

## PROTECTING YOUR WINE BRAND

### **An article written by Mark Hamilton for Australian Vignerons Magazine**

Liquor Watch, June 2004 has reported that Reschke, the boutique family owned winery in Coonawarra, has defeated multinational energy drink giant Red Bull in a court battle that lasted four years.

The case apparently began in 1999 when Reschke applied to register the trademark for its wine brand and Red Bull contested it on the grounds that the two trademarks were deceptively similar. The Reschke trademark – being a logo incorporating the name “Reschke” and a drawing of a bull - was apparently designed by founder and managing director of Reschke Wines, Burke Reschke, to represent that family’s cattle grazing heritage in the South East of South Australia that began in 1906. The Red Bull logo is of two bulls under a rising sun that was registered in 1987.

Liquor Watch reports that Burke said; “It’s been a long battle and many times we were tempted to just give up and succumb to the cost and pressure of it all, but I’m glad we held our ground because we’ve grown fond of our logo. Now we can just get on with wine making”. Red Bull has reportedly been ordered to pay costs and the Reschke Bull will become a registered trademark.

The “Bull” fight is an interesting case in point – and illustrative of the need for and benefit of trademark protection.

Having trademark protection for your brand (including words or logos) means two things. Firstly, it entitles you to utilise the registered trademarks in association with your wine products – i.e. it allows you to do what you want to do without substantial risk of interference from third parties. Secondly, it allows you to take steps to stop another producer from marketing wine in breach of your trademark. There is, however, no compulsion to take enforcement action although failure to do so may commercially dilute your brand value and ultimately lead to the other producer obtaining registration through provision of evidence of substantial usage.

Having trademark protection for all aspects of your brand is of course of crucial commercial importance if and when you intend to sell your brand. A purchaser is going to pay more if there is a secure right to use the brand.

In addition to legal action to prevent a breach of trademark under the trademark legislation, for example, by obtaining an injunction from a court to restrain future infringement, it is also possible to seek court protection at common law and under the Trade Practices Act (Commonwealth) - and the various Fair Trading Acts found in all Australian States and Territories – for false and misleading conduct or ‘passing off’. Thus it is possible to obtain injunctive relief, even if you do not have trademark protection, if you can satisfy the relevant legal requirements.

Action for breach of copyright in relation to the graphical expression of the brand (that is, the label) is also possible.

The essence of these actions is to obtain an injunction (or an undertaking in lieu of an injunction) to restrain the offending producer from repeating the conduct in the future. The “Red Bull” dispute was fought at an earlier point - in the context of an opposition to a trademark application.

Because protection of brand value is the commercial objective, it is not so much a case of stopping the sale of the immediate product on the market (or in the other producer’s warehouse), but the long-term objective of stopping the offending conduct being ongoing. Often solicitors therefore negotiate “run-off” agreements whereby the offending producer agrees not to repeat the conduct on the basis that it can sell down the existing stock.

Normally, a producer will seek a pre-trial injunction to restrain the other producer from selling the product in arguable breach of the producer’s rights, pending determination of the issue by the court. This is because of the damage, which could otherwise be done before the matter comes to trial.

In simple terms, to obtain a pre-trial injunction it is necessary to establish, firstly, that one has a serious case to be tried (that is, that you have prima facie prospects of success), and that, secondly, damages would not be an adequate remedy (that is, to establish something like irredeemable damage to your brand or business if the conduct were to proceed until trial).

The price to be paid for a pre-trial injunction is that the producer must give an undertaking to the court that it will pay any damages which the other producer might suffer if it turns out subsequently that there has been no breach of rights and that the pre-trial injunction (that is, inability to sell the product) has caused the other producer financial loss.

It would also be necessary to establish to the court that the undertaking to pay damages is worthwhile – that is, that the party applying for the undertaking has the financial capacity to meet any loss covered by the undertaking.

The giving of an undertaking as to damages is something that requires serious consideration. You can still proceed with an action seeking permanent injunctive relief without seeking a pre-trial injunction if you do not wish to give an undertaking.

When the merits of the matter are finally determined at trial (if there has been no subsequent settlement) then the court may, if the producer is successful in establishing its case, grant a permanent injunction preventing recurrence. It may also make an award of damages (or order an account of payment of the profits unlawfully received by the offending party) and also may order that the producer's costs of the action be paid by the offending party. These costs will always be substantial in a case of this nature.

Having registered trademarks is not in itself an absolute protection as it is possible for a producer accused of trademark breach to request a court by way of "counterclaim" to strike the trademark off the trademark register. This can occur if the trademark was accepted and registered by the trademark's office without a court decision and if there is some basis for arguing that it should not have been registered in the first instance. This cannot occur if the original trademark application was finally determined on appeal in the Federal Court, that is, that the right to registration has already been the subject of a final court determination on the merits.

Many large companies keep watch on all trademark applications either through in-house legal counsel or through external trademark attorneys. They attempt to identify at an early stage any trademark applications which might potentially offend against their existing registrations. This is presumably how the Reschke application came to Red Bull's attention. Any such instances identified result in letters being forwarded to the applicants for trademarks with a request that they withdraw or in some way modify the trademark application.

This is an expensive process way out of the reach of all small producers who tend to rely upon their involvement in and knowledge of the marketplace to identify potential infringements.

All of this points to the fact that applying for and obtaining trademark protection prior to brand development is the best way to identify and avoid potential problems later on.

Experience shows that one saving grace about litigation over brands is that rarely do matters proceed to trial – that is, that they usually settle. Prompt, firm legal action usually results in a commercial resolution. It is vital to act quickly to restrain a brand so that the infringing party does not invest too much time or money in their product making – and thereby become more determined to fight the issue out.