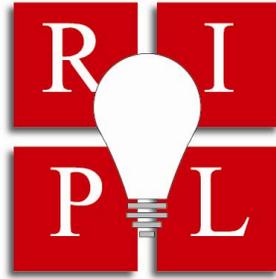


THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



SCANDAL IN THE US AND AUSTRALIAN WINE INDUSTRY! TRADEMARKS AND GIS AS A
CONSUMER MAGNET?

SARAH HINCHLIFFE

ABSTRACT

In a dense global market, wine is heavily reliant on catering to the needs of consumers. Consumers, as part of the decision-making process, rely on information – comprising information type, and the way that it is portrayed. This article identifies branding opportunities for New World wineries – particularly in the United States and Australia – to capitalize on without compromising innovation in branding nor breaching IP law. It highlights that wineries in the New World have a plethora of opportunity to create a spunk and pizzazz effect in their branding. At the same time, it cautions what wineries should avoid for the purpose of otherwise being classified as ‘scandalous’.

Copyright © 2019 The John Marshall Law School



Cite as Sarah Hinchliffe, Scandal in the US and Australian Wine Industry! Trademarks and GIS As a Consumer Magnet?, 18 J. MARSHALL REV. INTELL. PROP. L. 421 (2019).

SCANDAL IN THE US AND AUSTRALIAN WINE INDUSTRY! TRADEMARKS AND
GIs AS A CONSUMER MAGNET?

SARAH HINCHLIFFE

I. INTRODUCTION 422

- A. Wine Labelling Laws 423
 - 1. Regulation and Administration of Wine Labels 424
 - 2. The Source of Wine..... 427
 - 3. Innovation in Branding? 438
- B. Consumer Preference 439
 - 1. Normative inquiry into information channels that are effective..... 440
 - 2. What information Matters to a Consumer? 441
 - 3. Take-Aways 445
- C. Opportunities to Bridge Practical Reality and Law 445
 - 1. Innovation through Registration of a funky mark – Australia 446
 - 2. Pushing the Boundaries – Scandal in the US! 455
 - 3. First Amendment 460
- D. Scandal in the Wine Industry and Implications for Branding of Wines 461

SCANDAL IN THE US AND AUSTRALIAN WINE INDUSTRY! TRADEMARKS AND GIS AS A CONSUMER MAGNET?

SARAH HINCHLIFFE*

I. INTRODUCTION

New World wine¹ – in particular those sourced from jurisdictions subject to an EU trade in wine bilateral treaty² – face an inexorable position of carving out a consumer-appealing niche in an already dense global market.³ When faced with a choice of a New World wine of similar price and quality,⁴ consumer preference is influenced not necessarily by the specific geographic source of the wine,⁵ but rather the label pizzazz factor. This is apparent when compared to European counterparts.⁶

* © Sarah Hinchliffe 2019. Ph.D, Assistant Professor (The University of Akron); AIIFL Honorary Fellow (The University of Hong Kong).

¹ The New World comprises jurisdictions including: Australia, Canada, the United States, South Africa, and Asia. The Old World, by comparison, refers to Europe. For a discussion of the Old World and New World, *see generally*, OZ CLARKE, WINE ATLAS—WINES AND WINE REGIONS OF THE WORLD (1995, Little-Brown); *see generally* RICHARD P. MENDELSON, FROM DEMON TO DARLING: A LEGAL HISTORY OF WINE IN AMERICA (University of California Press, 2009).

² There are several bilateral treaties with respect to wine geographical indications between the EU and other jurisdictions. *See generally*, Agreement between the United States of America and the European Community on Trade in Wine, signed 10 March 2006 O.J. (L 87) (entered into force 10 March 2006) ('EU-US Wine Agreement'); Agreement between the European Community and Australia on Trade in Wine [1994] OJ L 86/94, superseded by the Agreement between the European Community and Australia on Trade in Wine [2009] OJ L28/3 (entered into force 1 September 2010) ('EU-Australia Wine Agreement'). Reference to "jurisdiction" is in place of "countries" since the EC is not strictly a country.

³ For a discussion of the global wine market, *see* Linda Bisson et al, *The Present and Future of the International Wine Industry*, 418(8) INSIGHT PROGRESS 696, 696 (2002); Giulia Meloni and Johan Swinnen, *The Rise and Fall of the World's Largest Wine Exporter – And Its Institutional Legacy*, 9(1) J. WINE ECON. 3, 9-10 (2014); Won Fy Leea & William C Gartner, *The Effect of Wine Policy on the Emerging Cold-Hardy Wine Industry in the Northern U.S. States*, 4(1) WINE ECON. & POLICY 35, 43 (2015); Alan E Wiseman & Jerry Ellig, *The Politics of Wine: Trade Barriers, Interest Groups, and the Commerce Clause*, 69(3) J. POLITICAL ECON. 859, 869 (2007); OIV, *State of the Vitiviniculture World Market 2015* (1 March 2017), <https://en.vinex.market/articles>.

⁴ Wine oenology is not discussed in this article. *But see* Lisa Barriger, *Global Warming and Viticulture: The Ability of Wine Regions to Adapt in Differing Regulatory Schemes* 19 PENN. ST. ENVTL. L. REV. 311 (2011) (discussing oenology and legal frameworks); Peter Combris et al, *Food Choices: What do we Learn From Combining Sensory and Economic Experiments?* 20(8) FOOD QUALITY & PREFERENCE 550, 555-7 (2009); Alan Guth, *Quantitation and Sensory Studies of Character Impact Odorants of Different White Wine Varieties*, 45 J. AGRICULTURE & FOOD CHEMISTRY 3027, 3029-32 (1997).

⁵ Reference to geographic source is construed broadly, and includes: GIs, AOCs, mis-descriptive marks, AVAs, etc. *See infra*, discussing the scope of the "source" of wine in a geographic sense referred to in this article. *See also* Antonio Stanziani, *Wine Reputation and Quality Controls: The Origin of The AOCs in 19th Century France* 18(2) EU. J. L. & ECON 149, 156-7 (2004).

⁶ For a discussion about wine preference of European individuals, *see* Dwijen Rangnekar, 2004, "Demanding Stronger Protection for Geographical Indications: The Relationship Between Local Knowledge, Information and Reputation, UNU-INTECH Discussion Paper Series 25), United Nations University.

Labelling laws (e.g. 27 C.F.R Subpart D, and Part VIA of the *Wine Australia 2013 Act* (Cth)) and intellectual property regimes (e.g. geographical indication regimes, geographic mis-descriptive marks, and the trademark regime more broadly) *prima facie* appear to dampen innovation in branding.⁷ This is particularly so for emerging New World wines.⁸

This article identifies branding opportunities for New World wineries – particularly in the United States (US) and Australia – to capitalize on innovation in branding without breaching a jurisdiction’s legal obligations. It highlights that wineries in the New World have a plethora of opportunity to create a unique brand. At the same time, it identifies traps to avoid in creating a spunk or pizzazz effect in branding – including trademarks otherwise classified as ‘scandalous’.

First, an outline of the wine industry in Australia and the United States is provided. This section sets out current federal law with respect to labelling of wines and intellectual property regimes. Second, a practical outlook of consumer preference for wine including research identifying the extent to which consumers place on information on wine labels. The third section identifies common ground of these legal regimes (i.e. label laws and intellectual property regimes with respect to wine as a consumption good) and relevant legal theory. Emerging from an analysis of this nexus is what this article describes as ‘branding preference’. The final section identifies opportunities stemming from cases such as *In re Brunetti* and *Tam*, the elements that comprise an acceptable and innovative brand for use by wineries in New World jurisdictions and those falling short of being considered ‘scandalous.’ A summary of practical considerations for branding opportunities and future legislative insights draws this article to a close.

A. Wine Labelling Laws

Each jurisdiction has its own flavor of objectives (including cultural, constitutional and historical factors) that underpin operative wine labelling laws. The First Amendment to the United States’ Constitution (free speech),⁹ for example, defies suppression of free expression. When it comes to information on labels this Constitutional right, *prima facie*, precipitates a conflict between [commercial] rights of wine producers¹⁰ and other consumer interests.¹¹ This, in essence, presents a

See also, LEON SCHIFFMAN AND LESSLIE KANUK, CONSUMER BEHAVIOUR (Prentice Hall, 9th ed., 2007) (noting that country-of-origin perceptions and expectations lead to cognitions. It also puts significance on particular products and marketing attributes. These were considered as the factors that could bring affect to the people in the country of where the product or services were market).

⁷ For the definition of branding, see *infra*.

⁸ Reference to emerging New World wines includes new entrants (e.g. new wineries and wine products) located in New World jurisdictions, also existing New World wineries and wine products that may not necessarily be broadly known by consumers. *Compare, e.g.* “Yellow Tail” and “Jacobs Creek.” *See also* Ernst Walker and Annette Brown, *How Do Owners of Small Businesses Measure Their Success?*, 22(6) INT. SMALL BUS. J. 573, 574 (2004).

⁹ U.S. CONST. amend. I. *See also* Keith Werhan, *The O’Briening of Free Speech Methodology*, 19 Ariz. St. L.J. 635, 638 (1987).

¹⁰ *See, e.g.* Sarah Hinchliffe, *Opus Wine: An Optimum Framework for Wine within a Supply Chain* (November 2017) (Doctor of Philosophy Dissertation, Victoria University, at 1.2.1) (on file with author).

balancing act between constitutional entitlement to free speech and other rights and interests of stakeholders.¹² Since Australia lacks an overt freedom of speech clause in its constitution,¹³ and instead places emphasis on consumer protection,¹⁴ the balancing act is comparatively subtle.

The following paragraphs outline the regulatory and administrative aspects of wine labels. It then compares the term 'wine origin' in Australia and the US which forms the basis of further comparative discussion in this article.

1. Regulation and Administration of Wine Labels

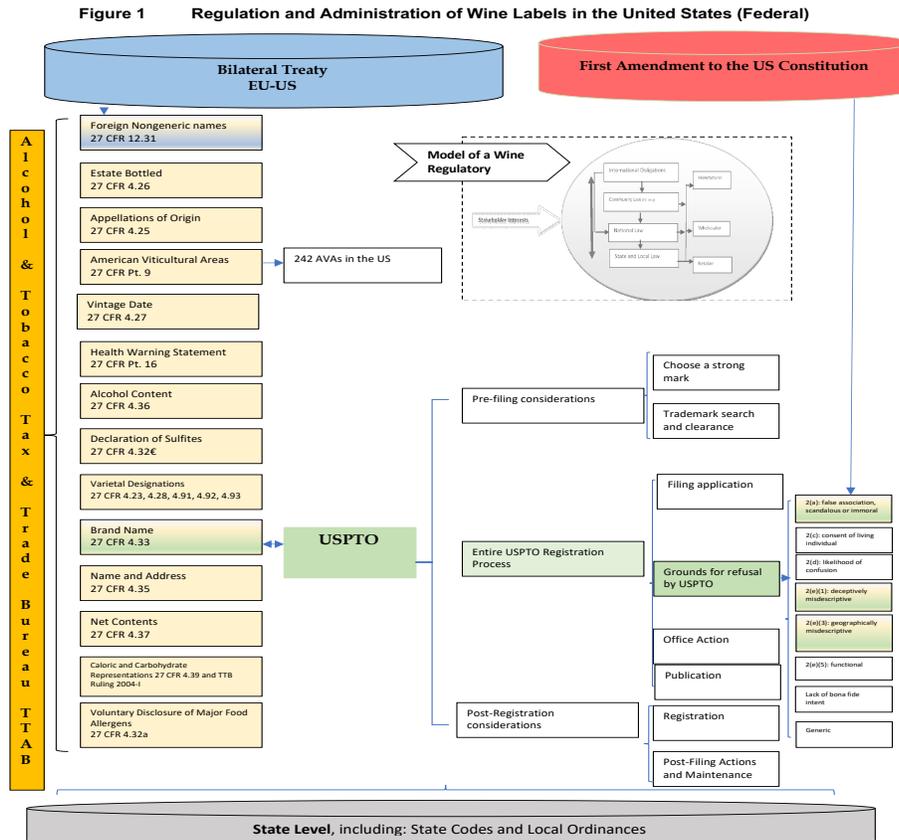
¹¹ Consumer interests include not being misled or deceived as to the product. There are, however, statutory requirements setting out inclusion of health warnings: *See* Family Smoking Prevention and Tobacco Control Act, 21 U.S.C. § 301 (2009) (authorizing graphic warnings on cigarettes); Alcohol and Tobacco Tax and Trade Bureau, U.S. Dep't of Treasury, Wine Laws and Regulations, http://www.ttb.gov/wine/wine_regs.shtml (last updated Oct. 22, 2014) (outlining U.S. wine laws and regulations). For a discussion about purported conflict between Free Speech and health warnings, see David Orentlicher, *The Commercial Speech Doctrine in Health Regulation: The Clash Between The Public Interest in a Robust First Amendment and The Public Interest in Effective Protection From Harm*, 37 AM J LAW MED (2011) 299-314 (2011). *See also* Disc. Tobacco City & Lottery, Inc. v. United States, 674 F.3d 509 (6th Cir. 2012) (the U.S. Court of Appeals for the Sixth Circuit had upheld Congress's authority to mandate graphic warnings); Sorrell v. IMS Health, Inc., 564 U.S. 552 (2011) (the Supreme Court rejected Vermont's effort to restrict the use of prescription data by drug companies' sales representatives). Even though the Supreme Court let the Sixth Circuit's decision stand, its effect is limited. The Sixth Circuit considered only whether Congress may require *some* graphic warnings. The D.C. Circuit considered the constitutionality of the FDA's *actual* warnings. Even as the Supreme Court has narrowed the power of government to regulate corporate speech, it has preserved an important authority to regulate. The graphic warnings seemed to fall within that authority. The preserved authority reflects the distinction the Supreme Court makes between the regulation of corporate speech that informs and the regulation of corporate speech that misinforms. On the one hand, the Court usually objects when the government tries to block truthful speech by businesses. On the other hand, the Court typically approves when the government tries to prevent false or deceptive speech by businesses. For example, the government may forbid companies from saying things that are not true. It also may require companies to make disclosures that will allow consumers to make informed choices and not be misled by advertising hype. Common disclosure requirements include the corporate prospectus for stock offerings, the total interest payments for a home mortgage, nutritional information for foods, and the textual warnings for cigarettes: *See* Sarah Hinchliffe, *Comparing Apples and Oranges* 13 JOHN MARSHALL REV. INTELL. PROP. L. 999 (2013).

