

Trade mark terms

Maintaining control over your wine brand when licensing

As an important business asset, a trade mark should have licence arrangements that build the brand's reputation and identity. Wine industry lawyer **Mark Hamilton**, from Grope Hamilton Lawyers, examines a legal dispute involving the use of a trade mark in brand marketing.



The Full Court of the Federal Court of Australia in *Lodestar Anstalt v Campari America LLC* [2016] FCAFC 92 reminded wine brand managers that, when entering into licence agreements to permit third parties to produce wine products under their trade mark, it is necessary for the licensor to maintain control over the marketing of the brand for that to constitute use of the trade mark. The use test requires the licensor to use the trade mark. Control over marketing can constitute use in this context.

Failing that, an application to remove the trade mark for non-use could succeed, as it did in *Lodestar*, even though the licensee was selling wine under the trade mark under the licence agreement.

Lodestar involved a licence agreement by the trade mark owner over the “Wild Geese” trade marks, where the amount of involvement and control over marketing under the licence agreement was minimal. Besanko J (with whom the other judges agreed) found that “*under the control*” requires actual control as a matter of substance, not (just) a mere theoretical possibility of control that might exist because of certain licence terms.

Besanko J did say that the degree of actual control required for an “*authorised use*” will depend on the circumstances; for example, where the terms in a licence agreement are such that the owner does not need to direct the licensee how to use the trade mark because the terms are sufficiently detailed or where the obedience to the trade mark owner is “*so instinctive and complete that instruction (is) not necessary*”. However, in the circumstances of this case, he held that the mere fact that Wild Geese Wines was licensed to use the Wild Geese trade mark was not sufficient to establish the required degree of control by the trade

mark owner. He found that the wine standard required by the AWBC for any wine to be exported was not an exacting standard and the licence agreement, in practical terms, had no effect on Wild Geese Wines’ wine-making practices. Besanko J also noted that the trade mark owner had not requested, at any time during the non-use period, any samples of wine from Wild Geese Wines and had not monitored the wine-making operations of Wild Geese Wines or how the Wild Geese trade marks were used.

In *Lodestar*, ownership of Australian registered trade marks 1066650 and 1066646 (“the Wild Geese trade marks”) for “wine” had been assigned from Wild Geese Wines Pty Ltd (a company owned by Patrick O’Sullivan) to a predecessor of Skyy Spirits LLC (which later changed its name to Campari America LLC). This was in exchange for the grant of a perpetual licence back from the new owner to Wild Geese Wines to use the trade marks exclusively in Australia for a one-off fee of \$1. The licence included terms at clause 3 dealing with quality control which required:

The wine produced by Wild Geese Wines to be of a sufficient standard to obtain approval from the Australian Wine and Brandy Corporation (AWBC) for export; and Wild Geese Wines to provide samples of the wine upon request from the trade mark owner to the trade mark owner, the Australian Wine Research Institute or to the AWBC.

If the licence agreement was breached in a material way the new trade mark owner was entitled to terminate the licence and so deprive Wild Geese Wines of the right to use the Wild Geese trade marks (clause 10.1).

Lodestar attacked the registrations for the Wild Geese trade marks on the grounds that the trade marks had not been used in Australia. At first instance

(*Skyy Spirits LLC v Lodestar Anstalt* [2015] FCA 509), Perram J found that the Wild Geese trade marks had been used by the licensee, Wild Geese Wines (such as on the product label shown below). Also, despite finding that the owner had exercised very limited control over how the Wild Geese trade marks were used and that the licence agreement itself was not intended to deliver anything but the appearance of control, he found that there was nevertheless an “*authorised use*”. Although expressing his own view that the authorised use provisions of the Act required more than minimal actual control, he felt bound by the previous Full Court decision in *Yau’s Entertainment Pty Ltd v Asia Television Ltd* [2002] FCAFC 78 and so dismissed *Lodestar*’s applications to remove the registrations for non-use. Perram J interpreted this earlier decision in *Yau* as requiring only a mere theoretical possibility of contractual control for there to be an “*authorised use*”. Perram J was overturned on appeal.

Lodestar is not really a good case study, although it is an opportunity to consider the scope of the required obligations on the licensor, because the arrangement was really a device to permit the licensee to use the trade mark with the original brand owner able to produce. The court said that the licence agreement was “*designed to give the appearance of control*”.

The take outs of *Lodestar* are that brands and their associated registered trade marks are valuable and strategically important business assets. Licence arrangements can be used to build brand reputation and identity. However, to ensure that trade mark rights are not lost, brand owners must ensure that they have both an appropriate trade mark licence in place and that actual and sufficient control is exercised over how the licensee uses the licensed trade mark.

To pass the Besanko J “test” of actual control, it is necessary, I suggest, that:

- The licence agreement provides initially product packaging specifications, which can be changed by a subsequent process of written contract under the agreement;
- The licence agreement contain proper regular reporting requirements traversing all matters which a product brand owner would wish to be informed of about the use of its brand;

- There be a dispute resolution mechanism where there is disagreement between the licensee and licensor;
- The terms of the licence agreement are enacted and adhered to, with a proper paper trail being maintained to demonstrate the exercise of control over the trade mark.

The issue considered in Lodestar will not arise in circumstances where the licensor is also making substantial use of the trade mark when selling wine and spirits covered by Class 33.

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Tasmania wine sector worth more than \$115m annually

A new report has found the wine sector conservatively contributes more than \$115 million annually to Tasmania’s economy, placing it in the state’s top ten sectors.

Commissioned by Wine Tasmania, respected University of Queensland economics professor, John Mangan, analysed the wine sector’s contribution across agriculture (vineyards), manufacturing (wineries) and tourism (cellar doors and wine tourism expenditure by inbound visitors).

As the wine sector encompasses these three key areas, its exact value has been difficult to estimate in the past and often the understated farmgate (vineyard) value only has been used to reference the sector’s contribution to the local economy.

Wine Tasmania chief executive, Sheralee Davies, welcomed the report’s finding, which she said more accurately captures the sector’s significant and growing contribution to the island’s economy.

“Most of the wine sector’s value is derived post the farmgate, and this report provides unprecedented insight into the substantial overall value of the Tasmanian wine sector to the state.

“It’s an exciting time of growth in the sector’s relative youth, as we continue to attract global interest in our wines and ever-increasing visitation to our cellar doors,” Davies said.

Key findings of the report:

- The Tasmanian wine sector is currently contributing significant economic benefit to the Tasmanian economy with the potential to continue growing in terms of its contribution to Gross State Product (GSP) and in employment
- Operationally, the industry (collectively) injects approximately \$100 million annually into GSP and sustains 1,839 Full Time Equivalent (FTE) positions
- In addition, a further \$15.2 million per annum is added to the GSP of Tasmania through wine related tourism, sustaining 224 additional FTE positions
- Considered collectively, the combined operational and tourist-based spending places the wine sector within the top 10 (7th to 8th) largest contributors to the Tasmanian economy
- Currently the Tasmanian wine sector represents only a fraction of Australian production by volume but is a differentiated product with promising growth potential. Its level of investment is well above (in percentage terms) the Australian average and Tasmanian wines have a significantly higher average selling price.

