mark which is identical with or deceptively similar to a registered trade mark infringes the right of property which the proprietor of the mark possesses in virtue of the registration.

27 His Honour then referred to the implied requirement that the defendant's use be use as a trade mark and said at 424-425:

Was the appellant's use, that is to say its television presentation, of those particular pictures of the oil drop figure which were substantially identical with or deceptively similar to the respondent's trade marks a use of them "as a trade mark"?

With the aid of the definition of "trade mark" in s. 6 of the Act, the adverbial expression may be expanded so that the question becomes whether, in the setting in which the particular pictures referred to were presented, they would have appeared to the television viewer as possessing the character of devices, or brands, which the appellant was using or proposing to use in relation to petrol for the purpose of indicating, or so as to indicate, a connexion in the course of trade between the petrol and the appellant. Did they appear to be thrown on to the screen as being marks for distinguishing Shell petrol from other petrol in the course of trade?

28 Kitto J (at 426) described the decision of the House of Lords in *Irving's Yeast-Vite Ltd v FA Horsenail* (1934) 51 RPC 110 as "a striking example of a context precluding a conclusion that a use complained of as an infringement was a use as a trade mark." The goods in that case were labelled "YEAST TABLETS a substitute for YEAST-VITE". This was held by the House of Lords not to be use of the Yeast-Vite mark as a trade mark. Lord Tomlin said at 115:

[t]his is clearly a use of the word "Yeast-Vite" on the Respondent's preparation to indicate the Appellant's preparation and to distinguish the Respondent's preparation from it. It is not a use of the word as a trade mark, that is, to indicate the origin of the

goods in the Respondent by virtue of manufacture, selection, certification, dealing with or offering for sale.

29 Thus, the “Yeast-Vite” mark was not used so as to indicate any relevant trade connection between the goods to which the labels had been applied and the registered owner. The finding that there was no trade mark use is explicable on that basis.

30 In *Musidor BV v Tansing* (1994) 52 FCR 363 the applicant brought a proceeding for infringement of trade marks comprising the words “The Rolling Stones” registered in respect of (inter alia) compact discs. Gummow and Heerey JJ said at 376:

On the question of infringement, one asks whether in the setting of the packaging and on the discs themselves in which the words “THE ROLLING STONES” are depicted, that phrase appears as an expression which the manufacturer of the disc is using for the purpose of indicating or so as to indicate a connection in the course of trade between him and the disc contained within the packaging.

...

We accept the submission for the respondent that the words "The Rolling Stones" are not used for the purpose of indicating a connection in the course of trade between him and the discs or any other goods in respect of which the trade marks are registered. Rather, they are used here to identify a recording made many years ago of a live performance by those persons in the United States, which has been reproduced and embodied in the discs manufactured by the respondent. That is not a trade mark use by the respondent: cf. *News Group Newspapers Ltd v Rocket Record Co Ltd* [1981] FSR 89 at 98; *Unidoor Ltd v Marks and Spencer Pic* [1988] RPC 275 at 280; *Re Polar Music International AB* 714 F 2d 1567 at 1572 (1983).

31 In *E & J Gallo* the High Court was concerned with an application for removal of a registered trade mark for non-use under s 92(4)(b) of the 1995 Act. It was held that retail sales in Australia of goods to which the mark had been applied by an authorised user in the United States involved trade mark use by the registered owner which was sufficient to defeat the non-use application. The High Court rejected a submission based upon *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Limited* (1967) 116 CLR 254 (“*Estex*”) to the effect that there could be no use by the overseas owner of the mark unless it knowingly “projects” its goods into the course of trade in Australia (at [49]-[52]). The question whether the importation and sale of goods to which a registered mark has been applied by or with the licence of the overseas trade mark owner constitutes trade mark use by the importer was expressly left open by the High Court at [53].

32 There is some authority to suggest that a person who merely sells goods to which a registered mark has been applied by or with the licence of the trade mark owner does not use the mark as

a trade mark even though the very presence of the goods indicates a connection between the goods and the registered owner. Perhaps the most well-known of these is *Champagne Heidsieck Et Cie Monopole Societe Anonyme v Buxton* [1930] 1 Ch 330 (“*Champagne Heidsieck*”), a decision of Clauson J under the *Trade Marks Act 1905* (UK).

33 In *Champagne Heidsieck* the plaintiff alleged that the defendant was infringing its trade mark for “Champagne Dry Monopole” by selling in England the plaintiff’s Brut champagne which the plaintiff claimed to make for sale solely in France. It was common ground that the plaintiff had made and applied its mark to the Brut champagne that the defendant was selling in England.