¹² For a detailed discussion of stakeholder rights and interests in the contents of wine, *see* Hinchliffe *supra* n 10, at 1.2.1. *See also* Ilenia Bregoli et al, *Challenges in Italian Wine Routes: Managing Stakeholder Networks*, 19(2) QUALITATIVE MARKET RESEARCH J. 204, 218 (2016).

¹³ *See Australian Constitution*.

¹⁴ *See Competition and Consumer Act 2010* (Cth) Sch. 2, and second reading speech.

For the most part, labelling requirements—including what must appear on a wine label—is administered at a national level in the US and Australia. The Alcohol and Tobacco Tax and Trade Bureau (TTB)—a federal agency—determines the requirements for wine production and labelling, including the designation of



American Viticultural Areas (AVAs).¹⁵ The TTB administers the Webb-Kenyon Act,¹⁶ and the Alcoholic Beverage Labelling Act,¹⁷ which prescribes a ‘Government Warning’ on all alcoholic beverage labels (See Figure 1).¹⁸ There are also labelling requirements imposed under State instruments.¹⁹

¹⁵ See Alcohol and Tobacco Tax and Trade Bureau, History of TTB available at <http://www.ttb.gov/abo/ut/history.shtml> (highlighting the role and mission of the TTB). In order to further the Food and Drug Administration’s (FDA) mission of assuring that the products it regulates are safe and truthfully labeled, the Federal Food, Drug, and Cosmetic Act (FD&C Act) gives the FDA the power to enforce prohibitions on labelling that causes a food, drug, cosmetic, or medical device to be misbranded: Federal Food, Drug, and Cosmetic Act (Hereinafter after the FFD&C Act), SS301(a), 301(g), 301(k) (1938).

¹⁶ 27 U.S.C. § 122 (2006).

¹⁷ 27 U.S.C. § § 213-219(a) (2006).

¹⁸ 27 U.S.C. § 215(a) (2006).

¹⁹ 27 C.F.R. § 4.25 (2012) defines an ‘appellation of origin’ for use on wine, and its use on a label (for both US wine and imported wine) is subject to meeting requirements under this regulation: See

In Australia, Wine Australia (comprising the Australian Grape and Wine Authority (AGWA)) and the Department of Agriculture and Water Resources oversee the compliance of wine labelling requirements.²⁰ In addition to the *Wine Australia Act 2013* (Cth),²¹ the Food Standards Code,²² the *National Measurement Act 1960* (Cth), and the *Competition and Consumer Act 2010* (Cth)²³ collectively govern wine labels (see Figure 2).²⁴

Id.; See generally Alcohol and Tobacco Tax and Trade Bureau, *Wine Appellations of Origin*, available at <http://www.ttb.gov/appellation/>. The Alcohol and Tobacco Tax and Trade Bureau (TTB) agents investigate alcohol permits for wineries; work in the enforcement of regulations of the alcohol industry; and prevent misleading labelling. See also David H McElreath et al., *Introduction to Law Enforcement* (CRC Press, 2013) 131.

²⁰ *Wine Australia Act 2013* (Cth), ss. 6 and 7. The term “label law” is defined in the *Wine Australia Act 2013* (Cth) s. 4.

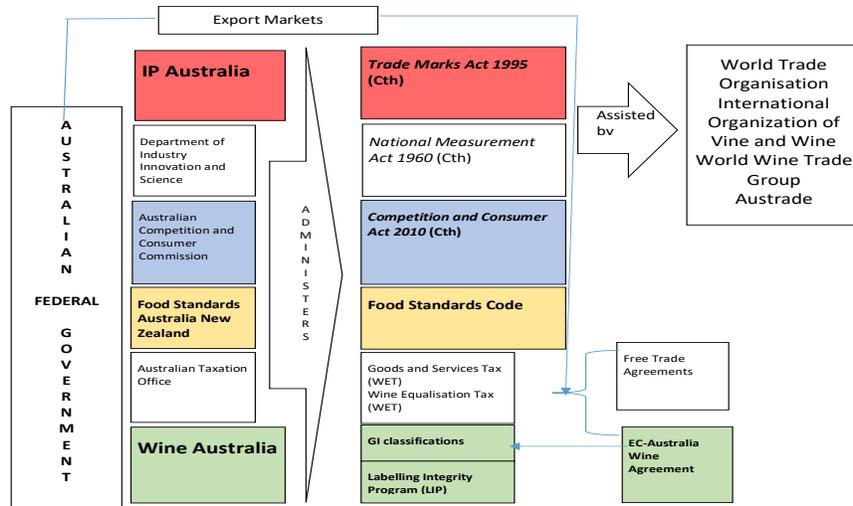
²¹ *Wine Australia Act 2013* (Cth), pt. VIA (Label Integrity Program (LIP)). The LIP provisions were introduced in September 2010 to provide a more comprehensive system to ensure that Australian wine laws comply with treaty requirements, and also protect the integrity of Australian wine overseas. See *respectively*, Agreement between the European Community and Australia on Trade in Wine [1994] OJ L 86/94, superseded by the Agreement between the European Community and Australia on Trade in Wine [2009] OJ L28/3 [hereinafter “EC-Australia Agreement”]. The LIP applies directly to wine and does not apply to other products such as tobacco.

²² See *Food Standards Australia New Zealand Act 1991* (Cth). See also *Food Standards Code 2013* (Cth). Standard 1.2.1 of the Australia New Zealand Food Standards Code sets out the requirements to have labels or otherwise information provided. Coupled with Standard 1.2.11, which sets out particular information requirements, the country of origin and GI is required to be stated on the label of an Australia wine product: See also *Wine Australia Act 2013* (Cth), s. 40D (False descriptions and presentations). Effective 1 July 2016 (but mandatory from 1 July 2018), the *Competition and Consumer Amendment (Country of Origin) Act 2017* (Cth) requires labels to include a product’s Country of Origin Labelling. Standard 1.2.7 (Nutrition, health and related claims) requires that “pregnancy health warnings” appear on wine products.

²³ Section 40F of the *Wine Australia Act 2013* (Cth), for example, expressly prohibits misleading descriptions and presentations on wines, and pursuant to s. 40E wine that is sold, imported to, or exported from Australia cannot contain misleading a description or presentation. Other consumer protection laws, such as the *Consumer Protection Act 2010* (Cth), similarly endorse the need to provide consumers with accurate information about a good or service.

²⁴ *Victorian Civil and Administrative Tribunal Act 1998* (Vic), s 40 (In the event of misleading or deceptive conduct in the supply of a wine product, the appropriate forum to commence an action is the Victorian Civil and Administrative Tribunal (VCAT)).

Figure 2 Regulation and Administration of Wine Labels in Australia (Federal)



Many wine bottles have two labels—a front label (which “names” the wine and/or “brand,” and can catch the consumer’s eye);²⁵ and the back label (which may set out further information about the wine product, ingredients and health warnings).²⁶ Statutory instruments require the inclusion of a source identifier of the wine,²⁷ which includes at the very least the “country of origin” (i.e. the geographic source).²⁸

The next section explains the scope of each of these terms, and notes that while the “source” of wine plays a role in influencing a consumer’s purchase decision, it is not the only factor.

2. The Source of Wine

It is mandatory to include on a wine label the “source” of wine.²⁹ Statutory requirements in the US and Australia prohibit false descriptions on a wine label.³⁰ What is considered to be mis-descriptive, however, is broadly encompassing in Australia than in the US. Similarly, what is considered to be a wine’s source for the purpose of identifying a wine differs.

²⁵ The term “name,” refers to the “brand” of the wine, and not the variety of grapes. For the purpose of this article, a “brand” may be a trademark (either registered or unregistered).

²⁶ Statutory label requirements do not necessarily require other than a front label.

²⁷ The requirement includes that the country of origin be included on the front label, but there is no definition of front label.

²⁸ See *infra*.

²⁹ The term “source” is not explicitly referred to in statutory instruments. For example, this is implied in 27 C.F.R. § 4.32 and 4.33(b) (2013). Other elements of branding, while not mandatory on a wine label, when included or used in commerce are governed at a federal level in both the US and Australia. See *infra*. A comprehensive discussion is, however, beyond the scope of this article.

³⁰ In the case of Australia, see *Competition and Consumer Act 2010* (Cth), Sch 2. In the case of the U.S., see 27 C.F.R. § 4.32 (2013).

United States

Title 27 of the C.F.R. § 4.32 sets out the mandatory label information for wine, including the need to display the “brand.”³¹ Strictly speaking it is erroneous to use the terms “trademark” and “brand” interchangeably. A brand represents an entity’s reputation and business. In its simplest form, it is an image; what the public sees and thinks about an entity. Whereas a trademark is a legal embodiment of those aspects of an entity’s brand that are unique and specific to that entity. For example, logos, specific combinations of colours, shapes and design layout, or any other aspect of a brand that is unique from anyone else. Viewed another way: all trademarks are brands, while not all brands are trademarks.

Section 4.33 sets out the context for defining the term “brand,” and which prohibits any such brand name “. . . standing alone, or in association with other printed or graphic matter” to create:

“. . . any impression or inference as to the age, origin, identity, or other characteristics of the product... conveys no erroneous impressions as to the age, origin, identity, or other characteristics of the product.”³²

The source of wine pursuant to this section may therefore be construed broadly.³³ Identity and origin may refer to not just geographical origin or geographical identity of a wine (e.g. an American Viticultural Area (AVA)),³⁴ but moreso the identity or origin in a trademark sense. Flowing from this, geographical origins are protected through the trademark regime as “certification marks” under US federal law.³⁵ The term ‘certification mark’ is defined in 15 U.S.C. § 1127 as:

“. . . any word, name, symbol, or device, or any combination thereof ... [that is used to] certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of . . . goods or services”

In the case of a geographic certification mark, freedom to define the standard is constrained,³⁶ as only firms in the particular geographic area may use the term.³⁷

³¹ 27 CFR § 4.32(a)(1) (2013).

³² See 27 C.F.R. § 4.32 (2013).

³³ See Hinchliffe *supra* n. 10.

³⁴ See *infra*.

³⁵ See 15 U.S.C. § 1127 (2006). See also 15 U.S.C. § 1052(e)(1) (2006) (authorizing a refusal to register a mark which “when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them”); 15 U.S.C. § 1052(e)(2) (2006) (authorizing a refusal to register a mark which “when used on or in connection with the goods of the applicant is primarily geographically descriptive of them”).

³⁶ Unlike in a certification mark regime where the mark owner generally has greater freedom to do so. See *Id.*

³⁷ A certification mark is used by third parties to indicate that goods or service being offered conform to the standards or characteristics established by the mark’s owner: See 15 U.S.C. § 1064 (2006). For cases discussing challenges to certification marks, see, e.g., *Levy v. Kosher Overseers Ass’n of Am., Inc.*, 104 F.3d 38 (2d Cir. 1997); and *Community of Roquefort v. William Faehndrich, Inc.*, 303 F.2d 494 (2d. Cir. 1962).

There is, as will be discussed, a measure of elasticity in classifying a geographic area.³⁸ An AVA, for example, is one way that a wine's geographic area is delineated.³⁹

The AVA system – which began in 1980 – essentially sought to distinguish smaller wine grape-growing regions and was in response to the need to comply with international rules.⁴⁰ States also have an additional “local” tier by virtue of ordinances, that apply to a particular wine region.⁴¹ Section 4.25(e)(1)(i) of the Alcohol and Tobacco Tax and Trade Bureau Regulations (TTB regulations)⁴² defines a viticultural area for American wine as a delimited grape-growing region having distinguishing features as described in Pt. 9 of the regulations and a name and delineated boundary as established in Pt. 9 of the regulations. Part 4 of the TTB regulations⁴³ allows the establishment of definitive viticultural areas and the use of their names as appellations of origin on wine labels and in wine advertisements.

Unlike the AOC system in France,⁴⁴ AVAs can overlap political boundaries such as state and county lines as well as other AVAs, and may be referred to even if grapes are sourced from an adjoining AVA. Section 4.25 sets out the eligibility requirements for the use of an appellation of origin. Section 4.25(a)(1) of the TTB regulations⁴⁵ defines an appellation of origin for American wine as:

- (i) The United States;
- (ii) a State, or
- (iii) two or no more than three contiguous States;
- (iv) a county, or
- (v) two or no more than three counties from the same State; or
- (vi) a viticultural area.

Section 4.25(e)(3) of the TTB regulations,⁴⁶ in part, sets forth the requirements for labelling American wine with an AVA as an appellation of origin.

³⁸ See 15 U.S.C. § 1052(e)(2) (authorizing a refusal to register a mark which “when used on or in connection with the goods of the applicant is primarily geographically descriptive of them”). See *infra*.

³⁹ 27 C.F.R. § 4.91 (2011) (American Viticultural Areas). In 1978, the Bureau of Alcohol, Tobacco and Firearms developed regulations to establish AVAs based on distinctive climate and geographical features. The previous system designated appellations based on state or county boundaries: see Alcohol and Tobacco Tax and Trade Bureau, *American Viticultural Area* <http://www.ttb.gov/wine/ava.shtml>.

⁴⁰ There are 234 AVAs across the US: See The Wine Institute, *American Viticultural Areas* (31 December 2016), <https://www.wineinstitute.org>. See Michael Hall et al., *Wine Tourism Around the World* (Routledge, 2009) 266 (outlining that it was also to facilitate the US compete in export markets against wines from countries with more developed quality control methods).

