

FULL FEDERAL COURT CONFIRMS LIMITATION OF TRADE MARK RIGHTS WITH RESPECT TO REPACKAGING OF GOODS BY THIRD PARTIES

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Legal Briefings - By **Rachelle Downie** and **Barnaby Matthews**

The decision of the Full Federal Court in *Scandinavian Tobacco Group v Trojan Trading Company*,¹ clarifies that trade mark rights cannot be relied upon to prevent parallel importers from reusing a trade mark, if at any time previously the trade mark was applied to the goods with the consent of the trade mark owner.

Upholding the first instance decision of Allsop CJ,² the Full Federal Court held that Trojan Trading Company (**Trojan**) did not infringe Scandinavian Tobacco Group's (**STG**) trade mark by repackaging and re-applying STG's trade marks to cigars originally manufactured by STG. In doing so, the Full Court clarified the scope of the defence to infringement under section 123 of the *Trade Marks Act 1995* (Cth) (the **Act**) and the limited extent to which trade mark owners can rely on the Act to control get up and prevent re-packaging of goods.

Although the case arose as a result of Australia's tobacco plain packaging laws, the comments made by the trial and appeal Courts suggest that the decision has wider implications.

We discuss the impact the decision may have on manufacturers and suppliers of branded consumer goods, such as cosmetics/perfumes, fashion, other luxury goods and food, and what other precautionary measures trade mark owners may take to control the use of *their trade marks in respect of goods imported* and supplied by third parties.

BACKGROUND

STG is a Danish company which manufactures and sells cigars. It owns Australian registered trade marks for the words CAFÉ CRÈME, HENRI WINTERMANS and LA PAZ in respect of cigars (the **trade marks**). Trojan imports and supplies cigars and tobacco products. It imports into Australia genuine STG cigars which bear STG's trade marks on packaging that is not compliant with Australia's tobacco plain packaging laws.³ Trojan discards the original packaging and repackages the cigars and in doing so, reapplies STG's trade marks to the plain packaging.

STG's parent company (STG Eersel BV) and its Australian subsidiary (STG Australia) brought a trade mark infringement claim against Trojan for this conduct (as well as claims for passing off and misleading or deceptive conduct). In its defence, Trojan relied on section 123 of the Act, which provides an exception to trade mark infringement in circumstances where 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"*.

WHAT CONSENT IS REQUIRED FROM THE TRADE MARK OWNER TO PERMIT SUBSEQUENT USE OF THE TRADE MARK?

The key issue in dispute was whether STG had consented to the application of the trade marks as required by section 123. STG argued that it had not consented to Trojan's re-application of STG's trade marks on the new plain packaging, and as such, section 123 could not apply. Trojan submitted that section 123 merely requires that there has been a prior application of the mark with the trade mark owner's consent, and as STG had applied the trade marks to the cigar packaging during manufacture, Trojan was free to subsequently use those trade marks in respect of the cigars.

At first instance, Allsop CJ preferred Trojan's interpretation. His Honour emphasised the words "has been applied" in section 123, finding that if the owner consented to an original application of the mark to the goods, subsequent use of the mark with respect to the goods by other parties would be protected.

On appeal, the Full Court upheld Allsop CJ's findings. The Court found that *"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 the goods by or **with the consent of the owner**"*.⁴ The Court also pointed out that section 123 may apply in many different circumstances. For example, where a retailer acquires packaged goods from a registered trade mark owner who applied its mark to the goods at the time of manufacture, the retailer does not infringe the trade mark by then affixing advertising to those goods which reproduce the mark.

Because STG had consented to the original application of the trade marks to the cigars, Trojan could use those trade marks in respect of the cigars (ie by repackaging the cigars). From a trade mark perspective, it was irrelevant that customers might be led to believe that STG was responsible for the product packaging – the Court noted that these issues could be considered in the context of other claims (eg passing off or misleading or deceptive conduct).

TAKE AWAY POINTS FOR TRADE MARK OWNERS

- Where trade mark owners have applied their marks to particular goods whether in Australia or overseas, they may not be able to rely on their trade mark rights to prevent parties from reusing those marks in respect of those goods, including with respect to repackaging.
- This may be of particular concern to trade mark owners whose goods are subject to parallel imports, such as cosmetics and perfumes, clothing brands, food, and luxury goods manufacturers, as well as any trade mark owners that have a particular interest in the nature or quality of their packaging. For example, a parallel importer would be free to replace imported packaging in a foreign language with packaging more suited to the local market.
- Trade mark owners may need to rely on other causes of actions (eg passing off or misleading or deceptive conduct) to prevent unwanted use of their trade marks. However, it is clear (as in this case), that these claims may not always be successful.
- Alternatively, trade mark owners may seek to rely on section 121 of the Act which allows an owner to display on goods a notice prohibiting certain acts in relation to the goods, including the re-application of the trade mark to the goods following alteration of their original packaging. Trade mark owners should consider obtaining advice on how to draft and affix appropriate section 121 notices.
- In April 2016, the Productivity Commission published its draft report on Intellectual Property Arrangements. A link to the report can be found [here](#). In that report, the Commission recommended that section 123 be amended to ensure that parallel imports of marked goods do not infringe Australian trade marks provided the goods has been brought to market elsewhere by the owner of the mark.⁵ If this recommendation were adopted, it would appear to further cement the approach taken by the Court.

ENDNOTES

1. [2016] FCAFC 91.

2. *Scandinavian Tobacco Group Eersel BV v Trojan Trading Company Pty Ltd* [2015] FCA 1086.
3. *Tobacco Plain Packaging Act 2011* (Cth); *Tobacco Plain Packaging Regulations 2011* (Cth).
4. At [65] (emphasis added).
5. Draft Recommendation 11.2.

KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



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