34 Clauson J rejected the plaintiff’s submission that the defendant had infringed the plaintiff’s trade mark. The plaintiff’s principal submission was based upon the statutory provision expressed to confer on the plaintiff the exclusive right to use the registered trade mark upon goods in respect of which it was registered: see s 39 of the *Trade Marks Act 1905* (UK) and s 3 of the *Trade Mark Registration Act 1875* (UK). His Lordship rejected the plaintiff’s submission and said at 338-339:

It was, in effect, suggested that, whereas before 1875 a trade mark, if established as a trade mark, was a badge of the origin of the goods, the effect of s. 3 of the Act of 1875 was to make a registered trade mark a badge of control, carrying with it the right in the owner of a registered trade mark to full control over his goods, into whosoever hands they might come, except in so far as he might expressly or by implication have released this right of control. I do not so read the section. Nor am I aware that, until the present case, any such construction of the section or of corresponding sections in subsequent Acts has been adopted by any tribunal; or indeed that, until very recent times, any such construction has been propounded to any tribunal. It would be astonishing, if in an Act to establish a register of trade marks, such a remarkable extension of the rights of owners of trade marks were intended to be enacted by the use of such terms as appear in the section. The section appears to me to mean that the proprietor of a registered trade mark is to have the right exclusively to use such trade mark in the sense of preventing others from selling wares which are not his marked with the trade mark. I do not believe that the legislature intended to say, or can fairly be held to have said, that the registration of a trade mark had the wide consequences suggested by the plaintiffs.

...

In the Act of 1905 the word “trade mark” is defined as a mark used upon goods for the purpose of indicating that they are the goods of the proprietor of the mark, and reading this definition into s. 39 **it appears to me quite clear that the exclusive right to use the mark conferred on the registered proprietor by that section is the right to use the mark as a trade mark**—i.e., as indicating that the goods upon which it is placed are his goods and to exclude others from selling under the mark wares which are not his.

(emphasis added)

35 His Lordship’s judgment is often relied upon in support of the proposition that a person who, in the course of trade, sells goods to which the trade mark owner has itself applied its mark does not use the mark as a trade mark. However, the decision can also be explained on the basis that the defendant’s use in that case was not an infringing use of the mark. This view finds support in the final paragraph of Clauson J’s reasons where his Lordship said at 341:

... to hold that the use of a mark by the defendant which is relied on as an infringement must be a use upon goods which are not the genuine goods, i.e., those upon which the plaintiffs’ mark is properly used, for any one may use the plaintiffs’ mark on the plaintiffs’ goods, since that cannot cause the deception which is the test of infringement.

36 This view of the decision in *Champagne Heidsieck* is relevant to an understanding of s 123 of the 1995 Act, to which we will return later in these reasons. What matters for present purposes is that the decision in *Champagne Heidsieck* can be explained on the basis that, although the defendant may have used the plaintiff’s mark, he did not engage in infringing use when selling goods to which the plaintiff had itself applied the registered mark.

37 The *Trade Marks Act 1938* (UK) (“the 1938 UK Act”) included in s 4(3)(a) an express provision that deemed a mark not to be infringed by the use of a mark in relation to goods where the use occurred with the express or implied consent of the registered proprietor. In *Revlon Inc v Cripps & Lee Ltd* [1980] FSR 85, *Champagne Heidsieck* was interpreted by the English Court of Appeal not as a case in which there was no trade mark use by the importer of the relevant goods, but on the basis that the registered proprietor’s mark had been applied to such goods with the registered proprietor’s consent. Buckely LJ (with whom Bridge LJ agreed) appears to have decided the case (at 108) not on the basis that there was no trade mark use by the importer, but on the basis that s 4(3)(a) applied, and that the importer’s use was deemed to be a non-infringing use.

38 The High Court’s decision in *Estex* was made under the 1955 Act. The case involved an application to remove a trade mark for non-use pursuant to s 23(1)(b) of the 1955 Act. The application was heard by Windeyer J at first instance who described the main issue in the case as whether there was use by the registered owner of its mark in Australia. His Honour found that there was. His Honour distinguished the High Court’s previous decisions in *Rothman Ltd v WD & HO Wills (Australia) Ltd* (1955) 92 CLR 131 (Fullager J) and *WD & HO Wills (Australia) Ltd v Rothmans Ltd* (1956) 94 CLR 182 (Full Court) (“*Rothmans*”) on the basis that in *Rothmans*, at the point of sale in the United States, the relevant goods ceased to be goods in

trade, whereas in *Estex*, the registered proprietor of the mark sold its goods in England for sale in Australia. Windeyer J held that the subsequent sale of the goods in Australia under the trade mark constituted use by the registered owner of the trade mark in Australia. His Honour's decision in *Estex* was upheld on appeal to the Full Court. The Full Court said at p 271:

[W]e have no doubt that when an overseas manufacturer projects into the course of trade in this country, by means of sales to Australian retail houses, goods bearing his mark and the goods, bearing his mark, are displayed or offered for sale or sold in this country, the use of the mark is that of the manufacturer. **Indeed, in this case, the respondent is the only person who has the right to use the mark and the retailer to whom the goods have been sold for re-sale does not, in any relevant sense, use it.**

(emphasis added)

39 This passage in the Full Court's judgment in *Estex*, with the important exception of the last sentence, was referred to with apparent approval by the plurality in *E & J Gallo* at [48]. Their Honours also referred with approval to what Aickin J said in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 ("*Pioneer*") at 688 concerning *Estex* which his Honour described as authority for "the proposition that the foreign owner of an Australian mark uses it in Australia when he sells goods for delivery abroad to Australian retailers and those retailers import them into Australia for sale and there sell them."