⁴¹ A discussion of this is beyond the scope of this article, but see Hinchliffe, *supra* n 10.

⁴² 27 C.F.R. § 4.25(e)(1)(i) (2012).

⁴³ 27 C.F.R. § 4.24 (2006).

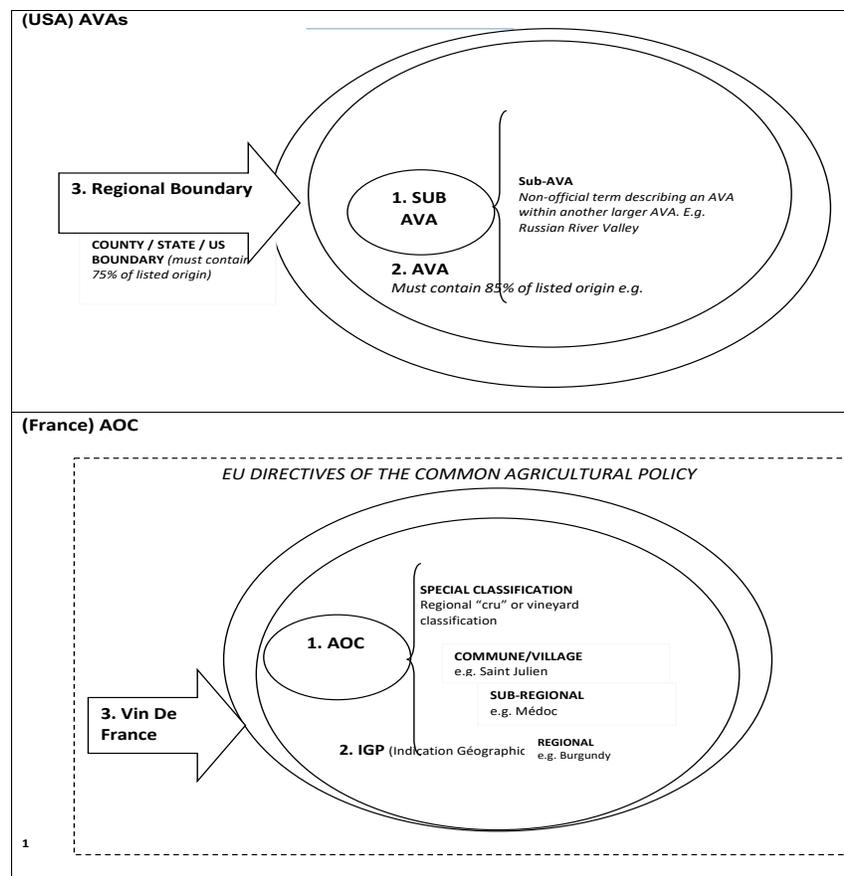
⁴⁴ Hinchliffe, *supra* n 10.

⁴⁵ 27 C.F.R. § 4.25(a)(1) (2012).

⁴⁶ 27 C.F.R. § 4.25(e)(3) (2012).

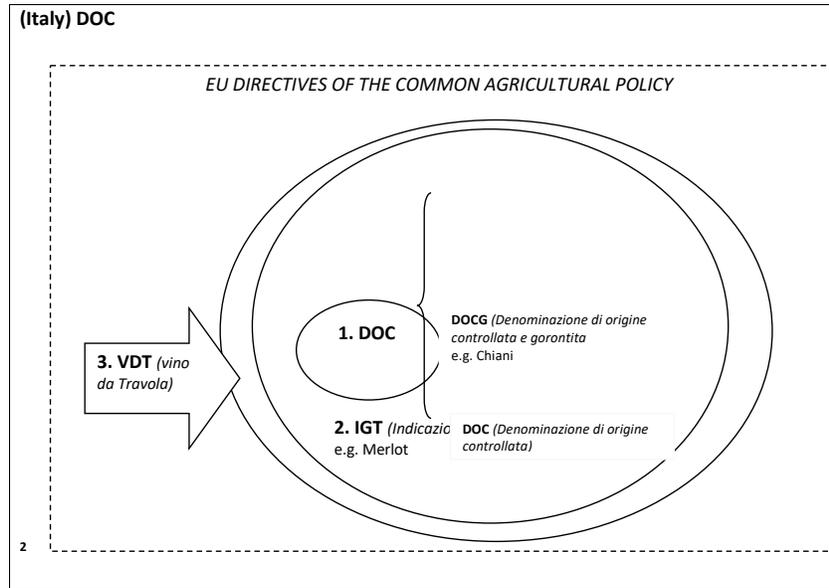
As depicted in Figure 3, in order for a wine to be labelled to have come from a certain AVA region, therefore, it must include at least 85 percent of the grapes from that particular region (i.e. grapes of listed origin – e.g. Williamsburg VA), without complying with any restrictions of the winemaking techniques.⁴⁷

Figure 3 Classification Requirements for



¹ National IP laws of France recognise that AOC comprise special classification, reference to a commune, sub-regional and regional origin of wine: Code de la propriété intellectuelle (version consolidée au 17 mars 2017), Art. L. 721-2. The AOC level is encompassed

⁴⁷ 27 C.F.R. § 4.25(e)(3)(iii) (2012); see also Jim E O'Connor, Rebecca J Dorsey and Ian Madin, *Volcanoes to Vineyards: Geologic Field Trips Through the Dynamic Landscape of the Pacific Northwest* (Geological Society of America, 2009) 2.



within the IGP, which forms part of a broader national reference to 'Vin De France'. Domestic laws and legal regimes in this context are subject to operation of the Common Agricultural Policy (CAP). Jurisdictions such as Victoria, by comparison, do not have this tri-level. Instead, reference to GIs reflects a hollow IGP level, comprising regional classifications. The Intellectual Property Code recognises a parallel system of trade mark registration alongside geographical indications (GIs) (as defined in Article L. 721-2): Code de la propriété intellectuelle (version consolidée au 17 mars 2017). See *Id*, Art. R714-3 (providing that: "The indications referred to in Article R. 714-2 shall be inscribed on the initiative of the National Institute of Industrial Property or, in the case of a judicial decision, at the request of the Registrar or on Request of one of the parties. Only final judicial decisions may be entered in the National Register of Trademarks. Title II of the Code sets out governing rules of GIs, and the system of Appellations of Origin (AOC). Article L721-1 (translated) states that: "The rules relating to the determination of appellations of origin are laid down in Article L. 115-1 of the Consumer Code reproduced hereafter: Article L. 115-1: Constitutes an appellation of origin for the denomination of origin, A country, region or locality used to designate a product originating in it and whose quality or characteristics are due to the geographical environment, including natural factors and human factors." Most countries, including France, tend to follow the general principle that the first in time to use or register the trade mark or GI has priority. Compare, e.g. Steven Stern, *The Overlap between Geographical Indications and Trade Marks in Australia*, 2 MELBOURNE J. OF INT'L L. 1, 5 & 17 (2001) (observing that priority in time is not the approach being adopted in Australia, but one can only wonder whether the GIC will eventually turn down that path. If so, its attempts to be even-handed, rather than to serve any inflexible rule, will prove very interesting. It may be that, in due course, if the 'first in time' rule achieves eventual supremacy in Australia, it will be tempered or qualified by the results of these experiences. See further, *Rothbury Wines Pty Ltd v Tyrell* [2008] ATMOGI 1 (indicating that the Deputy Registrar of Trade Marks (as a delegate of the Registrar of Trade Marks) will look beyond factors going to the inconvenience of the parties or to the "first in time" principle).

² GI wines in Italy are regulated by Governmental Legislation No. 164/92 (Governmental Legislation 164/92) and by Ministerial Decree No. 256/97 (Ministerial Decree 256/97). There are three categories, namely Controlled and Guaranteed Denomination of Origin (DOCG), Controlled Denomination of Origin (DOC), and Typical Geographical Indication (IGT). This system does not only cater for the needs of the European Common Market, but also protects the interests of consortia of producers, who have attempted to designate controlled areas in the past with little success. Because of the present framework of the DOC system, most of Italy's wineries can enjoy a competitive advantage when it comes to the production and distribution of high-quality wines.

Section 4.25(b)(1) of the TTB regulations,⁴⁸ sets out the requirements for labelling an "American wine" with a State name as an appellation of origin. For a wine labelled with a State appellation of origin, at least 75 percent of the wine must be derived from fruit or agricultural products grown in the State used as the appellation, and the wine must be fully finished in either the labelled State or in an

⁴⁸ 27 C.F.R. § 4.52(b)(1) (2006).

adjacent State.⁴⁹ For example, an AVA that falls within a general Regional Boundary (e.g. county, state of US Boundary) must contain 75 percent of listed origin (e.g. Virginia, Sonoma County of the US). AVAs may also contain sub-AVA's, which is a non-official term describing an AVA within another larger AVA (e.g. Russian River Valley and Oakville District (both in California)).

In 2016, former § 4.25(e)(3)(iv) was removed. Amendments to regulations at § 4.25(e)(3)(iv) comprised allowing wines that meet the requirements of § 4.25(e)(3)(i) and (ii) to be labelled with a single-State AVA name as an appellation of origin if the wine was fully finished either within the State in which the AVA is located or within an adjacent State. Preference to commercial aspects appears principal. In the case of AVAs that cover two or more States (multi-State AVAs), the wine must be fully finished⁵⁰ within one of the States in which the AVA is located.⁵¹

For example, Notice No. 142 in the Federal Register proposed establishing “The Rocks District of Milton-Freewater” AVA in Umatilla County, Oregon.⁵² The effect of removing the requirement in § 4.25(e)(3)(iv) meant that wines labelled with an AVA appellation of origin need not only be fully finished within the same State as the AVA. For example, those that used grapes grown within The Rocks District of Milton-Freewater but fully finish their wines using custom crush facilities across the

⁴⁹ The Alcohol and Tobacco Tax and Trade Bureau (TTB) under the Department of the Treasury (see Homeland Security Act, 6 U.S.C. § 101 (2002)) was designed to collect alcohol, tobacco, firearms, and ammunition excise taxes; protect the consumer, assist industry members to comply with federal tax, product, and marketing requirements associated with winemaking: JOHN OKRAY, *INSIDE THE WORLD'S LARGEST LEGAL EMPLOYER: CAREERS AND COMPENSATION WITH U.S. FEDERAL AGENCIES* (Lawyerup Press, 2010) 110. To monitor compliance with AVAs and control the production of wine in the U.S., the Homeland Security Act of 2002 (in 2003) split functions of the Bureau of Alcohol, Tobacco and Firearms (ATF) into two new organizations with separate functions.

⁵⁰ T.D. ATF-53, published in the Federal Register by TTB's predecessor agency, the Bureau of Alcohol, Tobacco and Firearms (ATF) at 43 FR 37672 (23 August 1978. Prior to publication of that Treasury Decision, ATF did not have codified definitions for “appellation of origin” or “viticulural area,” and there was no systematic approach to designating a region as a “viticulural area”: see *id.* The ATF regulatory requirements for the use of an appellation of origin on a wine label prior to T.D. ATF-53 stated that: (1) At least 75 percent of the wine be derived from fruit or other agricultural products grown in the named region; (2) the wine be fully manufactured and finished within the State containing the named region; and (3) the wine be made in compliance with the named region's laws and regulations.

⁵¹ Unlike the EU, the use of multi-State appellations of origin (which may consist of two or three contiguous States) is permitted. See Council Regulation (EC) No 1493/1999; Council Regulation (EC) No 2392/1986; Commission Regulation (EC) No 2729/2000; Commission Regulation (EC) No 1227/2000; Commission Regulation (EC) No 1607/2000; Commission Regulation (EC) No 1622/2000; Commission Regulation (EC) No 884/2001; Commission Regulation (EC) No 753/2002; European Parliament and Council Regulation 1151/2012. EU and member state laws are not discussed in this article. Where this is the case, § 4.25(d)(1) requires that all the fruit or other agricultural products used in the wine be grown in the States indicated in the appellation and that the wine must be fully finished within one of those States. Wine is considered to be “fully finished” if it is ready to be bottled, except that cellar treatment and blending that does not result in an alteration of class and type is still permitted. This appears to water-down the very notion of an indication of source.

⁵² Federal Register 6931 Vol. 80, No. 26 (9 February 2015) <<https://www.gpo.gov/fdsys/pkg/FR-2015-02-09/pdf/2015-02552.pdf>> See also 79 FR 10742; T.D. TTB-127 (which formally establishes The Rocks District of Milton-Freewater as an AVA). The Rocks District of Milton-Freewater is an AVA that is located near the Oregon-Washington State line, approximately 10 miles south of the city of Walla Walla, Washington. The AVA is also located within the larger Walla Walla Valley and Columbia Valley AVAs, both of which cover portions of Washington and Oregon.

State line in Walla Walla, Washington, did so because there are no such facilities nearby in Oregon. In what could be described as recognizing the commercial benefits of geographic names to the wine industry,⁵³ the TTB stated that:

“Vintners would have a greater choice in both where they fully finish their wines and what appellation of origin they use Grape growers within a single-State AVA may have more buyers for their grapes if vintners in adjacent States are allowed to label their wines with the AVA name.”⁵⁴

The AVA system was introduced to provide consumers with additional information on the wines they may purchase by allowing vintners to describe more accurately the origin of the grapes used in the wine. While this may be the case, there appears to be a degree of elasticity in balancing commercial benefits that a geographic name brings to wineries endorsing brands as a consumer magnet tool. While AVAs may assist in an application to register a mark that is “primarily” geographically descriptive,⁵⁵ other commercial considerations, including application of the First Amendment, may overshadow such registration consideration.⁵⁶

Title 15, Chapter 22, Subchapter III of the U.S.C. lists several prohibitions against the use of marks with misleading information. §1125, for example, expressly prohibits false designations of origin, false descriptions, and dilution.⁵⁷ Overarching the latter, however, is the First Amendment free speech clause which, while benefiting commercial objectives, is vague regarding the extent to which it is capable of overshadowing certain label requirements.⁵⁸ The use of AVA names as appellations of origin on wine labels appears also to have broadened their system of protecting indications of origin or source, pointing to a shift towards protection of

⁵³ In what appears to reflect empathy towards commercial needs, the TTB took the view that since The Rocks District of Milton-Freewater AVA is a single-State AVA located in Oregon, under current TTB wine labelling regulations, none of these individual would be able to use that AVA name as an appellation of origin, even if 85 percent of the grapes in their wines came from The Rocks District of Milton-Freewater AVA—because their wines are fully finished in Washington. Although, their wines could be labelled with the Columbia Valley or Walla Walla Valley AVA names as appellations or origin because The Rocks District of Milton-Freewater AVA is located within both of those AVAs, and both the Columbia Valley and Walla Walla Valley AVAs are multi-State AVAs that cover portions of Oregon and Washington. Additionally, their wines could be labelled simply with the political appellation “Oregon,” since wines labelled with a State appellation of origin may be fully finished in an adjacent State.

