

# Locutus

THE NEWSLETTER OF INTELLECTUAL PROPERTY LAW, STATUTORY DECEPTIVE  
CONDUCT AND FRANCHISING LAW.

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**Welcome to Locutus**

**JUNE 2008**

Locutus is a newsletter of current news, recent cases, and practice decisions. It is authored by Carmen Champion, Barrister-at-Law.

*Past issues of LOCUTUS can now be accessed on [www.fourstjames.com.au](http://www.fourstjames.com.au)*

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## A REMINDER

Rule 34.4 of the NSW Professional Conduct and Practice Rules provide that a practitioner must not in any communication with another person on behalf of a client demand payment of any costs to the practitioner in the absence of any existing liability therefore owed by the person to the practitioner's client.

Accordingly, a letter of demand should not, in addition to the usual undertakings, demand that the offending party pay the legal costs incurred to date by the complainant.

It should also be remember that Schedule 8 of the Trade Mark Schedules does not allow for the recovery of indemnity costs. It is, therefore, misleading to state in correspondence with the trade mark applicant that such costs will be sought if one's client is successful on its opposition: see Rule 34.2.

## SEMINARS

### *Franchising*

Television Education Network is conducting a seminar on Franchising Law on Tuesday 26 August 2008 at the Wesley Centre, 220 Pitt Street, Sydney. If you are interested in receiving a flyer for the seminar please contact Margaret Critchlow at [margcrit@bigpond.com](mailto:margcrit@bigpond.com) .

### **IPSANZ 22<sup>nd</sup> Annual Conference**

The IPSANZ 22<sup>nd</sup> Annual Conference is scheduled to be held over the weekend of 19 – 21 September 2008, at the Stamford Grand Glenelg, Adelaide.

The NSW IPSANZ Local Committee is pleased to invite you to a dinner meeting the topic for which will be "Intellectual Property in Sport". The 2008 Summer Olympic Games to be held in Beijing is likely to be the biggest and most watched sporting event ever to take place. However, sport is business, and intellectual property associated with sporting codes, teams and players has never been more valuable. Effective management and protection of intellectual property in sport is critical.

The NSW Local Committee has taken this opportunity to arrange a dinner meeting with the following speakers:

Mr Alan Grover, Director of Marketing and Brand Protection, Australian Olympic Committee Inc  
Mr Dean Mumm, player with the NSW Waratahs and the Australian Wallabies  
Mr Jim Dwyer, Partner of Allens Arthur Robinson and head of its Sport Practice.

**Date: Wednesday, 9 July 2008**

**Time:** 6.30pm drinks, Dinner 7pm

**Venue:** The Union, Universities and Schools Club of Sydney 25 Bent St, Sydney, NSW 2000

**RSVP :** Friday, 4 July 2008 (by email, facsimile or on-line)  
[http://www.ipsanz.com.au/events\\_sydney.html](http://www.ipsanz.com.au/events_sydney.html)

## **IMPORTANCE OF PLEADINGS**

Three trade mark cases are reported this month which spotlight significant deficiency in the pleadings. In one case, the defence failed to identify a significant device as forming part of the trade mark used by the respondent. In the second case the cross-claimant failed to plead the rule of law that a grantor must not derogate from his grant which in the judge's opinion provided the solution to the problem, and, in the third case, it was the judge who identified that the remedy sought by the respondent was really revocation under section 88 of the *Trade Marks Act 1995* rather than removal for non-use.

In one of those cases, the reasons for judgment open with the following:

*"These trade mark infringement and passing off proceedings have a long and unsatisfactory history. As will be seen in these reasons, from the outset of the litigation the issues have not been framed in a way that accurately identifies the dispute between the parties. This has resulted in excessive costs and consumption of Court and party resources which could have been avoided."*

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## **TRADE MARKS**

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### ***E. & J. Gallo Winery v Lion Nathan Australia Pty Limited [2008] FCA 934***

The contest here was whether the mark used by the respondent infringed the registered mark which consisted of the word BAREFOOT. The mark used by the respondent is BAREFOOT RADLER and a device consisting of a bare foot. The dispute that almost immediately arose at the hearing was whether the respondent could rely on the aforesaid combination in light of the fact that its amended defence

made no mention of the bare foot device. Flick J confined the respondent to its defence as pleaded: see [33-35].

Flick J held that the marks are deceptively similar as they share the essential feature “BAREFOOT” and the addition of the word RADLER is not sufficient to remove the likelihood of deception. Flick J at [64] noted that any deceptive similarity with the Gallo Wine mark would not have arisen had Lion Nathan been free to rely upon the combination of words and image of the bare foot.

Flick J held that beer is not a good of the same description as wine.

Importantly, Flick J considered the section 120(2) defence for which there is such little guidance.

Flick J considered section 100(3) of the Act. He held that it will only apply when events arise that are capable of disrupting trade in the area of commercial activity in which goods bearing the applicant’s registered trade mark are traded and those circumstances must cause the non-use.

On the non-use issue Flick J rejected all of the 3 arguments put forward by Gallo. He held that the projection of BAREFOOT wine into the German market was not a projection of such wine into the Australian market even though the wine had found its way to Australia. He did not find an ‘authorised use’ by the Australian importer and distributor of the BAREFOOT wine nor that negotiations with McWilliams during the relevant period constituted use in line with the *Buying Systems* decision. Having so held he had to consider whether he should exercise the discretion under section 101(3) of the Act. He considered that central to the exercise of that discretion is a consideration of whether the public would be deceived or confused: see [209]. He was also of the opinion that the private commercial interests of both parties remain matters which need to be taken into consideration when exercising the discretion.