40 A question arose in *Pioneer* as to who might be registered as a registered user of a mark pursuant to s 74 of the 1955 Act. Section 74(1) provided that a person other than the registered owner could be registered as a registered user for all or any of the goods or services in respect of which the mark was registered. One of the submissions made on behalf of the Registrar of Trade Marks was that a distributor of goods upon which a trade mark had already been applied by the registered proprietor does not use the mark as a trade mark.

41 Aickin J rejected the submission that a distributor of goods did not itself use a mark which was already on the goods. His Honour, referring to *Estex*, said at 688:

... It was not necessary in that case to consider whether the retailer also used the mark because the only relevant question was whether the registered proprietor himself had used the mark in Australia. There is no doubt that if the retailer had on the same basis imported goods other than those of the registered proprietor but bearing its mark, he would have used the mark by infringing it. This is established by *W.D. & H.O. Wills (Australia) Ltd. v. Rothmans Ltd.* [(1955) 92 CLR 131] (Fullagar J); [(1956) 94 CLR 182] (Full Court), where it was held that the only trade in the goods took place in the United States of America, because the importer was a consumer, not a trader. However in its joint judgment the Court observed [(1956) 94 CLR at p.188]: "If a purchaser instead of smoking the cigarettes had attempted to resell the packets he would of course

have used the trade mark and would have been liable to be sued for infringement under s. 53 of the *Trade Marks Act*.” **Thus if Pioneer Australia had done no more than import the goods and sell them by retail it would have used the mark, but in fact it did much more as the evidence referred to above demonstrates.**

(emphasis added)

42 It is clear that the observation in the last sentence of the passage we have quoted at [38] from the Full Court’s judgment in *Estex* was not necessary to the decision in that case and was *obiter dictum*. This is apparent from a reading of the judgment and is also confirmed by what was said by Aickin J in *Pioneer* when describing the holding in *Estex* in terms approved by the plurality in *E & J Gallo*.

43 The *Rothmans* case was decided under the *Trade Marks Act 1905* (Cth) (“the 1905 Act”) as amended in 1948 to incorporate the same definition of “trade mark” that appeared in the 1938 UK Act, which was also later incorporated (with some slight changes) in the 1955 Act. The issue in *Rothmans* was whether the appellant, as the registered proprietor of the “Pall Mall” mark, had used that mark in Australia. The appellant relied upon what were held to be sales made abroad of tobacco products imported by the purchasers into Australia for their private consumption. The Full Court said at 188:

The cigarettes were not imported for sale. They were imported for consumption. The cigarettes that reached Australia for consumption by the Australian purchasers were in no different position from cigarettes which a traveller might have purchased in the United States and brought with him to Australia for his own consumption here. If a purchaser instead of smoking the cigarettes had attempted to resell the packets he would of course have used the trade mark and would have been liable to be sued for infringement under s. 53 of the *Trade Marks Act*. But that would have been an unlawful use of the trade mark by the purchaser and not a use by the proprietor of the trade mark and it is the latter use, and the latter use only, with which we are concerned.

44 Aickin J’s observations in *Pioneer*, and the statements of the Full Court in *Rothmans* at 188 to which his Honour refers, draw attention to the conceptual difficulty in holding that a reseller of goods to which a trade mark owner has applied its mark does not use the mark, whereas a reseller of goods who has acquired goods from a third party who has applied a trade mark to the goods without the trade mark owner’s consent does use the mark. The Full Court’s statement in *Rothmans* provides strong support for the proposition (contrary to the *obiter dictum* in *Estex*) that in both of these examples the reseller will have used the trade mark applied to the goods if he or she sells the goods, or offers the goods for sale.

45 Counsel for Trojan referred us to the Full Court’s decision in *Wingate Marketing Pty Ltd v Levi Strauss & Co* (1994) 49 FCR 89 (“*Wingate*”), also decided under the 1955 Act. That was a case in which the appellant was held not to have used any of the respondent’s Levi Strauss marks as a trade mark by offering for sale and selling second-hand jeans that the appellant had (inter alia) repaired, reconditioned or altered to varying degrees but which still carried the “Levi Strauss” marks that were applied by or with the authority of the trade mark owner at the time of manufacture. The Full Court held that none of the “Levi Strauss” marks was used by the appellant as a trade mark. However, the appellant was found liable for trade mark infringement arising out of its use of its own mark (“*Revise*”) which it applied to the second-hand jeans prior to offering them for sale.

46 *Wingate* emphasises the importance of context in determining whether a person has used a mark as a trade mark. Central to the finding that the appellant did not use the “Levi Strauss” marks as trade marks was the fact that the goods were second-hand, that they were offered for sale as such, and that the appellant applied its own mark to them.