⁵⁴ *Id.*

⁵⁵ 15 U.S.C. § 1052(e)(2) (2006) (authorizing a refusal to register a mark which “when used on or in connection with the goods of the applicant is primarily geographically descriptive of them.”)

⁵⁶ See *e.g.* *Matal v. Tam*, 137 S. Ct. 1744 (2017); *In re Brunetti*, 877 F.3d 1330, 1342 (Fed. Cir. 2017), cert. granted sub nom. *Iancu v. Brunetti*, No. 18-302, 2019 WL 98541 (U.S. Jan. 4, 2019) (mem.). For example, after the *Tam* and *Brunetti* decisions, two of the five statutory bars of § 2(a) remain: (1) the bar on deceptive marks and (2) the bar on marks that falsely suggest a connection with a person. Both provisions can withstand strict scrutiny and are safe from a First Amendment challenge.

⁵⁷ See Trademark Act (Lanham Act) of 1946, 15 U.S.C. §§ 1051–1141n (2006). This article does not address the issue of dilution of GIs.

⁵⁸ See *infra*; See Sarah Hinchliffe, Does the First Amendment of the Constitution (Free Speech) Detract From Effective Information Channels?” (on file with author).

rights under the trademark system – i.e. geographic certification marks.⁵⁹ It could also be described as endorsing the First Amendment to the United States’ Constitution.⁶⁰

Australia

Australia adopts a registration system that recognizes indications of geography, otherwise known as geographical indications (GIs).⁶¹ Although, unregistered GIs

⁵⁹ Courts have generally held that actions under Section 43(a) require a demonstration that the misrepresentation in question is material, that is, would have an effect on consumer purchase decisions. *See, e.g.*, *William H. Morris Co. v. Group W*, 66 F.3d 255 (9th Cir. 1995); *See, e.g.*, *Mary LaFrance, Innovations Palpitations: The Confusing Status of Geographically Misdescriptive Trademarks* (2004) 12 JOURNAL OF INTELLECTUAL PROPERTY LAW 125; J. Thomas McCarthy, *Trademarks and Unfair Competition §§ 14:26-14:33* (4th ed. 2005), § 27:35). By comparison, I argue that the NAFTA and TRIPS definitions of “geographic indication” fall somewhat short of requiring materiality. Thus, in theory, the Lanham Act might not quite comply in this respect with NAFTA and TRIPS standards, although this discrepancy could possibly be cured by judicial reinterpretation of Section 43(a)(1)(B), since the materiality requirement is not stated explicitly in the language of that provision. *See In re California Innovations, Inc.*, 2002 WL 243562 (Trademark Tr. & App. Bd., Feb. 20, 2002). The California Innovations decision has resulted in a number of dramatic changes in the legal analysis and treatment of geographic trademarks. Most notably, the decision creates a category of geographically misdescriptive marks that are immediately registrable, while both geographically descriptive marks, and marks that are descriptive or deceptively misdescriptive in ways unconnected with geography, still require secondary meaning to be registered upon the Principal Register. *See* 15 U.S.C. § 1052(e)(1) (authorizing a refusal to register a mark which “when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them”); 15 U.S.C. § 1052(e)(2) (authorizing a refusal to register a mark which “when used on or in connection with the goods of the applicant is primarily geographically descriptive of them”); 15 U.S.C. § 1052(f) (providing that “[e]xcept as expressly excluded in [certain subsections that do not include (e)(1) or (e)(2)], nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant’s goods in commerce.”). In 2003, the U.S. Court of Appeals for the Federal Circuit held that marks were only “primarily geographically deceptively misdescriptive” when the misdescription materially affected consumer purchasing decisions. That holding focused the geographic mark inquiry even more narrowly on consumer protection from fraud rather than competition-promoting commercial communication, and substantially enlarged the category of geographic brand names eligible for immediate trade mark protection.

⁶⁰ *See infra*.

⁶¹ The registration of GIs in Australia is not discussed in this article. The regulatory framework that governs the Australian wine industry is centralized at a national level but comprises collaborative efforts between government bodies such as the Australian Grape and Wine Authority (AGWA) and wine industry associations such as the Winemakers’ Federation of Australia (WFA) (see Figure 2): The AGWA comprises both the Grape and Wine Research and Development Corporation and the Wine Australia Corporation (see Figure 1). Administrators of international obligations and arrangements pursuant to bilateral treaties, include Australia, the World Trade Organization (WTO). Independent organizations such as the OIV and World Wine Trade Group, also facilitate effective administration of wine laws and related obligations associated with the supply of wine. Gary Edmond, *Disorder with Law: Determining the Geographical Indication for the Coonawarra Wine Region* 27 ADELAIDE L. REV. 59, 103-04 (2006). *See also* Administrative Appeals Tribunal (AAT) (2001). Nos. S200/182, 183, 186–227, 305 and 313, Decision and Reasons for Decision, Adelaide, October 2001. Classification and administration of GIs is pursuant to the *Australian Grape and Wine Authority Act 2013* (Cth) (AGWA Act), and the *Australian Grape and Wine Authority Regulations 1981* (Cth) (Australian Wine Regulations). Region classifications, GI boundary determination, and the Label Integrity Program (LIP) are all administered by Wine

have been used in Australia at least since the 1860s,⁶² the use of registered GIs commenced at the beginning of the 1990s – when the AWBC Act was changed to enable Australia to comply with the EC-Australia Agreement.⁶³ It is also a requirement to include an accurate description of a wine’s origin on its label.⁶⁴ A wine’s origin, in this narrower context, is its GI.

Section 4 of the *Wine Australia Act 2013* (Cth) defines a GI:

“geographical indication”, in relation to wine goods, means an indication that identifies the goods as originating in a country, or in a region or locality in that country, where a given quality, reputation or other characteristic of the goods is essentially attributable to their geographical origin.⁶⁵

An indication that identifies the goods as “originating” in a country, or in a region or locality in that region is narrower than the former reference to “indicate the country, region or locality . . .” in § 4 of the AWBC Act (repealed) and suggests

Australia: *Australian Grape and Wine Authority Act 2013* (Cth); *Wine Authority Regulations 1981* (Cth). Europe’s influence on the regulation of the Australian wine industry became clear in the early 1990s. In 1993, the *Australian Wine and Brandy Corporation Act 1980* (Cth) was amended by the *Australian Wine and Brandy Corporation Amendment Act 1993* (Cth) (the 1993 amendments). The 1993 amendments introduced provisions establishing the Geographical Indications Committee (GIC) to determine GIs in relation to regions and localities in Australia. The precipitation of a more formal and centrally regulated framework regulating the wine industry in Victoria appears to have been born from the motivation of trade relations between Australia and the EU. The purpose of the 1993 amendments was to enable an agreement between Australia and the European Community to enter into force (the EC-Australia Agreement).

⁶² See *Thomson v B Seppelt and Sons Limited* [1925] HCA 40.

⁶³ Agreement between the European Community and Australia on Trade in Wine [1994] OJ L 86/94, superseded by the Agreement between the European Community and Australia on Trade in Wine [2009] OJ L28/3 (entered into force 1 September 2010) (EC-Australia Wine Agreement or EC-Australia Agreement). Although this Agreement was principally aimed at protecting European GIs in Australia, Australia needed to register its own GIs to protect them in Europe, but principally increase wine exports. Unlike the system in France (i.e. AOC), Australia adopted a least intrusive regulatory system that met the minimum requirements of the agreement, to enable continued access to European markets: Gary Edmond, ‘Disorder with Law: Determining the Geographical Indication for the Coonawarra Wine Region’ (2006) 27 *Adelaide Law Review* 59, 103-4. See also Administrative Appeals Tribunal (AAT) (2001). Nos. S200/182, 183, 186–227, 305 and 313, Decision and Reasons for Decision, Adelaide, October 2001.

⁶⁴ *Wine Australia Act 2013* (Cth) pt. VIB (Protection of geographical indications and other terms); s. 40D(2) (False descriptions and presentations); s. 40DA (Circumstances in which description and presentation is not false – general).

⁶⁵ *Compare*, § 4 of the AWBC Act (repealed) was much broader, and defined “geographical indication”, in relation to wine, as:

- (a) a word or expression used in the description and presentation of the wine to indicate the country, region or locality in which the wine originated (emphasis added); or
- (b) a word or expression used in the description and presentation of the wine to suggest that a particular quality, reputation or characteristic of the wine is attributable to the wine having originated in the country, region or locality indicated by the word...

preference towards a more focused GI system.⁶⁶ First, the word or expression used as the identifying name for the region or location and, second, the geographical area which constitutes the region or locality. This is reinforced by § 5D(b) which provides that, for the purposes of the Act, a wine is taken to have originated in a particular region or locality of Australia only if the wine is made from grapes grown in that region or locality.

It follows from Article 2 that under the EC-Australia Agreement, a GI designates a geographical area to which the quality, reputation or other characteristic of the wine is essentially attributable.⁶⁷ When then is a given quality, reputation or other characteristic of a good “essentially attributable” to their geographic origin? On a broad interpretation, this may permit the use of “Australia” or “Made in Australia” as an expression capable of amounting to a GI under the § 4 definition. Taking this one step further, those seeking to use a generic term such as Australia, or Victoria – provided that it identifies those goods as originating in that country – would be permissible for the purposes of GI classification. If so, then it could see toponyms instead recognized as a GI and formal recognition of “rejected” trademarks because it is a general geographic term under the GI system.

Conflicting Regimes?

The Australian trademark system and the GI system operate parallel to each other.⁶⁸ Priority, exclusivity, and territoriality are the guiding principles for the

⁶⁶ Interpretation of the Act is to be cast in light of objectives of the Act. Part VIB (§§ 40, 40A-40ZF), for example, was introduced by the 1993 amendments. Section 40A provides:

“The object of this Part is to regulate the sale, export and import of wine:

- (a) for the purpose of enabling Australia to fulfill its obligations under prescribed wine-trading agreements and other international agreements; and
- (b) for certain other purposes for which the Parliament has power to make laws;

and this Part is to be interpreted and administered accordingly.”

It is an express requirement of the object clauses in both § 3 and § 40A, that the Act be interpreted and administered to fulfil Australia’s obligations under, *inter alia*, the EC-Australia Wine Agreement. Australia’s obligations under the Agreement are, therefore, not merely relevant as an aid to interpretation in the event of ambiguity in the language of the statute. Compare, e.g. *Minister for Immigration & Ethnic Affairs v Teoh* (1995) 183 CLR 273, 287. Reference to “...and other international agreements” in § 40A(a) was previously omitted in the 1993 amendments. Inclusion of this appears to recognize the relevance of free trade agreements (FTAs), the importance of agriculture in Australia, and the relevance of the wine industry from an economic perspective: See Anthony Battaglene, Winemakers’ Federation of Australia, *Committee Hansard*, Canberra, 4 February 2016, 1-2.

⁶⁷ This is reflected in section 3 of the AGWA Act, setting out the objects of the Act which are:

- (a) to support grape or wine research and development activities; and
- (b) to control the export of grape products from Australia; and
- (c) to promote the consumption and sale of grape products, both in Australia and overseas; and
- (d) to enable Australia to fulfil its obligations under prescribed wine-trading agreements and other international agreements.”

Compare, e.g., AWBC Act s 3 (repealed) (which contained greater detail).

⁶⁸ See, e.g., *Beringer Blass Wine Estates Limited v Geographical Indications Committee* (2002) 125 FCR 155. See also *Beringer Blass Wine Estates Limited v Geographical Indications Committee* [2002] FCAFC 295. For an explanation of the trade mark and GI conflict in this case, see Stephen Stern, *The Overlap between Geographical Indications and Trade Marks in Australia* 2 MELBOURNE

conflict between trade marks and GIs.⁶⁹ Despite there being two separate administering bodies,⁷⁰ the GI system contains important parameters for use of GIs in trade marks. For example, new GIs are capable of being determined and entered on the GI Register even if a mark is registered in respect of all or part of the GI.⁷¹ Also, the *Australian Wine Act 2013* (Cth) and Regulations allow for the co-existence of Australian GIs and trademarks registered or applied for prior to the registration of the GI. It is unclear to what extent existing trademark owners would lose exclusivity of their trademark protection if a GI is successively registered in respect of all or part of their mark. Article 16 (Rights Conferred) of TRIPS,⁷² which does not exclude the possibility of a trademark owner excluding the protection of a later coming GI (identical or similar) on condition that the GI is used or has been registered in bad faith or that its use constitutes an act of unfair competition, could aid such inquiry.⁷³ This logic should equally transpose to GIs, since the use of GIs is the use of an indication (encapsulated as a “sign”)⁷⁴ in the course of trade.

With regards an attempt to register grape varieties as GIs, *Winemakers Federation of Australia v European Commission*⁷⁵ provides indicative guidance. In that case, the Deputy Registrar upheld the objection made by the Winemakers Federation of Australia (WFA) to the registration of the Prosecco GI on the basis that

J. INT'L L. 1 (2001); Miranda Ayu, *How does Australia Regulate the Use of Geographical Indication for Products other than Wines and Spirits?* 3 MACQUARIE J. BUS. L. 1 (2006). See further *Penola High School v. Geographical Indications Committee* [2001] AATA 844.

