

BRICK LANE VS TORQUAY BEVERAGE

The Pitfalls of Unregistered Trade Mark Rights

The *Australian Consumer Law (ACL)* affords businesses a certain level of trade mark protection. Businesses acquire that protection automatically as they undertake their ordinary operations and build a reputation. The automated nature of the protection can make it an attractive alternative to formally registering a trade mark right.

The recent Federal Court case of *Brick Lane Brewing Co Pty Ltd v Torquay Beverage Co Pty Ltd* [2023] FCA 66 (**Brick Lane v Torquay**), however, highlights the limitations of the *ACL*, and the significant risks that businesses take when relying solely on the *ACL*.

Trade Mark Protection under the Australian Consumer Law

The *Trade Marks Act 1995* (Cth) (**TMA**) created a formal system for protecting businesses' trade marks. Under the *TMA*, businesses can file an application with IP Australia to register a trade mark in relation to their goods and services. If IP Australia accepts that the application is valid, the trade mark will become registered. A registered trade mark gives its owner the right to prevent others from using a trade mark that is substantially identical, or deceptively similar, in relation to similar goods or services throughout Australia.

The *ACL* (found in Schedule 2 of the *Competition and Consumer Act 2010* (Cth)) can provide de facto trade mark protection that is separate to the *TMA*'s regime. That protection arises via section 18 of the *ACL* (among others). Section 18 states that a "person must not, in trade or commerce, engage in conduct that is misleading or deceptive or likely to mislead or deceive".

The use of a trade mark can violate section 18 of the *ACL* in the following circumstances. Where a business (**First Business**) has developed a reputation in a trade mark,

and a competitor (**Second Business**) begins using a similar trade mark, consumers may mistakenly believe that the two businesses are related. The Second Business has thus engaged in misleading or deceptive conduct by creating confusion amongst consumers. Where this occurs, the *ACL* allows the First Business to take legal action against the Second Business. A court can order the Second Business to stop using its misleading or deceptive trade mark and pay compensation to the First Business for its losses caused by consumers' confusion (such as lost sales). In this way, the *ACL* offers a form of trade mark protection to businesses.

Unlike a formal trade mark registration under the *TMA*, there are no upfront costs to relying on the *ACL* to protect a trade mark. By using its trade mark in the ordinary course, a business will develop a reputation in that trade mark amongst consumers. That reputation arises automatically, at no additional cost to the business. Once a business has developed that reputation, the *ACL* will prevent competitors from using a similar trade mark that is likely to mislead or deceive consumers.

However, compared to formally registering a trade mark, there are important practical limits to the protection offered by the *ACL*. Some of these limits are neatly demonstrated by the recent Federal Court decision in *Brick Lane v Torquay*.

Brick Lane v Torquay

Background Facts

In *Brick Lane v Torquay*, Brick Lane sued Torquay under the *ACL*, alleging that the packaging for Torquay's "Better Beer" range was so similar to the packaging for Brick Lane's "Sidewinder" range that it would mislead or deceive consumers. Examples of the packaging for each product range is set out below.

Brick Lane's "Sidewinder" Packaging:



Torquay's "Better Beer" Packaging:



Brick Lane began developing its Sidewinder range in September 2020. It settled on the "Sidewinder" brand and the concept of the three curved, coloured stripes around February 2021, and finalised the design of its packaging in May 2021. The Sidewinder range was officially launched on 21 July 2021 via a media release promoting the range, before sales to the public began on 2 August 2021.

Torquay began designing its Better Beer range in January 2021, and more or less finalised its packaging in March 2021. It announced the launch of the Better Beer range to the ASX and on social media on 26 July 2021. That announcement was quickly republished by a number of industry publications. The first public sales of Better Beer occurred in late October 2021. In April 2022 Torquay expanded the Better Beer range by launching a ginger beer (which had similar packaging to the rest of the range, but with different colours).

Where a competitor begins using a new trade mark, consumers can only confuse it with an existing trade mark if they are familiar with the existing trade mark. In other words, the existing trade mark must have established a reputation.

Torquay's use of its trade marks began on the date that it began promoting its Better Beer range, being 26 July 2021. That date was just five days after Brick Lane began promoting its own Sidewinder range. Five days was not long enough for Sidewinder to develop enough of a reputation amongst consumers that they could be confused by the Better Beer branding. As the court explained at [98]:

"[t]he essentials of what occurred in this case are that, entirely independently of each other, each side of the case simultaneously developed a get-up for a new beer product and both get-ups were presented to and promoted in the market at almost the same time – only days apart. The happenstance of Brick Lane having won the race – a race that neither it nor [Torquay] knew that they were in – by only a few days does not give it the right to stop [Torquay]

from using their get-up or to claim damages. That is because in the intervening period Brick Lane had not established any appreciable reputation for its get-up. Without that, its claim must fail.”