47 On the question whether the appellant was using any of the “Levi Strauss” marks as a trade mark, Sheppard J (with whom Wilcox J agreed) said at 111:

His Honour’s finding of infringement was limited to cases in which the second hand jeans marketed by *Wingate* had undergone substantial alteration. His Honour did not find infringement in cases where the jeans were merely repaired by mending and such like. But, if *Wingate* is in truth using the Levi Strauss marks as trade marks, that distinction is not warranted. If there is a use of the mark as a trade mark, there will be such a use whether or not the jeans are largely as they originally were or have undergone substantial alteration or addition. That very circumstance suggests that the use here is not a trade mark use. A second hand shop or a charity shop selling second hand clothing which included worn or used Levi Strauss jeans would not without more infringe any of the Levi Strauss marks by selling the second hand garments although they might bear one or more of those marks. Members of the public acting reasonably are not misled or confused by the fact that in countless cases second hand products have attached to them original labels, many of which will consist of or contain the trade marks of a variety of manufacturers and distributors. Certainly they will not think that the second hand shop with which they deal is an offshoot of, or has some connection with, the original supplier of the product when new. They may think that a substantially altered garment bearing a trade mark is a second hand garment manufactured or distributed by the company whose name appears on the label affixed to the goods, but if that be so, it will not be because the mark is being used as a trade mark, but because of other factors, which taken together, may well warrant the conclusion that the person marketing the goods is passing them off as having been originally made or produced in the form in which they then are. That really is the essence of the Levi Strauss complaint in relation to this aspect of the case. But, in my opinion, it is properly dealt with in the context of misrepresentation and passing off and not in the context of infringement of trade mark.

... The issue here is whether there is infringement of the marks already upon the goods by reason of the further activities of Wingate pursuant to which the goods are, in a sense, placed or further placed upon the market.

I have dealt at such length with the significance of the presence on the goods of the Wingate “REVISE” label because that circumstance differentiates the present from other cases where there is discussion of the significance in trade mark law of the sale of second hand goods bearing the mark affixed by the manufacturer. As I have said, those cases, particularly *Fender*, were not cases in which the second hand dealer affixed any mark of his own.

The issue as to infringement of the Levi Strauss trade marks by Wingate, not by reason of the use of “REVISE” (the first set of trade mark issues on the appeal), but by reason of the dealings conducted upon the goods and their resale is to be framed as follows. It concerns the purpose and nature of the alleged infringing use and is, in terms of the well known authorities, whether the Levi Strauss trade marks are used by Wingate for the purpose of indicating, or so as to indicate, a connection in the course of trade between the garments and Wingate: *Johnson & Johnson Australia Pty Ltd v Sterling Pharmaceuticals Pty Ltd* at 342, 347.

As indicated earlier in these reasons, the issue thus presented is not answered by considerations concerned with deceptiveness or the goodwill of the registered proprietor.

In testing the question of infringement, it is proper to have regard to the very goods in question in their condition at the time of the allegedly infringing acts. The continued appearance of the Levi Strauss marks upon the goods as sold by Wingate, after what one might call their conditioning, is an illustration of the class of case referred to by Viscount Maugham in the quotation set out above from *Aristoc Ltd v Rysta Ltd*. Namely, these marks were intended by the manufacturer to indicate origin and thus indicate a character or quality of the goods. This may be displaced, having regard to the degree of change wrought by the activities of Wingate.

Here, the function of the mark “REVISE” is to indicate that there have been operations performed upon the goods since they left the manufacturer. The Levi Strauss trade marks appear on the goods not for the purpose of indicating or so as to indicate a connection between the garments and Wingate (the purpose and nature of “REVISE”) but to indicate by way of comparison or contrast the origin of the goods. That is the purpose and nature of the alleged trade mark use by Wingate of the Levi Strauss marks. Use of that character is not a trade mark use: cf *Irving's Yeast-Vite Ltd v Horsenail* (1934) 51 RPC 110.

49 Some of these statements suggest that a person who merely sells goods to which a mark has already been applied by the trade mark owner does not use the mark when offering the goods for sale. However, the Full Court did not address that question outside the context of the particular facts of the case before it, which involved, as we have explained, trade in refurbished second-hand goods. Nor was any reference made in any of the judgments in *Wingate* to Aickin J’s observations in *Pioneer* at 688 or the High Court’s observations to similar effect in *Rothmans* at 188.

50 We have considered it necessary to undertake this examination of authorities for the purpose of showing that by the time the 1995 Act was drafted, the question whether a person uses a registered mark already applied to goods by the registered proprietor which that person later imports and sells in Australia was by no means settled. By that time the last authoritative word on the issue belonged to Aickin J who, in *Pioneer*, gave a judgment that, even though only a decision of a single justice, came to be regarded as a seminal decision in the field of trade mark law. As to *Wingate*, neither Sheppard J nor Gummow J considered the issue at a general level and they instead focused on the particular facts of the case before them. In our respectful opinion, *Wingate* does not assist in resolving the present case.

51 As we have explained, at a conceptual level, it is difficult to see why a reseller who supplies genuine goods does not use a trade mark which the registered owner previously applied to those goods but does use a trade mark when he or she supplies goods to which a trade mark has been applied by a third party without the consent of the owner. However, there are two policy arguments often advanced to justify this distinction which we will now mention.