⁶⁹ Daniel J. Gervais, *Reinventing Lisbon: The Case for a Protocol to the Lisbon Agreement (Geographical Indications)* 11 CHINA J. INTERNATIONAL L. 67, 96 (2010). See also Daniel J. Gervais, *The Lisbon Agreement's misunderstood potential* 1 WORLD INTELL. PROP. ORG. J. 87, 98 (2009). See also Mihály Ficsor, *Challenges to the Lisbon System*, WIPO/GEO/LIS/08/4 (Oct. 31, 2008), at [19]. Arts. 5(3) and Rule 9(2)(ii) require an indication of the grounds for a declaration of refusal if the competent authority of the contracting country declares that it cannot ensure the protection of an appellation of origin whose international registration has been notified to it, but neither the Agreement, nor the Regulations specify the grounds on which a declaration of refusal can be based. It happens in practice, and thus it seems broadly accepted, that an internationally registered appellation of origin is, and can be, denied protection in a contracting country to the Lisbon Agreement because existing prior rights would conflict with that appellation.

⁷⁰ The GI system is administered by Wine Australia pursuant to the *Wine Australia Act 2013* (Cth), whereas the trade mark regime is administered by IP Australia pursuant to the *Trade Marks Act 1995* (Cth). Despite these two separate administering bodies, the GI system contains important parameters for use of GIs in trademarks. Sarah Hinchliffe, *When Place Names Are Worth Bottling*, 82(9) L. INST. J., 44-46 (2008).

⁷¹ Owners of registered and unregistered trade marks in Australia can however object on numerous grounds to the determination of a proposed GI. Notices of proposed GI determinations need to be published by the Geographical Indications Committee (GIC) to allow objections to be made by persons who will be aggrieved by such determination. Objections can be made on similar grounds to objections to trade mark applications (e.g., that the proposed GI is likely to cause confusion). An appeal process is set out in the *Wine Australia Act 2013* (Cth) and are brought in the Federal Court of Australia.

⁷² Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS].

⁷³ The objectives of s. 120 of the *Trade Marks Act 1995* (Cth), and § 33(b)(5) of the U.S. Trademark Act could aid this inquiry.

⁷⁴ TRIPS Art. 16

⁷⁵ [2013] ATMOGI 1 [hereinafter the Prosecco Case].

it had “established use [by Australian producers of Prosecco] where on its face the clear meaning of the term is as a variety of grapes”.⁷⁶

Taking into account Australia’s migrant history on questions of confusion and recognition of foreign language terms (amongst other factors),⁷⁷ the Deputy Registrar noted the widespread use of the term Prosecco as the name of a grape variety at the time the name was first used in Australia.⁷⁸ In refusing to exercise his (broad) discretion to direct the GIC to consider the Prosecco GI application, the Deputy Registrar further noted that that the effect of registering the Prosecco GI would be to prevent producers from continuing to use Prosecco as the name of a grape variety – which is exactly the mischief that the Act is designed to avoid.⁷⁹

The decision echoed the broad discretion of the Registrar in such matters, and that (in making an assessment) a number of factors otherwise not limited to factors going to the inconvenience of the parties or to the “first in time” principle, will be considered.⁸⁰ Such discretion could be construed as taking into account other commercial considerations, including possible quantifiable economic impact on firms should they be prevented from continuing use of a term.

3. Innovation in Branding?

This section explained regulatory requirements with regards contents of labels, and highlighted that there is scope (at least in the case of the US) in what is considered reference to origin and which may assist a [New World] US wine firm to carve out a market niche through a branding avenue. As such, the U.S. has (generally speaking) adopted a more commercial view of what a wine’s source (insofar as its geographic origin is concerned) may be. On the one hand, permitting a broad approach to determining an AVA, not to mention the potential for disregarding it in considering an application to register a mark that makes geographical reference, could be viewed as misleading. On the other, such an approach is not inconsistent with the emphasis on the trademark regime,⁸¹ nor with the First Amendment to the United States’ Constitution.⁸² The result being that there is greater scope for innovation in branding.

Australia, by comparison, adopts a narrower approach to determining and use of a wine’s source (insofar as its geographical origin or GI is concerned). In the absence of a similar ‘free speech’ constitutional clause, and in light of Australia’s approach to prohibiting misleading and/or deceiving consumers, it appears more unlikely than not for a broad interpretation of ‘essentially attributable’ in determining what may be classified as a GI. It is abundantly clear that reference to an Australian GI is only

⁷⁶ *Id.*

⁷⁷ Confusion worldwide as to whether Prosecco is a GI, a grape variety or a style of wine.

⁷⁸ That Prosecco has been available as a variety name for use by Australian producers since 1994 (and is the only official name for that grape variety)

⁷⁹ Since the term Prosecco was the only name that Australian producers were legally permitted to use in respect of the relevant grape variety.

⁸⁰ See *Rothbury Wines Pty Ltd v Tyrell* [2008] ATMOGI 1.

⁸¹ See *infra* below n. 83.

⁸² See *infra* below.

capable of use if statutory requirements are met.⁸³ In both jurisdictions, however, there is scope for innovation in branding through other avenues – for example, the trademark regime.

The next section adds to this discussion by highlighting the role of a brand in consumer preference towards a wine product. It also identifies other factors that influences consumer preference in purchasing a wine. The purpose is to identify whether consumers value innovation in branding, how such value [of a brand] can be measured, and whether the law does or is capable of reflecting the current trend.

B. Consumer Preference

There is a nexus between the wine market and consumer behaviour.⁸⁴ As a regulated consumption good, wine is heavily reliant on catering to the needs of consumers.⁸⁵ This is because consumers – as part of the decision-making process –

⁸³ Australian Wine Act 2013 (Cth), s. 40N (establishment of the GIC); *id.* at s. 40P (outlining the function of the GIC is to make determinations of GIs for wine in relation to regions and localities in Australia, and it has power to do all things necessary and convenient in connection with such function, including the ability to modify a region). *See also, Beringer Blass Wine Estates Limited v Geographical Indications Committee* (2002) 125 FCR 155. *See also Beringer Blass Wine Estates Limited v Geographical Indications Committee* [2002] FCAFC 295. Other sections of Part VIB make provision for interested parties to apply to the GIC for the determination of a GI and specify the procedural steps that the GIC must follow leading up to the making of a final determination. The relevance of this provision may be viewed as diminished in light of the high number of wine regions in Victoria. *Id.* at s. 40T (outlines the Committee's responsibility in determining a GI). The Regulations are complementary, and provide guidelines for description and presentation of wine, as well as the main principles of vine varieties' distinction. Section 40T, recognizing the separate objects stated in s. 3, imposes two requirements on the GIC. It is to identify the boundary of the area or areas to which the determination relates, and it is to determine the indication (formerly referred to as "word or expression" (i.e. the name)) to be used to indicate that area or those areas. This dual function is to be borne in mind when considering Part 5 of the Regulations to which s. 40T(2) refers. Part 5 of the Regulations is set out in Appendix D. The note to reg. 25, which states that: "...[i]n determining a geographical indication under subsection 40Q(1) of the Act, the Committee is not prohibited under the Act from having regard to any other relevant matters" makes it clear that the list of prescribed criteria to which the Committee is to have regard is not intended as an exhaustive list. The GIC may have regard to any other relevant matters: *See e.g. Beringer Blass Wine Estates Limited v Geographical Indications Committee* (2002) 125 FCR 155. However, the direction in reg. 25 requires that the GIC must have regard to each of the specified criterion and "give weight to them as a fundamental element" in reaching its decision: *See The Queen v Toohey; Ex parte Meneling Station Pty Ltd* (1982) 158 CLR 327 at 333 (per Gibbs CJ) (explaining that soil and soil science are examples of matters which in the present case all parties have treated as other relevant matters to which regard should be had.)

⁸⁴ VIJAY RAMASWAMY AND SARMA NAMAKUMARI, *MARKETING MANAGEMENT: PLANNING, CONTROL*, (MacMillan, 1990) 52 (discussing The Nicosia Model of consumer behaviour. This Model builds buyer behaviour models from a marketing perspective, establishes the link between a firm and its customers, how the activities of the firm influence the consumer and results in a buying decision. It regards that information from the firm influences consumer preference of the product, resulting in a consumer developing a certain attitude towards the product causing him to search or evaluate about the product. If these steps have a positive impact, it may result in a decision to buy).

⁸⁵ *See* David Aaker, *Measuring Brand Equity Across Product and Markets*, 38(3) CALIFORNIA MANAGEMENT REV. 102, 110-2 (1996) (providing that brand awareness and brand perceived quality as the significant factors to create and maintain brand equity. There is positive relationship among brand awareness, perceive quality and brand equity).

rely both on information, and the way that it is portrayed.⁸⁶ Explaining the broader economic dimensions of IP can shed light on: (i) the role that effective information channels; (ii) with regards consumer decision making; and (ii) the value of that information (e.g. through branding, or use of GIs, etc).

1. Normative inquiry into information channels that are effective

Intellectual property (IP), while not an overt source of information, can embody information through which is communicated to a user or consumer through the above sources of information. For example, a primary objective of the trademark regime is to inform consumers about the origin of a mark (but with a focus on identification of the manufacturing unit), and with a view to minimise search costs. Courts in the US will enforce a trademark owner's right to exclusive use of the trademark within an area of commerce to protect this source-identifying function.⁸⁷

A GI similarly seeks to attribute association between a product (or a method) to the unique or natural qualities of particular region or geographical origin.⁸⁸ In a technical sense, a GI effectively comprises two type of indications of geographical origin (IGOs):⁸⁹ namely appellations of origin (AOC), and indications of origin. But, the information is collective – i.e. a geographical origin.

Both GIs and trademarks are therefore capable of representing information about the origin of a product.⁹⁰ From a normative perspective, classifying the type of good that a wine product is aids the inquiry of what effective information channels are.

There are three identified categories of goods: search goods, experience goods, and credence goods. An experience good is classified as such where consumers tend to prefer to purchase them and assess quality through use and experience; the latter then guiding future choice. Credence goods⁹¹ are those goods where neither prior inspection nor subsequent use is sufficient for developing a robust notion of quality.

⁸⁶ See Hinchliffe *supra* n. 10 at 6.3.1 (case study and study of consumer preference of New World versus Old World wine).

⁸⁷ 15 U.S.C. § 1127 (2018). One such advantage is that registration allows for nationwide protection of a trademark, while unregistered marks may only be protectable in the limited area where they are used: see *id.* § 1057(e), § 1115(b)(5). Section 1115(b)(5) protects individuals that used a mark in a limited geographic area prior to the registration of the same mark by another individual. *Id.* The unregistered prior user may continue to use the mark but must only use it within the limited geographic area they operated in prior to the mark being registered. The benefits of registration are significant enough that most trademark owners engaging in interstate commerce seek to register their marks, which is accomplished by applying to the USPTO: *Id.* at § 1051. There are, however, limits upon what types of marks may be federally registered: *Id.* at § 1052.

⁸⁸ The term GI comprises two types of IGOs, namely appellations of origin (which corresponds to legal definition of the Lisbon Agreement) and indications of origin, which corresponds to the legal definition of GIs definition under Art. 22(1) of TRIPS.

⁸⁹ IGOs have been regarded as one of the earliest types of trade mark used by traders as a means to exploit local reputation through the use of distinctive signs to evoke a particular geographical origin.

⁹⁰ For a discussion about normative reasons for classifying GIs as an IP right, see: Hinchliffe *supra* n 10 (stating also that, by virtue of their inclusion in TRIPS, are both regarded as IP rights)

⁹¹ See also Ramaswamy and Namakumari, *supra* n. 84, 53.

Wine products exhibit all three attributes.⁹² Although, wine may be described as search goods if consumers can develop a robust notion of the quality prior to purchase through either inspection and/or research.⁹³ Each category refers to the term 'quality' which, as alluded to,⁹⁴ can be subjective for wine. Reference to 'quality' is better understood in the case of wine to mean 'value' to a consumer – the goal being that there will be positive reputation of a wine if consumers value the product higher than others in that class.⁹⁵

When faced with choices in a market, information about a product enable consumers to make informed and educated decisions. Information can be portrayed to, and thereby sourced by, consumers in a number of ways: previous experience, friends and family, public advisory bureaus and advertisement. A consumer may draw on any one of these sources to assess the comparative trustworthiness of potential sellers or suppliers of goods.⁹⁶ The information type, and the way in which information is portrayed are maximized if it results in lower search costs to a consumer.

The reason that information matters is because consumers are ultimately the drivers of demand for wine. Making an informed decision about product choice requires having access to information about products in the market. For a regulatory framework to facilitate reduction of search costs, it is necessary to identify what drives the decision preference. Since wine is a regulated commodity that is largely dependent on consumer demand, such inquiries are important considerations for legislatures with a view, in so doing, to support the long-term sustainability of the wine industry. Long-term economic sustainability includes supporting the wine industry in protecting their investments through building reputation of the industry and linking that reputation to a 'brand' (a communal brand, or a private brand) in a commercially competitive environment. Regulators, it is posited, can facilitate this through protecting the information channel role of an IP regime.

2. *What information Matters to a Consumer?*

An examination of factors that influence a consumer's decision to purchase wine is outlined below. It identifies the role that intellectual property plays in this decision-making process, and opportunities for the wine industry to utilize IP regimes to better market their product.

⁹² See Dwijen Rangnekar, *Demanding Stronger Protection for Geographical Indications: The Relationship between Local Knowledge, Information and Reputation* (Discussion Paper Series, United Nations University, April 2004) 25.

⁹³ Philip Nelson, 'Information and consumer behaviour' (1970) 78 (March-April) *Journal of Political Economy* 27, 31.

⁹⁴ See *supra* n. 4.

