TRAPS IN HOLDING YOUR TRADE MARKS IN AN ENTITY SEPARATE FROM YOUR TRADING ENTITY

*Many wine businesses are structured, for asset protection reasons, with their trade marks and other valuable property held in one entity and their business operated through another entity. Such businesses need to be aware of the risks of their trade marks being struck off the Trade Marks Register for non-use and their WET rebate claims being denied.*

Trade marks are a valuable asset for any business. We recommend that winemakers register their trade marks with IP Australia and consider implementing asset protection strategies (supported by appropriate licensing arrangements) to ensure their brands are appropriately protected and not ineligible for the WET rebate.

## Trade mark

A trade mark is a sign used, or intended to be used, by a trader to distinguish their goods or services in the course of trade from goods or services provided by other traders.

Registration of a trade mark with IP Australia provides the registered owner with (amongst other matters):

1. the exclusive right to use and authorise others to use the trade mark in relation to the goods or services for which the trade mark is registered (subject to any conditions or limitations imposed on the registration);
2. the right to obtain relief where the trade mark has been infringed;
3. the right to deal with the trade mark by way of assignment and licensing to third parties;
4. the right to object to the importation of goods infringing a registered trade mark into Australia; and
5. the protection of trade mark rights through the imposition of criminal penalties for improper use.

## asset protection

For asset protection purposes, it is common for:

1. the assets of a winery (such as real property, plant & equipment and intellectual property) to be held by one entity (**AssetCo**); and
2. the daily operations and trading of the winery to be undertaken by another entity (**OpCo**).

By structuring affairs in this manner, the valuable assets held by AssetCo can potentially be protected from claims (from banks, creditors or other third parties) that OpCo might face.

## Cancellation of trade marks for non-use

If a registered trade mark is not used for a continuous period of three years in Australia, an application may be made to have the trade mark struck off (i.e. cancelled from) the Trade Marks Register, on grounds of non-use.

However, if the trade mark is used in good faith by the registered owner or an authorised user, this will defeat an application for removal for non-use.

## Intellectual property licensing

If a winery elects to structure its affairs in the above manner, it is important that an “Intellectual Property Licence Agreement” is put in place for AssetCo to license the use of its trade mark to OpCo. The existence of an Intellectual Property Licence Agreement between related companies will also assist in demonstrating the “unity of purpose” which courts have considered to be an indicator that the use of a trade mark has been “authorised” by its owner.

If not, third parties (particularly competitors) may seek the cancellation or removal of AssetCo’s trade marks from the Australian Trade Marks Register, on the grounds of AssetCo’s non‑use.

Trade mark owners must ensure that their licences provide them with the ability to exercise “quality control” over their licensees’ use of their trade marks. The quality control measures may be practically exercised by, for example, sampling and testing wine sold under the trade mark against benchmarks or requiring that the wine satisfies an objective, Australian quality standard.

This is important because, unless practical control over how trade marks are used can be demonstrated, use of the marks by a licensee will not be recognised as “use” by the licensor for the purposes of the *Trade Marks Act* and the trade marks’ registration may be vulnerable to cancellation.

## Trade marks and the Wine Equalisation Tax producer rebate

Finally, in order to be entitled to the WET producer rebate, among other things, winemakers must label their wine with a registered trade mark, or a common law trade mark (to the extent they cannot legally register their trade mark), they own or that an entity “connected with them” owns.. Merely having the exclusive use of a trade mark under a licence with a related entity will not, of itself, be sufficient to satisfy this test and preserve the winemaker’s eligibility (if the other tests are met) to claim the WET producer rebate on bottles sold with that trade mark affixed.

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Winemakers should take the protection of their intellectual property very seriously, having regard to the investment of time, money and effort put in to building those brands. Separating the ownership and use of valuable assets can be a sensible strategy, but it is important not to be ‘tripped up” by important matters of detail.

## Contact details

If you would like assistance with establishing trade mark licences or an asset protection strategy, or in relation to a WET matter, please contact:



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