52 The first argument focuses on concerns that trade in genuine goods imported from overseas (ie. parallel imports) may be impeded by trade mark ownership and licensing structures and arrangements that may make it difficult to establish that the registered owner of a mark has consented to the application of the mark to genuine goods. But in most cases the argument is likely to be answered by giving full effect to the wide language of s 123 of the 1995 Act. Similarly, to the extent that the 1995 Act may have placed the burden of proof of the matters referred to in s 123 upon the respondent, it is also important to recognise that, in a particular case, the evidential burden may quickly shift to the registered owner since it will usually be best placed to know whether a registered trade mark has been applied with or without consent: *Sporte Leisure Pty Ltd v Paul's International Pty Ltd (No 3)* [2010] FCA 1162; 88 IPR 242 at [101].

53 The second argument emphasises the difficulty that may be faced by resellers who may have no sure way of knowing whether a mark applied to goods which they purchase was applied by or with the consent of the trade mark owner. This is, however, a difficulty that resellers have always faced when acquiring goods from anyone other than the registered owner of the mark. In the context of the 1995 Act, the reseller will either have the benefit of s 123 or will be left to rely upon any contractual or other remedies it may have against the person from whom it acquired the goods in the event these are found to be infringing.

54 Turning to other provisions of the 1995 Act, s 7(3) provides that an “authorised use” of a trade mark is taken to be use of the mark by the owner. Section 8(3) contemplates that a person who merely deals with, or provides, in the course of trade, goods in relation to which a mark is used, may be an authorised user of the mark. In such a case there may be use of the mark by both the authorised user and the registered owner. This accords with the view of Aickin J in *Pioneer* that a person who imports and sells goods to which a mark has been applied by the registered owner will have used the mark. Indeed, it seems to us that his Honour’s analysis of the law in *Pioneer* (including at 688) had a considerable influence upon the drafting of the authorised use provisions.

55 The last point we would make in relation to the issue of trade mark use is that the very presence of s 123 in the 1995 Act suggests that a person who imports and sells goods to which a mark has been applied by or with the consent of the registered owner will use the mark as a trade mark. This is because s 123 would seem to be redundant if a person who imports and sells such goods did not use the mark as a trade mark.

56 In our opinion, under the provisions of the 1995 Act, a person who, in the course of trade, imports and sells goods to which a registered mark was applied by its owner at the time of manufacture will have used the mark as a trade mark. It follows that, on this issue, we are not satisfied that the position under the 1995 Act is other than as stated in *Montana, Gallo, Sporte Leisure* and *Lonsdale*.

Did s 123 apply in the circumstances of this case?

57 We turn then to the principal issue arising in the appeal, which is one that is best understood in light of our broader consideration of the question of trade mark use.

58 Section 123 of the 1995 Act gives the *Champagne Heidsieck* principle an express statutory footing that, in our view, leaves no scope for the principle to be given any more expansive operation by reference to cases decided under different legislation including *Champagne Heidsieck* itself: see *Sporte Leisure* at [71] and *Lonsdale* at [62]-[63] where reference is made to the difficulties involved, as a matter of statutory construction, in attributing to the *Champagne Heidsieck* principle a broader operation that travels beyond the scope of s 123. Under the 1995 Act, the question of whether or not a registered mark is infringed by the commercial importation or sale of genuine goods (what Clauson J described as “those upon which the plaintiff’s mark is properly used”) must now be determined by reference to s 123(1). If the respondent who is selling what are said to be genuine goods is held to be outside the

protection of s 123(1), then the respondent will not avoid liability for trade mark infringement on the basis that he or she is not using the relevant mark unless there is something else about the context in which the use occurs that (as in *Wingate*) might lead to a different conclusion.

59 There are two different interpretations of s 123(1) relied upon in this case.

60 The first interpretation, which is that relied upon by STG, involves reading s 123(1) as requiring that the use of the mark by the person referred to occur in relation to goods which continue to bear the mark that was applied by or with the consent of the registered owner. On this interpretation, s 123(1) would only be engaged in this case if it could be said that the marks applied during the course of its re-packaging operations were applied by Trojan with STG's consent.

61 The other interpretation of s 123(1), which is relied upon by Trojan, and which was preferred by the primary judge, directs attention to any prior application of the mark on or in relation to the goods that occurred by or with the consent of the registered owner. This would include an application of a mark to goods by or with the consent of the registered proprietor in circumstances where the mark was later removed from the goods. On this interpretation, if the registered owner has applied its mark to the relevant goods, then it will be open to another person to purchase the goods, remove the mark, and then re-apply it for the purposes of resale. This describes what occurred in this case. Trojan discarded the original packaging to which the marks had been applied by or with STG's consent so that the goods could be re-packaged using compliant packaging. It is not disputed that the marks were applied by Trojan without STG's consent.

62 In our view the construction of s 123(1) which was preferred by the primary judge is correct. Our reasons are as follows.

63 It is important to keep in mind when interpreting s 123(1) that a registered trade mark may be used in many different ways which do not involve physically applying the mark to goods. Trade mark use can also occur in relation to goods in print and electronic advertising, invoices, bills of lading and other commercial documents, or even in conversations between a salesperson and a customer, in many different markets involving the supply of all manner of goods. If s 123(1) is to operate as intended (ie. reflecting the principle in the *Champagne Heidsieck* case) it must be interpreted in a manner that allows it to apply in the wide variety of circumstances in which a mark may be used in relation to the goods.