⁹⁵ Channelling information through the use of IP regimes in light of wine's classification of a multi-dimensional good to evoke a positive value and thus higher reputation of a wine product is an ideal objective for both the industry and consumer, alike. At present, regimes have a different preference to which IP regime represents rights and interests of these stakeholders. Regimes also lack uniformity in how information is portrayed (i.e. through labelling laws, or lack thereof), and administering consumer protection laws.

⁹⁶ See Stigler, above, 219, reprinted in D. Lamberton (ed) *The Economics of Information*, Penguin, 1970. See Ramaswamy and Namakumari, *supra* n 84, 52.

Quality and Price

Marketing and economics literature indicates that price and quality play a role in influencing consumer preference for wine.

Almenberg and Dreber,⁹⁷ for example, measured the impact of price on consumer satisfaction, and found that there is significant bias due to price information during blind wine tastings. They also noted that the price biases were larger when a consumer received price information about an expensive wine in comparison with a cheap wine and that the biases are more prevalent in women than in men. They also found that these biases were larger if the consumers were informed of the price points before they tasted the wine in comparison to after they tasted the wine, but before they assigned the rating.

Insofar as quality of a wine plays a role in consumer decision-making, there is consideration of wine oenology.⁹⁸ Since the quality of wine (from an oenological perspective) is bias, measuring bias that consumers may have about wines made from hybrid grape varieties is less clear. A study by Cuellar and Huffman incorporated wine sales to measure the price and income elasticity of numerous wine varieties.⁹⁹ They found statistically significant positive income elasticities for wines made from grapes such as Pinot Noir, Pinot Gris, and Chardonnay, while wines made from lesser known varieties, such as Chenin Blanc and Malbec, did not have statistically significant income elasticities. The difference in the income elasticities of different wine varieties introduces the idea of a potential bias relating to grape varietal composition of wines. Although not discussed in their research, the measurement of the possible bias against wines made from hybrid grapes, which often have lesser-known names and a shorter history of use for winemaking warrants future inquiry.¹⁰⁰

Taking price and quality out of the equation (or assuming that price and perceived quality of wine is equal), existing research shows that a consumer will look to indicators of source and the ‘pizzazz’ effect of a wine label.

Source of Origin

Origin of a product alone does not necessarily increase the value of a wine product. This is because the wine industry is an imperfect market because of the high level of information asymmetry on the quality of marketed wine products.¹⁰¹

⁹⁷ Johan Almenberg and Anna Dreber, *When Does the Price Affect the Taste? Results From a Wine*, 6(1) J. WINE ECON. 111, 117-8 (2011).

⁹⁸ Consortium is one way of overcoming this knowledge gap, but is not discussed in the present article; see: Sarah Hinchliffe *supra* n. 10.

⁹⁹ Steven Cuellar and Ryan Huffman, ‘Estimating the Demand for Wine Using Instrumental Variable Techniques’ American Association of Wine Economists Working Paper No. 24 *Economics* (2008).

¹⁰⁰ See Sarah Hinchliffe, *supra* n. 10. This study will test for bias that consumers may have against wines made from hybrid grapes, while controlling for factors such as education, wine preferences, presence of formal wine training, age, and amount typically spent on a bottle of wine.

¹⁰¹ See e.g., George Akerlof, *The Market for Lemons: Quality Uncertainty and the Market Mechanism*, 84(3) Q. J. ECON. 488, 499-500 (1970) (who works up to the research conducted by

Perception of quality is also intertwined with information of a product – the value that a consumer sees in the authenticity of a wine region stems from the available information of a product. The greater the information, the higher the perception of quality. As noted by Fisk:

Attribution has a commodity value distinct from the value of the intellectual property or human capital to which it is attached. The commodity value of credit is entirely informational: it tells consumers, current and prospective employers, creators, and the world at large about products and their creators. The commodity value of credit and blame is dissipated if the right to it is transferred because the information is lost. Attribution is a type of signal...¹⁰²

In a commodity-driven world where ignorance of a wine region counts negatively for a firm using a GI, but attribution or association holds a distinguishing quality that, in conjunction with a mark, conveys meaning to consumers, the weight of whether: “the mark identify the geographic origin of the goods or services?”¹⁰³ may not be so significant. In this sense, trademarks, once exported from a particular social, economic, and political context, signify a much more elastic kind of origin.¹⁰⁴ “Origin” is firm-level as opposed to collective. It is in theory more difficult for an individual firm to stand-out amongst other competitors in a dense market such as wine. The law should therefore not inhibit innovation in an initial point of information—a wine label.¹⁰⁵

Set against this are results from a study of how consumers perceive wine labels revealing that:

- Middle-aged participants tend to pay less attention to label uniqueness than other age groups did, and they do not perceive it as an indicator of quality.¹⁰⁶

Grossman and Shapiro, regarding analyses of information-asymmetrical markets, generally)). See Gene Grossman and Carl Shapiro, *Counterfeit-product trade*, 78(1) AMER. ECON. REV. 59, 63 (1988).

¹⁰² Catherine Fisk, ‘Credit Where It’s Due: The Law and Norms of Attribution’ (2006) 95 *Geology Law Journal* 49, 54.

¹⁰³ Robert Tinlot and Y Juban, ‘Différents systèmes d’indications géographiques et appellations d’origine. Leurs relations avec l’harmonisation internationale’ (1998) *Bulletin de l’OIV*, 811-812: 773-799.

¹⁰⁴ See Thomas Drescher, ‘The Transformation and Evolution of Trademarks – From Signals to Symbols to Myth’ (2001) 82 *Trademark Reporter* 301, 301, outlining that the mark “Coca-Cola” in Johannesburg, Tokyo, or Beijing surely does not signify origin in a trade mark sense in those countries. Instead, what it might signify is American, which in turn could be short form for status, class, or membership in a group. Consumers wanting to capture a taste of American culture or an association with the imagery of life in the US may choose McDonald’s, Coke, or Pizza Hut for all these reasons.

¹⁰⁵ See also Sarah Hinchliffe, *supra* n. 10 (discussing the disbenefit of a GI regime, and saying that “...in the context of wine, if a wine from the New World lacks qualities that may only be recognised as particular to that region or *terroir*, then a GI system (viewed in a narrow sense) seems superfluous).

¹⁰⁶ See also M. Wolf and S. Thomas, ‘How Millennial, Generation X, and Baby Boomer Wine Consumers Evaluate Wine Labels’ (2007), 38 *Journal of Food Distribution Research* 1, 17.

- Millennial category of consumers (who have been “gaining ground for the past decade” rely less on geographical indications such as region of origin to determine wine quality and pay more attention to the label’s attractiveness and alcohol content.¹⁰⁷

In another study undertaken by the EU Commission revealed a positive association between geographical specialisation and a protected IGO. That study showed that consumers are willing to pay extra (or a premium) for GI products.¹⁰⁸ The results of that study indicate that there is also an economic incentive for the value of a GI, as findings have shown that EU GI products were sold at a price 2.75 times higher than that of a similar quantity non-GI product.¹⁰⁹ The limitation of that study, however, was its limited study of Old World GIs only.

Other preferences and factors include environmental sustainability,¹¹⁰ reference to an organic wine;¹¹¹ also characteristics of wine like wine type, brand name,

¹⁰⁷ Thomas Atkin and Liz Thach, ‘Millennial Wine Consumers: Risk Perception and Information Research’ (2012) 1(1) *Wine Economics and Policy* 54, 57.

¹⁰⁸ See Tanguy Chever, Christian Renault, Séverine Renault, Violaine Romieu, *Value of production of agricultural products and foodstuffs, wines, aromatised wines and spirits protected by a geographical indication (GI)* (Final Report, October 2012) at 3. The definition of “value premium rate” of this study may be described as: $Premium = \frac{GI\ volume \times GI\ price}{GI\ volume \times non-GI\ price}$, where the premium for wines across the EU was estimated at 2.75 (where “premium” is defined as the ratio between the price of a GI product and the price of the corresponding non-GI product).

¹⁰⁹ See *id.* See also Rangnekar, above n. 92, 31 (Rangnekar’s discussion on regional specialisation within product categories similarly reflects this positive correlation to IGOs. He identifies that this geographical specialisation is also apparent at lower levels of product aggregation. For example, he identifies that, despite widespread distributions (internationally and within nations) of the species *Vitis Vinifera*, the major protection areas are highly localised and, in some instances, the grape variety has its own distinctive geographic pattern. In explaining this pattern, Rangnekar noted that relevance of local knowledge, the cultural and economic processes through which these come to be in the known and reputable. For geographers, he noted that the organising analytical category is *terroir*, and that: “the attempt to affect, influence, or control actions and interactions (of people, things and relationships) by asserting and attempting to enforce control over a geographic area.”); See also Christopher Ray, Culture, intellectual property and territorial rural development, (1998) 38(1) *Sociologia Ruralis* 3, 3-4.

¹¹⁰ Trends also appear to influence consumers’ choice of wine. Environmental sustainability, for example, has been making slow but steady gains in societal recognition for the past several years. As a result, an increasing number of wine producers, retailers, and consumers include sustainability in their considerations when it comes to the evaluation wine products: Jacob Clinite, ‘The Preferences in Wine of Various Aged Consumers’ (March 2013) <http://digitalcommons.calpoly.edu/>. A growing number of companies use environmental strategies to advance technologically, innovate, and build competitive advantage: Daniel Esty and Andrew Winston, *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage* (John Wiley & Sons, 2009) 45-6. Sustainable actions are therefore considered to be increasingly profitable and valuable in reinforcing the brand and market positioning, as more and more consumers choose to buy ecologically-friendly products: Sharon L Forbes and Tracy-Anne De Silva, ‘Analysis of environmental management systems in New Zealand wineries’ (2012) 24(2) *International Journal of Wine Business Research* 98, 110 Australia, for instance, is one of the countries that place a particular emphasis on business and environmental sustainability at both national and individual winery levels: Enterprising Partnerships Pty Ltd., ‘Emerging Themes. Wine Industry Australia’ Prepared for the Future Leaders – Succession for the Australian Wine Sector, 2007.

vintage, alcohol content, price, and flavour. Consumer demographics, in their turn, consist of gender, culture, age, economic status, income, education, marital status, living location, and having children. A discussion of these factors are, however beyond the scope of this article.

3. *Take-Aways*

Origin of a product, therefore, alone does not necessarily increase the value of a product. This is because the wine industry is an imperfect market because of the high level of information asymmetry on the quality of marketed wine products.¹¹² It can be gleaned from the above that:

- Information about the specific geographical source of a New World wine is not a fore priority to a consumer;
- Given a comparable New World wine of similar price and similar quality, consumers migrate towards a label with pizzazz branding (i.e. branding preference). Whether that be color of a wine label, picture and/or brand name (e.g. Yellowtail).

Millennials are the consumer base for wine products going forward and, as such, a plethora of opportunities in an already dense global market for innovative branding (emphasizing unique branding features other than those geographic origin indicators) to cater towards this branding preference exists. One such avenue may be daring marks that fall short of scandalous or disparaging marks.¹¹³

C. Opportunities to Bridge Practical Reality and Law

In the case of infrequently purchased experience goods such as wine, a buyer (as mentioned) uses multiple sources of information (e.g. friends, family, advertisements,

¹¹¹ Health and wellness trend is another factor that determines the customers' demand for wine. Due to the increasing public attention towards the healthy lifestyles, health concerns are growing among consumers, which results in changing preferences toward healthier foods and beverages: Lindsey M Higgins and Erica Llanos, 'A Healthy Indulgence? Wine Consumers and the Health Benefits of Wine' (2015) 4 *Wine Economics and Policy* 1, 3-11. Contemporary consumers expect wines to be healthful and produced with the help of environmentally sustainable techniques. Although health conscious consumers may be difficult to reach, as they are selective concerning their alcohol decisions, knowing their health considerations may increase opportunities for presenting wine as a healthy beverage: *id.* Thus, ongoing health-consciousness induced some wine producers to focus on "organic" wine that presumably causes less harm to customers' health, as well as promote civilised drinking as a healthy alternative to binge drinking. Traditional winemaking countries like France still maintain that consuming red wine in a moderate quantity not only strengthens the cardiovascular system, but also increases lifespan due to the natural phenol called resveratrol found in red wine: Betul Catalgol et al., 'Resveratrol: French paradox revisited' (2012) 3 *Frontiers in Pharmacology* 141, 142.

¹¹² See e.g. Akerlof's, *supra* n. 101 (who works up to the research conducted by Grossman and Shapiro *supra* n 101, regarding analyses of information-asymmetrical markets, generally).

¹¹³ See *infra* below.

labels) to generate a perception of that wine product.¹¹⁴ Where consumers seek out a brand such as a trademark, they do so because a mark acts as a signaling device that identifies a particular winery's product.¹¹⁵ To achieve the economies in "search"—by being an efficient information channel — a trademark must meet certain conditions.¹¹⁶ The law in both the US and Australia is sufficiently flexible to permit marks that have a 'pop' or 'pizzazz' factor. This section discusses opportunities in the law to facilitate innovation in branding opportunities for the wine industry.

1. Innovation through Registration of a funky mark – Australia

Innovation is important for the purposes of appealing to a consumer. But, what is considered permissible to be registered as a mark can curb this—at least insofar as a wine trademark is considered scandalous. There is tremendous leniency in this. In the US, this is due to the First Amendment; and, in Australia, for cultural reasons.

Under section 42(a) of the *Trade Marks Act 1995* (Cth), a trademark application must be rejected if "the trade mark contains or consists of scandalous matter", and by virtue of section 57, a ground of opposition. A trademark is considered scandalous, or its use contrary to law if:

- (a) The trade mark contains or consists of scandalous matter;¹¹⁷ or
- (b) Its use would be contrary to law.

Neither the Act nor its corresponding regulations define the term "scandalous" for the purposes of section 42(a). Although the legislation does not define the term "scandalous", case law has set a relatively high threshold for determining that a mark is "scandalous".¹¹⁸ Section 2.2 of the ATMO Manual states that the Registrar must decide what may be considered "scandalous", albeit with very little support from the courts or other decision makers.¹¹⁹ For a trademark to be "scandalous" under s 42(a), it must have an "obvious and up front" scandalous element, rather

¹¹⁴ This article does not discuss the element of reputation and value. But, *see*: Sarah Hinchliffe *supra* note 10.