***Edwards v Liquid Engineering 2003 Pty Ltd [2008] FCA 970.***

Edwards was an employee of the predecessor in business of Liquid Engineering 2003 Pty Ltd. He registered 2 trade marks (Fuel Set & Exit Rust) used by his employer while still in its employment. A receiver was appointed to his previous employer. The assets of that company were sold to the respondent who applied for the removal of the 2 trade mark registrations on the ground of non-use. The respondent was successful and the applicant appealed. LE 2003 then filed proceedings for trade mark infringement against Edwards and his companies based on the use of its registered mark Liquid Engineering.

**Removal Application**

The principle question was whether evidence of a bona fide intention to use a mark for trading purposes is sufficient to demonstrate good faith even where the applicant gained knowledge of the mark as an employee and the circumstances suggest a breach of fiduciary duty. Having summarized the issue, Gordon J suggested that what the respondent really wanted was revocation under section 88 of the *Trade Marks Act 1995* rather than removal for non-use. He delayed giving judgement to allow the pleadings to be amended.

**Ownership of Fuel Set & Rust Exit.**

On the issue of ownership the applicant argued that the respondent never became the owner of the two marks in issue despite the terms of the deed of company arrangement which required the transfer of the marks to the respondent and the tender of an unsigned deed of transfer. The applicant relied on the

subjective belief of the owner of the former company and the objective evidence of his conduct after 1996. His Honour points out in his reasons for judgement that it is established as a matter of contract law that post-contract conduct is not admissible on the question of what a contract means, and, that the subjective beliefs of the parties are irrelevant in the absence of a rectification or an estoppel by convention argument: see [49].

Held: LE 2003's claim to ownership of the two marks made out.

#### Infringement

Held: Edwards and his 2 companies had infringed LE 2003's 2 trade mark registration.

#### ***JLCS Pty Ltd v Squires Loft City Steakhouse [2008] FCA 867***

In earlier proceedings, Harold Miller and Saul Miller were found to have been granted a licence by relatives to operate the City restaurant under the name Squires Loft. A declaration to that effect was made by Sundberg J but only after he had made it plain that the Application should be amended to seek such a declaration. The amendment and ultimate declaration took no account of the fact that the mark was actually being used by a trust company or that the judge had made no findings as to the terms of the licence. That failure led to the second proceedings.

In these new proceedings, JLCS argued that this licence had now come to an end as both men had transferred their units in the trust which owns the restaurant to a third party. It argued that once the two men ceased to own the restaurant through the trust company, the licence to use the trade mark ceases.

Held: the licence to use was in no way dependent on the two men remaining shareholders in the trust company or unit holders in the unit trust.

#### Cross-Claim

The respondent's cross-claim was concerned with the fact that the applicant had granted a third party the right to use the Squires Loft mark in respect of a restaurant only about 500 metres from the respondent's restaurant.

In finding for the respondent on its cross-claim, Finkelstein J relied on the old principle that a grantor must not derogate from his grant. He found that the conduct of JLCS in granting the second licence, in effect, took away the substance of the benefit conferred by the original licence.

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## **COPYRIGHT**

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#### ***Centrestage Management Pty Ltd v Riedle [2008] FCA 938***

Contract for supply of computer programs. Issues: (a) whether the respondent was an independent contractor rather than an employee of the appellant; (b) whether, on the basis that the respondent owned the copyright in the updated program, the licence to use the "application" extended to the right to access and use the source code. The appellant contention was that a contract for the supply of a computer program carries with it an implied licence to use the program and call for the source code. Held that no term such as that sought by the appellant can be supported on the business efficacy basis

***Tenderwatch Pty Ltd v Reed Business Information Pty Ltd [2008] FCA 931***

Issue: whether there should be an apportionment of revenue and whether deduction from profit should be allowed for time spent by infringer in preparation of seminar.

***Inform Design and Construction Pty Ltd v Boutique Homes Melbourne Pty Ltd [2008] FCA 912***

Copyright in project home designs – infringement – objective similarities in designs – allegations of conscious or subconscious copying – reproduction of substantial part of designs – protection of idea or expression of idea

**Private use format-shifting**

The report of the review of the private use format-shifting provisions in the Copyright Act for photographs and films by the Attorney-General's Department was tabled in Parliament on 19 June 2008.

In the report, the Department recommends:

- a re-examination of public awareness material and consumer information on the meaning of the format-shifting exceptions to assist people to understand their rights and obligations under the Copyright Act 1968.
- that no change be made to section 47J at this time. However it would be beneficial to provide further public information in relation to copyright in photographs taken professionally for a family or private occasion.
- that no change be made to section 110AA at this time. However, the Department will continue to monitor the evolution of relevant markets to determine if new products are introduced as anticipated by the film industry.

The Attorney-General will be issuing a media release later giving his response to the report's recommendations. For more, see <http://www.copyright.org.au/u28569>

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**PASSING OFF /CONTRAVENTION OF THE TRADE PRACTICES ACT 1974 (CTH).**

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***Channel Seven Brisbane Pty Limited v Australian Competition & Consumer Commission [2008] FCAFC 114***

Issue: whether appellants had engaged in conduct in contravention of s 52 of the Trade Practices Act 1974 (Cth) (the Act) and whether appellants entitled to the benefit of the exemption in s 65A of the Act. Appeal allowed.

**And finally...**

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