- 64 Suppose that a retailer acquires packaged goods from the registered owner who applied its mark to the goods at the time of manufacture. The retailer places the goods on display for sale. It then attaches to the display unit a sign it created reproducing the mark. It then arranges advertising in which the mark is reproduced for the purpose of advertising the goods. None of these acts constitute trade mark infringement. This is not because the retailer does not use the mark, but because it has a defence available to it under s 123(1) of the 1995 Act. The fact that the trade mark owner does not approve or consent to these acts on the part of the retailer (because, for example, the retailer is supplying “parallel imports” or engaged in discounting) is irrelevant to the operation of s 123(1). But what if the retailer wishes to re-package the goods because the packaging in which they were originally supplied was damaged or because it did not comply with labelling or packaging laws?
- 65 The language of s 123(1) refers to a mark that has been applied to or in relation to goods by or with the consent of the registered owner. The operation of the section is not expressly or impliedly confined to a situation in which the goods still bear the mark as applied by the owner. The temporal requirement of the section will be satisfied if at some time in the past, which may be after the time of manufacture, the mark has been applied to or in relation to goods by or with the consent of the owner. If those goods are later sold by a person in circumstances which involve him or her using a mark that was previously applied by or in relation to the goods by the owner then s 123(1) will be engaged.
- 66 A trade mark is taken to be “applied in relation to” goods in many different ways that do not include any physical application of the mark to the goods. This may include applying the mark to a document with which the goods are, or are intended to be, dealt with or provided in the course of trade (s 9(1)(a)) or in an advertisement in circumstances where the goods are delivered following a request or order made by referring to the mark so used (s 9(1)(b)). Accordingly, there need not be any direct physical relationship between the registered owner’s use of the mark (which might be in a television commercial) and the goods in relation to which the mark must be taken to have been applied.
- 67 In the present case, the importer of the goods, Trojan, removed much of the original packaging, and with it the trade marks reproduced upon it. It then caused the same trade marks to be re-applied on new packaging that complied with the plain packaging laws. The question is whether by removing the marks and then re-applying them in this way, Trojan lost the protection it might otherwise obtain under s 123(1). What is critical, in our view, is that the

trade marks had previously been applied to or in relation to the goods by or with the consent of the registered owner.

68 STG submitted that this construction of s 123(1) should be rejected because purchasers of STG's products re-packaged by Trojan may be led to believe that STG was responsible for the product packaging and that STG either applied or consented to the application of the registered marks on or in relation to the products in their re-packaged form. However, this argument introduces issues relevant to passing off and well-known statutory causes of action that may be available to the trade mark owner where re-packaging of the kind engaged in by Trojan is likely to cause deception. These issues are not relevant to the proper interpretation of s 123(1).

69 STG also submitted that the goodwill associated with a trade mark may be harmed if resellers are permitted to re-package goods including by removing the mark applied by the registered owner and permitting the reseller to apply the mark. The answer to this submission is that the scope of the registered owner's exclusive right to use or authorise the use of its registered trade mark is to be determined by reference to the provisions of the 1995 Act. These provisions seek to strike a balance between the rights of a registered owner and other persons who may have an interest in using the registered mark (including parallel importers) whose commercial activities are often perceived by registered owners as damaging to their brands.

70 Section 121 allows a trade mark owner to display on goods in respect of which its mark is registered a notice prohibiting certain acts in relation to the goods (s 121(1)). The acts that may be prohibited ("prohibited acts") include applying the mark to goods or using the mark in physical relation to goods after the packaging in which they were originally offered to the public has been altered (s 121(2)). An owner of goods who does a prohibited act in the course of trade infringes the mark unless it acquired the goods in good faith without being aware of the notice (s 121(3), (4)).

71 Section 121 of the 1995 Act is based upon s 64 of the 1955 Act, which was in turn based upon s 6 of the 1938 UK Act. Section 6 was adopted in accordance with a recommendation contained in a 1934 report of an English Board of Trade Committee: see *Kerly on Trade Marks* Seventh Edition, 1951, Sweet & Maxwell Ltd at p 11. The object of s 6 was to enable a proprietor of a trade mark to impose certain restrictions that would to some extent "run with the goods": *ibid* at p 326. Coincidentally, s 6 of the 1938 UK Act appears to have been introduced as a response to complaints made by trade mark owners in relation to the re-packaging of their tobacco products.

72 Section 64 of the 1955 Act was itself introduced in accordance with a recommendation contained in the Dean Committee Report which said (at para [23]) this of the origins of the proposal to include a provision similar to s 6 of the 1938 UK Act:

... It appeared to the Board of Trade Committee that there were certain undesirable trade practices in the tobacco trade which were harmful to the proprietor. Some traders apparently repacked cigarettes in cartons other than those in which they were put up by the proprietor of the mark, and put the mark upon the carton. The cigarettes were genuine but the carton was not that of the proprietor. In other cases, advertising matter was pasted upon genuine cartons. There is no evidence before us that similar practices have been adopted here. Before the proprietor can restrain such action he must have made a statement prohibiting it by notice upon the goods. We have decided to recommend the adoption of this provision in case it may some day prove useful. It cannot in any event do any harm.