In relation to the launch of Torquay’s ginger beer in April 2022, the court again found that there was no infringement, though for different reasons. By April 2022, both of the Sidewinder and Better Beer ranges had developed a reputation. That meant consumers were unlikely to become confused between them.

The court also determined that, even if Brick Lane had established the requisite reputation in its Sidewinder packaging, consumers were unlikely to become confused by the Better Beer range. This was despite the court’s finding that the use of the stripes on both sets of packaging was “strikingly similar”. Ultimately, the court concluded that the similarities with the stripes was outweighed by the differences in the brand names (“Sidewinder” and “Better Beer”), and the fact that the Sidewinder range was a low alcohol beer while the Better Beer range was low carbohydrate, low calory, full strength product. In the court’s opinion, those differences were enough to distinguish the products in consumers’ minds.

Lesson 1 | Limitations of the ACL

Brick Lane v Torquay demonstrates two important limitations of the ACL.

First, the ACL is primarily directed towards protecting consumers. The protection that it offers to businesses only takes effect once a trade mark has developed a reputation, as that is the point at which consumers may become confused by a similar trade mark. The investment of time and resources that goes into developing a product before it is launched is irrelevant to the ACL. Even the time and money spent promoting a product only becomes relevant if the promotional activity has generated a certain level of reputation amongst consumers.

In comparison, registering a trade mark does not require a pre-existing reputation. A trade mark can be registered provided it is capable of distinguishing a business from others’ businesses, and is not too similar to any other trade marks already on the register. The trade mark does not have to distinguish the business before it can be registered. As a result, a trade mark application can be filed before launching a new product, and can be used to prevent others from using a similar trade mark as soon as it becomes registered. In this way, the trade mark can be protected even before launch.

Second, the tests for determining whether there is infringement are different under the TMA and ACL. The TMA test is generally more favourable for the trade mark owner. When deciding whether conduct was misleading or deceptive under the ACL, a court will consider all of the surrounding circumstances. Conversely, under the TMA the court will only compare the trade marks in question. For example, if Brick Lane had registered its stripes as a trade mark, the court would have only compared the stripes on each parties’ packaging. Given the court’s finding that those stripes were “strikingly similar”, it may well have concluded that Torquay’s packaging infringed that registered trade mark.

As a result, had Brick Lane applied for trade mark registration under the TMA once it had finalised its branding, it would have had better prospects of succeeding in its litigation against Torquay.

Lesson 2 | Hidden Costs to the ACL

Brick Lane v Torquay also demonstrates that reliance on the ACL is only free if you do not need to enforce your unregistered trade mark rights against a third party. For the reasons discussed above, a business with a registered trade mark is in a stronger position against an alleged infringer than a business relying on the ACL. As a result, parties met with a claim under the ACL are often more inclined to contest the litigation. In comparison, where a business alleges infringement of a registered trade mark, the alleged infringer is often more inclined to agree to voluntarily stop using their trade mark. A registered trade mark is therefore more likely to allow the owner to avoid the cost of litigation altogether.

Establishing a reputation in a trade mark during litigation can also be expensive because it requires significant supporting evidence. There is also no guarantee of a court being persuaded that a large enough reputation has been established. Further, any business relying on the ACL to protect its trade marks is best advised to keep detailed records of all the ways that they have used their brand (including all sales and marketing activities) to assist with the preparation of that evidence. Capturing and keeping those records can impose an administrative, and in some cases financial, cost on the business. These costs can be saved when relying on a registered trade mark.

LESSON 3 | The Defensive Power of Trade Mark Registration

While Torquay won the case against Brick Lane, it's fair to say that avoiding the cost and inconvenience of litigation altogether would have been an even better result. Had Torquay registered its branding as a trade mark before Brick Lane launched its Sidewinder range, Torquay would have been in a position to argue that it was actually Brick Lane that was infringing Torquay's rights. Torquay may have been able to leverage that position into convincing Brick Lane to either discontinue using its packaging, or discontinue its legal action against Torquay.

CONCLUSION

Although relying on the *ACL* may appear cheaper than registering a trade mark in the short term, there are significant long-term risks to relying on the *ACL*. Some of those risks include the time required for a trade mark to gain a reputation, the difficulty and expense of persuading a court of that reputation, and an infringement test under the *ACL* that can favour the alleged infringer. Before deciding on the best strategy for protecting your trade marks, it is important to weigh the upfront cost of trade mark registration against these risks. If you'd like to discuss your trade mark strategy, please do not hesitate to contact us.



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