¹¹⁵ Economides's implies that "unobservable qualities" may be subjective in nature and therefore difficult to regulate: Nicholas S. Economides, *The Economics of Trademarks* 78 TRADEMARK REPORTER 523, 526 (1988). But, he does identify a nexus between the "value" to consumers of "unobservable features", and therefore that a consumer's positive perception of value is linked to reputation. Such reputation may be of the product, the region, or a private firm. It does this through protection of the investments undertaken to develop brand names, and second the associated reputation and safeguard the role of trade marks as information channels between buyer and seller: There are limits to this potential for retaliation in today's corporate world because of the diffused ownership pattern within the corporate sector: *see* Akerlof, *supra* n. 101 499-500. *See* also William Landes and Richard A. Posner, *Trademark law: an economic perspective*, 30(2) J. L. & ECON. 265, 292-3 (1987).

¹¹⁶ *See* Sarah Hinchliffe *supra* n. 10, Part VI.

¹¹⁷ Australia has a registration system for trademarks, which has been in place since the 19th century. Australian law prohibits the registration of "scandalous" trademarks, but lacks detailed or conclusive guidance on what will be deemed "scandalous".

¹¹⁸ *See infra* below.

¹¹⁹ *See La Marquise Footwear, Inc's Application* (1947), 64 RPC 27 at 30 (per Evershed J).

than a mere suggestion or a vague possibility that the mark may be offensive in some circumstances.

In practice, therefore, trademarks in Australia are rarely refused registration on the grounds that they comprise or contain scandalous matter.¹²⁰ Consider the following wine names in Figure 5.

Trademarks containing or consisting of scandalous matter have broadly described as being able to be divided into seven possible categories:¹²¹

- Those with religious nexus;¹²²
- Those consisting of or comprising racial slurs or epithets;¹²³
- Those consisting of or comprising profane matter;¹²⁴
- Those consisting of or comprising vulgar matter;¹²⁵
- Those relating to sexuality;¹²⁶
- Those involving innuendo;
- Those suggesting or promoting illegal activity.¹²⁷

Grounds for rejection would require something beyond the giving of offence, and that the mark should exhibit a probability, rather than a possibility, that it would cause a significant degree of “disgrace, shock or outrage” when used in its intended context.¹²⁸ One take on this was made by the deciding officer in *Hallelujah*

¹²⁰ See, e.g., *‘Hallelujah’ Trade Mark* [1976] RPC 605; *Maglificio Calzificio Torinese SpA’s Application* (1982) AOJP 1764. See also, *Re Registered Trade Mark No 2184549 in the name of French Connection Ltd* (2006) 70 IPR 438 [hereinafter the “FCUK case”] (Regarding the invalidity on the ground that a mark was ‘contrary to public policy or to accepted principles of morality’ under (UK) Trade Marks Act 1994 s 3(3)(a). In that case, there was an unsuccessful challenge to registration of the mark “FCUK”; outrage or censure among an identifiable section of the public had not been proved).

¹²¹ *Re Peter Hanlon* [2011] ATMO 45 at [14] citing Stephen R Baird, *Moral Intervention in the Trademark Arena: Barring the Registration of Scandalous and Immoral Trademarks* (1993) 83 TMR 661, 704 (which considered cases in the United States).

¹²² See, e.g., *Mercy’s Application* (1955) 25 AOJP 938; *Maglificio Calzificio Torinese SpA’s App* (1982) 37 AOJP 1764; *‘Hallelujah’ Trade Mark* [1976] RPC 605 (UK) [hereinafter, “Hallelujah” case].

¹²³ See, e.g., *Re Peter Hanlon* [2011] ATMO 45.

¹²⁴ See, e.g., *Die Hard Pty Ltd* [1995] ATMO 26; *FCUK Trade Mark* [2007] RPC 1 (UK).

¹²⁵ See, e.g., *Kuntstreetwear Pty Ltd’s Trade Mark Application* (2007) 73 IPR 438.

¹²⁶ See, e.g., *Die Hard Proprietary Ltd.* [1995] ATMO 26; *Cosmetic, Toiletry and Fragrance Ass’n Found. v. Fanni Barns Proprietary Ltd.* [2003] ATMO 10; *La Marquise Footwear Inc.’s Application* (1947) 64 R.P.C. 27 (UK); *Ghazilian’s Trade Mark Application* [2002] R.P.C. 33 (UK); *FCUK Trade Mark* [2007] R.P.C. 1 (UK). On analogous issues in UK designs law, see also *Masterman’s Design Application* [1991] R.P.C. 89 (UK).

¹²⁷ See, e.g., *Re Peter Hanlon* [2011] ATMO 45 at [42] (in the context of racial vilification and assault).

¹²⁸ *Cosmetic, Toiletry and Fragrance Ass’n Found. v. Fanni Barns Proprietary Ltd.* (2003) 57 IPR 594; (2003) AIPC at [91-871]; [2003] ATMO 10 (dictionary definitions of ‘scandalous’ discussed, effect of Trade Marks Act 1995 (Cth) s 33 at *id.* s 42(a) analysed); *Re. Peter Hanlon* [2011] ATMO 45 at [15].

Trademark,¹²⁹ who referred to the test as being one that is “contrary to morality” rather than “scandalous”.¹³⁰

Marks that are crude or in poor taste will not necessarily be considered “scandalous”. For example, the mark LOOK GOOD + FEEL GOOD = ROOT GOOD was held not to be scandalous, although it was arguably “crude”, “explicit” and in “bad taste”.¹³¹ However, the mark KUNT was refused registration, due to its obvious visual and phonetic similarity with another English word. More recently, the trademarks NUCKIN FUTS and POMMIEBASHER were granted registration by the ATMO. The trademark NUCKIN FUTS, which was advertised for registration in July 2012, is protected in respect of goods including prepared nuts and potato crisps. The NUCKIN FUTS mark presumably overcame any section 42(a) objection as it does not contain an obvious, “up front” scandalous element, but rather a subtler play on words.¹³²

The threshold for rejecting a trademark application under s 42(a) of the Act is relatively high. The rationale behind the ability to potentially register marks not considered scandalous but deemed crude or in bad taste (such NUCKIN FUTS and POMMIEBASHER) is, in part, as a result of cultural influences.¹³³ Australia’s cultural heritage is derived from the United Kingdom, but also captures indigenous culture. Reference to “Bong-Bong” may, for example, refer to a place in Australia.¹³⁴

¹²⁹ HALLELUJAH Trade Mark [1976] R.P.C. 605 (UK).

¹³⁰ *Id.* at 607: “I conclude that the phrase “contrary to morality” falls to be considered by the generally accepted standards of today and not by those of 1938. The difficulty is to be sure what those are, and more particularly, where the line is to be drawn between marks whose registration is prohibited by the section and those where it is not. When religious and moral standards are changing, sometimes quite rapidly, it seems to me that the Registrar should only follow where others have given a clear lead. While he must not remain isolated from the day-to-day world, frozen in an outmoded set of moral principles, he must equally not presume to set the standard. He must certainly not act as a censor or arbiter of morals, nor yet as a trendsetter. He must not lag so far behind the climate of the time that he appears to be out of touch with reality, but he must at the same time not be so insensitive to public opinion that he accepts for registration a mark which many people would consider offensive.”

¹³¹ *Cosmetic, Toiletry and Fragrance Ass’n Found. v. Fanni Barns Proprietary Ltd.* (2003) 57 IPR 594; *Kuntstreetwear Proprietary Ltd.’s Trade Mark Application* (2007) 73 IPR 438; *Re POMMIEBASHER* [2011] ATMO 45.

¹³² *See generally, Sydney*, CNN TRAVEL (Date Accessed), <http://travel.cnn.com/sydney/visit/10-most-ridiculous-place-names-australia-515758>.

¹³³ *See, e.g.* Commonwealth, Parliamentary Debates, House of Representatives, 19 Oct. 2006, No. 15 (AUSTL.), https://parlinfo.aph.gov.au/parlInfo/download/chamber/hansardr/2006-10-19/toc_pdf/5044-3.pdf;fileType=application%2Fpdf#search=%22chamber/hansardr/2006-10-19/0000%22.

¹³⁴ *See Sarah Hinchliffe, Overlap Between Trademarks and Geographical Indications in Australia*, 21 INTEL. PROP. L. BULL. 147-149 (2009) (outlining that a trademark formed wholly by a geographical name (e.g. Adelaide), or a trademark which primarily consists of a geographical name having additional descriptive terms in relation to the specific goods and services that trademark intends to represent (e.g. “Adelaide Plumbing Service” to represent a plumbing service in Adelaide), will be objected to by a Trade Mark Examiner during the examination phase of an application for trademark registration in Australia, pursuant to s 41 of the Trade Marks Act 1995, as being not inherently adapted for distinguishing the goods or services supplied or provided by the applicant from the specific goods or services supplied or provided by other traders. In some special cases, an application for registration of such a trademark may also be objected to by an Examiner pursuant to s 42 of the Act as being contrary to law. This is particularly true in relation to the registration of a

Objections to, or cancellation of, registration would be more likely to succeed for either non-use, confusion, or other potential infringement actions, as opposed to being classified as “scandalous”. Marks which incorporate elements of personal, racial, ethnic or religious abuse will also be considered “scandalous” and refused registration. Some of these are identified below.

trademark including a geographical name where the goods include wines in Class 33, when the grapes used to produce the wines are not from a location with that geographical name, and that geographical name is a protected geographical name or more commonly known as a geographical indication [hereinafter “GI”]. Further, a trademark including a geographic name may suggest that goods and services bearing that trademark are related to or originate from a location with that geographical name. Accordingly, such a mark would be held likely to deceive or cause confusion under s 43 of the Act, and hence may be objected to during the examination of the application for registration if the goods or services are not in association with a location bearing the geographical name.)

Figure 4 Daring Wine Producer Names and other Registered Marks in Australia (Select)

Jealous Bitch Cabernet Sauvignon, Australia
Jealous Bitch Chardonnay, South Eastern Australia
God's Hill Wines
Good Catholic Girl
Hellfire Bluff Distillery
Illegal Tender Rum
Made Bastard
Some Young Punks
The Wicked Virgin
Big Ass (producer)
Sexycat Liquor

Trademark	Associate Case (if any)	Refused under s.42(a) Trade Marks Act 1995 (Cth)?	Reason?
POMMIEBASHER	<i>Re POMMIEBASHER</i> [2011] ATMO 45	No	Part of "ordinary and acceptable, if colorful and colloquial, language", and does not suggest that such a person "engages in racial vilification, or is prone to verbal abuse"
LOOK GOOD + FEEL GOOD = ROOT GOOD	<i>Cosmetic, Toiletry and Fragrance Association Foundation v Fanni Barns Pty Ltd</i> (2003) 57 IPR 594	No	although it was arguably "crude", "explicit" and in "bad taste"
KUNT	<i>Kuntstreetwear Pty Ltd's Trade Mark Application</i> (2007) 73 IPR 438	Yes	Similar to explicit word.
NUCKIN FUTS		No	Held not to contain an obvious, "up front" scandalous element, but rather a more subtle play on words.

The above examples demonstrate the kinds of phrases which, as subjects of trademark applications including for the purposes of wine, will always attract a ground for rejection under subsection 42(a):

- Marks with elements of personal abuse (e.g. ROOT YOU, <politician's name>);³
- Marks incorporating racial or ethnic abuse (e.g. F**K <country or ethnic group name>);
- Marks incorporating abuse of a national flag (e.g. F**K with the Australian flag forming the stars); and
- Marks incorporating elements of religious intolerance/abuse (e.g. ALL <name of religion>S ARE EVIL).

³ In the United States, "Root You" takes on a different meaning as is commonly used to refer to "barrack", or "support" a team.

Trademarks incorporating words and images that appear to condone and/or promote violence, racism or sociopathic behaviors fall within the ambit of "scandalous" marks. Again, the reference needs to be obvious within the trademark before grounds for rejection can be raised. Of interest in respect of the above comments, is a case decided in the Local Court of New South Wales, *Police v*

Butler,¹³⁵ which incorporates a discussion of “offensive” language. While it is not a trademark case, the discussion there points to the way community acceptance of this kind of language changes over time.

Whether a word considered by many as offensive language is acceptable as a trademark will depend to some degree on the amount of “invention” and “imagination” used to present it. Phonetic equivalents of strong but commonly used expressions, such as PHAR QUE or FAR KEW, will generally be acceptable if the expression is sufficiently modified by way of humor, thoroughly idiosyncratic spelling (for example, DR PHUQ) or other factors (for example, disguising the word within a device element). Conversely, an overt phonetic equivalent such as FUK M, FUCT or F U CK where the difference in spelling is minor and it is not softened by anything in the way of humour or subtlety, is still sufficiently scandalous as to require an objection, as is the word concerned spelt out in full.

Similarly, in one of Australia’s neighboring countries, New Zealand, applications incorporating bad language have previously been refused registration, such as “BULLSHIT”.¹³⁶ Over the last 18 years, however, a number of trademarks which allude to potentially offensive things have been registered. These include “5hit,” “CNUT,” “FCUK,” “WNAK,” as well as several marks incorporating “Bitch,” such as “Stich ‘n Bitch.” This suggests allusions to obscenity in “witty” phrases or plays on words may no longer be considered offensive by a substantial number of people and reflects the subjective nature of the offensiveness ground and the increasing prevalence and tolerance of bad language.

It appears that less commonly used expressions, particularly where they also have a double meaning, are far less likely to be offensive to any significant element of society. Calculated concealment of the words, or a clever disguising within a device element may create an acceptable trademark. Clever advertising campaigns may bring words regarded as coarse into almost acceptable usage. An example here is the television campaign bringing the term “BUGGER” into prominence. There are now a number of registrations containing this word, something that would have been unlikely 20 years ago.