(Report of the Committee Appointed by the Attorney-General of the Commonwealth to Consider what Alterations are Desirable in the Trade Marks Law of the Commonwealth, Government Printing Office, Canberra, 1954)

73 Section 123 does not provide either an exception or a defence to a proceeding for infringement under s 121. Thus, removing and re-applying trade marks in the course of re-packaging genuine goods will constitute infringing conduct if these acts are prohibited by a notice displayed on the goods or their packaging unless the goods were acquired in good faith and without notice of the prohibition. It therefore would not be correct to suggest that the 1995 Act does not provide a trade mark owner with any remedy in relation to the re-packaging of genuine goods on the primary judge's construction of s 123(1) because there are steps that the trade mark owner can take to obtain some measure of protection under s 121. However, STG submitted that there will be many cases involving the re-packaging of genuine goods that are not capable of being brought within s 121. In particular, STG submitted that in this case Trojan's activities did not involve any prohibited acts to which s 121 could apply and that, therefore, even if STG wanted to take advantage of s 121 in this case, it could never have done so.

74 In support of this submission STG argued that the words "using the trade mark in physical relation to [registered goods]" that appear in s 121 have been judicially interpreted as meaning "incorporated in the structure of the goods". It followed, according to STG's submission, that prohibited acts for the purpose of s 121 comprise only the act of applying the trade mark to registered goods and incorporating the trade mark in the structure of the goods.

75 In support of this submission STG relied upon the meaning that Lord Diplock was said to have given the phrase “in physical or other relations to goods” in *Smith Kline & French Laboratories Ltd v Sterling Winthrop Group Ltd* [1975] 1 WLR 914. That case concerned registrability of a trade mark for a combination of a coloured and colourless outer coatings for pharmaceutical substances provided in a capsule form. Lord Diplock, after referring to the definition of “trade mark” in the 1938 UK Act, said at pp 917-918:

That definition is supplemented by section 68 (2) which reads as follows:

“References in this Act to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark, and references therein to the use of a mark in relation to goods shall be construed as references to the use thereof upon, or in physical or other relations to, goods.”

So, if it is to be a trade mark, a “ mark” must be something that can be represented visually and may be something that can be applied to the surface of the goods (“use upon”) or incorporated in the structure of the goods (“use in physical relation to”). The inclusion of “heading” (viz. coloured threads woven into the selvedge of textile goods) in the meaning of “mark” also confirms that a mark, provided that it can be seen upon visual examination of the goods, may be incorporated in their structure.

76 We do not consider the phrase “using the trade mark in physical relation to” is as narrow as STG submitted nor do we accept that it has been judicially interpreted as meaning “incorporated in the structure of the goods.” We do not understand Lord Diplock to have provided an exhaustive definition of these or the similar words used in the 1938 UK Act. His Lordship was merely providing an example of a use of a mark in physical relation to goods that did not involve a “use ... upon” the goods that was of particular relevance to the issue in that case. There are many examples to which one can point where a mark is not used upon goods, but is used in physical relation to them including the use of a display sign reproducing the mark in close physical proximity to the goods in a window display.

77 In conclusion, we are satisfied that s 123(1) of the 1995 Act applied in the circumstances of this case and that, as the primary judge correctly found, Trojan did not infringe any of the STG marks.

PASSING OFF

78 STG submitted that the primary judge erred in rejecting the claim for passing off. In particular, STG submitted that his Honour should have held that Trojan had passed off the re-packaged cigars as cigars that had been packaged by or with the authority of the owner of the STG trade marks.

79 It was accepted by the primary judge that STG's trade marks enjoy a significant reputation in Australia when used in relation to cigars. However, as STG's submissions recognised, if the claim of passing off was to succeed, it was necessary for STG to establish that the sale of the cigars as re-packaged by Trojan, would be likely to convey a misrepresentation to retailers or their customers. The primary judge was not satisfied that Trojan made any such misrepresentation.

80 The primary judge dealt with the passing off claim as follows at [95]-[98]:

[95] The question of whether Trojan has made a misrepresentation is at the core of the complaint. STG's complaint is not that Trojan is passing off its (Trojan's) cigars as those of STG. Clearly it is not. The misrepresentation is that re-packaged in the way they are, the cigars look as though they have been packaged in this way with the authority of the person who originally packed them in an authorised way.

[96] One difficulty for this submission is that there is no express representation to that effect. To be made out, it must be that in all the circumstances, the public or retailers would so clearly assume it to be so that not to disavow association with the original manufacturer would mislead people.

[97] The evidence does not permit the conclusion that anyone would assume that any packaging or re-packaging required in order that there be compliance under the plain packaging legislation would necessarily be carried out under some unidentified process of authorised activity. There may well be some types of product or particular circumstances that would raise the relevant necessary assumption in the minds of the public or wholesalers or retailers. I see no basis to conclude that this is the case for machine-made cigars of this kind.

[98] I therefore find no misrepresentation.

81 Although STG's notice of appeal and submissions challenge the primary judge's finding of no misrepresentation, they do not identify any error of law on the primary judge's part that is said to have affected his Honour's view of the matter. Accordingly, STG's appeal in relation to this aspect of his Honour's judgment is to be approached on the basis that his Honour's assessment of STG's passing off case, which plainly involved matters of impression, was not affected by any error of principle and that his finding of no misrepresentation therefore should be afforded particular weight: *SW Hart & Company Pty Ltd v Edwards Hot Water Systems* (1985) 159 CLR 466 at 478 per Gibbs CJ.

82 STG contended that a purchaser of re-packaged cigars bearing the STG trade marks would assume that the packaging had been done by or with the authority of the brand owner. However, there was no evidence to show that either retailers or consumers would make this

assumption, and there was at least some evidence to suggest that STG Australia did not believe that retailers would make any such assumption.

83 This evidence was given by Mr Antonio Garcia, the Managing Director of STG Australia who agreed that in May 2014 STG Australia issued to retailers a printed price list promoting imported cigars in compliant plain packaging at heavily discounted prices. Some of these included other brands of cigars for which STG Australia was either not, or was at least no longer, the authorised distributor. These cigars were re-packaged by or for STG Australia into compliant plain packaging for sale in Australia. Mr Garcia was cross-examined about the price list and the absence of any statement in it to indicate that the cigars had been re-packaged. His evidence was as follows (transcript p 67):

And we've got to take it, haven't we, that some purchases would have been made and you had intended some purchases to be made by somebody who had only this communication [the price list] before them?---Correct.

And we have agreed, I think, haven't we, that they would not have been told by anything that we see here that the products have been repackaged?---It would appear to be that way.

... [W]as that because your company thought it was so obvious to the retailer that they've been repackaged that it went without saying?---I guess I can't answer on behalf of the retailer.

I was asking you on behalf of your company. You omitted to say anything and I'm seeking to explore with you why that omission was made and I'm suggesting to you one possible reason for the omission was that you just didn't think it needed to be said, because but, of course, they've been repackaged?---It appears to be that way.

84 Thus, STG Australia's own conduct suggests that at least in the case of retailers who it was then supplying, it did not consider it necessary to alert them to the fact that the cigars it was offering for sale had been re-packaged in order to ensure that the packaging complied with the plain packaging laws.

85 There may be cases involving particular kinds of products in which it might be possible to infer, in the absence of any other specific evidence to support the inference, that purchasers will assume that the products had not been re-packaged or at least not without the authority of the manufacturer. This may well be true of some pharmaceutical products especially if they are supplied in tamper free packaging. But we do not think it is open to draw any such inference in this case in the absence of evidence to indicate that either retailers or customers involved in the sale and purchase of cigars packaged in accordance with the plain packaging laws would make any such assumption. In our view, STG's submissions on this point do not rise above

mere conjecture. We are not persuaded that the primary judge's decision on this point was wrong.

THE AUSTRALIAN CONSUMER LAW

86 STG also relied at trial upon s 18(1) and s 29(1)(a) and (g) of the ACL which provide:

18(1) A person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.

...

29(1) A person must not, in trade or commerce, in connection with the supply or possible supply of goods or services or in connection with the promotion by any means of the supply or use of goods or services:

(a) make a false or misleading representation that goods are of a particular standard, quality, value, grade, composition, style or model or have had a particular history or particular previous use;

...

(g) make a false or misleading representation that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits;

(See *Competition and Consumer Act 2010* (Cth) Sch 2)

87 The primary judge dealt with STG's claims under the ACL as follows:

[101] The focus of these provisions is different to that of passing off. Passing off is a commercial tort the essence of which is the protection of the business reputation of the applicant. Sections 18 and 29 are part of legislation the purpose of which is to protect the public from deception. That difference in rationale may become important. Here, the relevant question should be understood from that different perspective. Would any relevant segment of the public work on an assumption that the products distributed by Trojan were necessarily packaged or re-packaged under the authority and control of the original manufacturer. If so, in order not to mislead or deceive, it may be necessary for some communication to be made to deal with such assumption. Once again, one can contemplate types of products or circumstances that might lead to such an assumption. But, I do not consider, on the evidence before me, that there is in reality anything misleading about the sale of these products to the public. I do not consider that such an assumption would be made.

[102] I do not consider the claims under ss 18 or 29 as made out.

88 The arguments relied upon by STG in support of its appeal against the primary judge's rejection of this part of the case were to the same general effect as those advanced in support of the passing off case. For reasons previously explained, we would not infer that consumers of the re-packaged cigars distributed by Trojan would assume that they were in either the

manufacturer's original packaging or had been re-packaged by or with the manufacturer's consent. Again, we are not persuaded that the primary judge's decision on this point was wrong.

DISPOSITION

89 The appeal will be dismissed with costs.

ALTERNATIVE

Smoking cigars causes death and disease whether you inhale or not. It increases your risk of heart disease, respiratory diseases and cancers of the mouth, throat and lung.

Want help with quitting? Call **Quitline 13 7848**, talk to your doctor or pharmacist, or visit www.quitnow.gov.au

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Herb Mentol
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CAUSES
THROAT
CANCER