Profanity is defined in the Macquarie Dictionary as:

“characterized by irreverence or contempt for God or sacred things; irreligious, especially speaking or spoken in manifest or implied contempt for sacred things.”

The Registrar has historically been particularly careful in the handling of trademarks which may have religious connotations. Religion is an issue often surrounded by strong feelings. Particular care needs to be taken with applications incorporating profanity or religious images. Again, the offending words/images need

¹³⁵ *Police v. Butler* [2003] NSWLC 2 at [11].

¹³⁶ Trade Marks Act 2002, s 17 (N.Z.). A trademark is not registrable under New Zealand’s *Trade Marks Act 2002* if it is contrary to New Zealand law, or its use or registration would be likely to offend a significant section of the community, including Māori. The degree of offensiveness must be enough to cause outrage amongst a substantial number of people, although a trademark may be registrable if it is merely vulgar or in poor taste.

to be obvious within the mark, as grounds for rejection are not appropriate if there is only a vague suggestion that something might be profane.

Events post September 2001 have made the public more conscious of issues such as terrorism, and trademarks with suggestions of violence along these lines may cause more public concern than they might have in the past. For example, a trademark application for ADOLF HITLER would likely be rejected on the basis that it would glorify terrorism or that it could harm public order and morals.

There is a difference between standards used to determine whether a mark is “scandalous,” and whether a mark’s “use” is contrary to law (which is not comprehensively discussed in this article).¹³⁷ Registration of trademarks has been opposed under this provision on a wide range of possible illegal uses (e.g. breaching legislation),¹³⁸ including claims that use of the mark would constitute:

¹³⁷ See Trade Marks Act 1995 (Cth) s 42(b) (Austl.). Unlike the 1905 Act, section 28 of the Trade Marks Act 1955 (Cth) distinguishes “use,” “deception,” and “confusion” from marks that “comprise or contain scandalous matter”:

A mark – (a) the use of which would be likely to deceive or cause confusion; (b) the use of which would be contrary to law; (c) which comprises or contains scandalous matter; or (d) which would otherwise be not entitled to protection in a court of justice, shall not be registered as a trade mark.

Reference to “which comprises or contains” scandalous matter also distinguishes trademarks from other intellectual property, such as designs, but is broadly defined. The Trade Mark Act 1995 goes further by listing these under a separate subsection. The term “comprises” is used in the 1905 Act and, unlike reference to “consists” in the 1995 Act, is an open-ended (i.e. inclusive) term with the potential to lead to ambiguities in lieu of listing other factors other than “scandalous matter.” *But see*, 15 U.S.C. § 1052 (2006) (Trademarks registrable on principal register; concurrent registration, referring to both “Consists of or comprises immoral”). *See also*, *In re Riverbank Canning Co.*, 95 F.2d 327, 328 (Cust. & Pat. App 1938). The Court has noted, however, that the word “comprises” meant “includes” at the time of the statute’s enactment in 1905, and thus Congress extended the prohibition not only to marks that consist of scandalous matter, but also to marks that include scandalous matter.” On the other hand, “consists” is close-ended claim language, which means that there are recited elements and no more. Marks such as “FCUK”, for example, would be more likely deemed as “comprising” scandalous matter.

¹³⁸ It must be clear to the Registrar that use of the trademark would, rather than simply could, be illegal: see Trade Marks Act 1995 (Cth) s 42(b) (Austl.). *See*, *Advantage-Rent-A-Car Inc. v. Advantage Car Rental Proprietary Ltd.* (2001) 52 IPR 24; [2001] FCA 683; BC200103001 at [21] (The illegality must be in relation to use of the mark). *Compare with* *Air Express Int’l Proprietary Ltd. v. Australian European Ins. Proprietary Ltd.* (1999) 49 IPR 435 at 440 (citing *Arthur Fairest Ltd.’s Application* (1951) 68 RPC 197) (Earlier decisions took a narrower view, requiring the illegality to be inherent within the mark itself). *See, e.g.*, *Advantage-Rent-A-Car Inc. v. Advantage Car Rental Proprietary Ltd.* (2001) 52 IPR 24; [2001] FCA 683; BC200103001; *Health World Ltd v. Shin-Sun Austl. Proprietary Ltd.* (2005) 64 IPR 495; [2005] FCA 5; BC200500010. *See also* *Tommy Hilfiger Licensing Inc. v. Tan* (2002) 60 IPR 137; [2002] ATMO 87; *Intermatch Swed. Aktiebolag v. Dick Smith Inv. Proprietary Ltd.* (2003) 56 IPR 575; [2003] ATMO 18; *Gap Inc. v Gen. Pants Co. Proprietary Ltd.* (2004) 60 IPR 486; [2004] ATMO 12; *Chiropractors’ Ass’n of Austl. Ltd. v. Kincaire Proprietary Ltd.* (2005) 66 IPR 180; [2005] ATMO 10 at [19]; *Marco Polo Foods Proprietary Ltd. v. Benino Fine Foods Proprietary Ltd.* (2005) 67 IPR 179; [2005] ATMO 32 at [30]; *GSM Proprietary Ltd. v. Blue Star Holdings Proprietary Ltd.* (2005) 67 IPR 194; [2005] ATMO 44 at [25]; *McWilliams Wines Proprietary Ltd. v. Lovedale Chamber of Commerce* (2007) 72 IPR 169; [2007] ATMO 8 (breach of legislation must be caused by the actual use of the trademark, and not by other conduct or dealings, before trademark registration will be denied). *See also*, *Marco Polo Foods Proprietary Ltd. v. Benino Fine Foods (Austl.) Proprietary Ltd.* (2005) 67 IPR 179; (2005) AIPC at [92-108]; [2005] ATMO 32 at [30]; *G Johns Orchards v. Cianfrano* (2005) 68 IPR 175; [2005] ATMO 73 at [31] (Illegality in use must be proved on the balance of probabilities, on the basis of a hypothetical case

- Copyright infringement;¹³⁹
- Passing off;¹⁴⁰
- Breach of contract or agreement;¹⁴¹
- Breach of other legislation (e.g. labelling laws or the Consumer Protection Act 2010 (Cth)), prior court order or settlement;¹⁴² or

drawn from the evidence and submissions before the Registrar). Whether or not use of the proposed mark would be contrary to law is determined as at the priority date for registration, although looking forward towards prospective use of the mark after registration: *Time Warner Ent. Co. LP v. Stepsam Invest. Proprietary Ltd.* (2003) 134 FCR 51; 59 IPR 343; [2003] FCA 1502; BC200307818 at [47].

¹³⁹ See, e.g., *Hisense Corp. v. Zheng Shi* (2005) 66 IPR 413; [2005] ATMO 38 at [17] (Infringement of copyright requires unauthorized copying of a substantial part of a copyright work. Device marks have for these purposes been treated as artistic works protected by copyright). See also, *Australian Home Loans Ltd. v. Phillips & Technocrat Computing Proprietary Ltd.* (1998) 40 IPR 392; *Advantage-Rent-A-Car Inc. v. Advantage Car Rental Proprietary Ltd.* (2001) 52 IPR 24; [2001] FCA 683 (opposition on the basis of alleged copyright infringement was successful); *Hisense Corp. v. Zheng Shi* (2005) 66 IPR 413; [2005] ATMO 38 at [10]-[19]; *Body Tease Inc. v D & Y Int'l Trading Proprietary Ltd.* (2002) 56 IPR 543; [2002] ATMO 102; *Cranbrook Sch. v. Wylie* (2004) 63 IPR 222; [2004] ATMO 49 (use of school badge on clothing). See also, *KARO STEP Trade Mark* [1977] RPC 255. Opposition on the basis of alleged copyright infringement was unsuccessful in *Polo Sport Clothing Am. v. Hill* (2003) 57 IPR 288 at 302-3; [2003] ATMO 8 (ownership of copyright in clip-art not established); *Warner-Lambert Co. v. Supermarketing Proprietary Ltd.* (2002) 56 IPR 330; [2002] ATMO 74 (opponent would have difficulty establishing copyright subsisted in short slogan); *Chiropractors' Ass'n of Austl. Ltd. v. Kincaire Proprietary Ltd.* (2005) 66 IPR 180; [2005] ATMO 10 at [11]-[19] (complaint related mainly to exploitation of an idea or concept, which is not protected by copyright; applicant's mark further appeared to be the product of independent original work rather than having been copied).

¹⁴⁰ In considering whether use of a mark would constitute passing off, the party asserting its reputation must establish that it had the requisite reputation in the name or goods in the jurisdiction and that there is a likelihood of deception among consumers or potential consumers resulting from the respondent's actions. This test appears to be directed at assessing the reputation amongst relevant consumers, not the general public. This requires an applicant to prove that there are, within the relevant jurisdiction, a substantial number of persons who were aware of the applicant's name or product and are possible consumers. It is necessary to show in a practical and business sense a sufficient reputation in the forum and this requires an evaluation of the size and distribution of the population of prospective consumers likely to be affected. See *ConAgra Inc. v. McCain Foods Proprietary Ltd.* [1992] FCA 159 and the discussion in *Hansen*. Opposition on the basis of alleged passing off was successful in *G Johns Orchards v. Cianfrano* (2005) 68 IPR 175; [2005] ATMO 73 at [31]-[34]. Opposition on the basis of alleged passing off was unsuccessful in *Cadbury Schweppes Proprietary Ltd. v. Effem Foods Proprietary Ltd.* (2005) 66 IPR 387; [2005] ATMO 29 at [42].

¹⁴¹ *United Parcel Service of Am. Inc. v. United Air Lines Inc.* (2006) 69 IPR 663 at [29]-[39] (opposition unsuccessful; applicant's mark used for services that were outside the scope of a worldwide co-existence agreement between the parties and therefore not a breach of that agreement that would amount to a use contrary to law); *San Pelligrino SPA v. CSP Int'l Industria Calsze SPA* (2006) 71 IPR 158; [2006] ATMO 90 (request to extend protection of international trademark to Australia refused as use of the mark in Australia would breach an international contract).

¹⁴² For oppositions based on alleged misapplication of geographical indications protected by the Australia New Zealand Food Standards Code see *Scotch Whisky Ass'n v. Dewitt & Tormey* (2006) 69 IPR 637; [2006] ATMO 43 at [26]-[31] (opposition unsuccessful). For oppositions on the basis of alleged breach of Australian Wine and Brandy Corporation Act 1980 (Cth) (the 'AWBC Act'), see *Re Lawrence* (2005) 67 IPR 455; [2005] ATMO 69 ('First' not used as geographical indication contrary to the AWBC Act; registration allowed). For oppositions based on alleged breaches of Olympic Insignia Protection Act 1987 (Cth), see *Australian Olympic Comm. Inc. v. Thompson* (2000) AIPC ¶91-658;

- Misleading or deceptive conduct contrary to the *Competition and Consumer Protection Act 2010* (Cth)¹⁴³

What is scandalous will be a “matter of opinion” since “opinions change over time”.¹⁴⁴ However, marks which lack an obvious “scandalous” element, or which are softened using humour, plays on words, unusual spelling or concealment within a device may be granted registration. Even where an alleged infringement involves a parody, the only question is whether the elements of the cause of action have been made out.¹⁴⁵

Australian Olympic Comm. Inc. v. Courier Luggage Proprietary Ltd. (2002) 54 IPR 419; [2002] ATMO 2 (opposition unsuccessful; OLYMPIA mark unlikely to be mistaken for protected Olympic expression); *Australian Olympic Comm. Inc. v. ERI Bancaire Luxembourg SA* (2006) 69 IPR 135; [2006] ATMO 29 at [19]-[31] (opposition unsuccessful; mere use of the word ‘Olympic’ in a mark, without more to suggest a connection with the IOC, was not enough to constitute use for commercial purposes in breach of the Act). The argument that registration of a trademark which would result in a loss of equities in an opponent’s mark, in contravention of Trade Marks Act 1995 (Cth) s 21(2), would also be contrary to law for the purposes of s 42(b) was raised but not made out on the facts in *Geoffrey Inc. v. Hoyle* (2004) 63 IPR 196; [2004] ATMO 44 at [26] (comparison drawn with trademark dilution arguments, however any equities the opponent might have relied on were held to have been exhausted in the circumstances of the case). For opposition based on use contrary to prior order of the court, see *R & C Products Pty Ltd v Bathox Bathsalts Proprietary Ltd.* (1991) 21 IPR 547; sub nom *Bathox Bathsalts Proprietary Ltd. v. R & C Prod. Proprietary Ltd.* (1991) AIPC ¶90-816. For an alleged breach of a prior settlement agreement, see *Levi Strauss & Co v Menaker* (2006) 70 IPR 418; [2006] ATMO 81. See also *Sydney Organising Comm. for Olympic Games v. Thompson* (2000) AIPC ¶91-657 (opposition based on Sydney 2000 (Indicia and Images) Protection Act 1996 (Cth) (repealed)); *Re Application by Kelly* (1987) 8 IPR 667; (use contrary to Advance Australia Logo Protection Act 1984 (Cth)); *Re Application by Slaney* (1985) 6 IPR 307 (MEDICARE refused registration as use was contrary to Health Legislation Amendment Act 1984 (Cth) (repealed)).

¹⁴³ Competition and Consumer Protection Act 2010 (Cth) (Austl.). Although section 42(b) is rarely invoked by the Trade Marks Office in the registration process, use of a trademark will be contrary to law if it would constitute misleading or deceptive conduct contrary to section 18 of the Australian Consumer Law [hereinafter “ACL”], or the making of false or misleading statements contrary to s 29 of the ACL, or passing off. In considering whether a case of misleading or deceptive conduct or passing off would be made out, the court will consider whether the applicant has established a reputation in the marks which would be appropriated by the respondent. Case law indicates that in determining whether use of a mark will breach Australian consumer law, the court will consider whether a “significant proportion” of the general public will be confused by the use, not whether the target market for the impugned product will be confused. Although reputation and confusion amongst the target market may suffice to establish sufficient reputation and deception among the general public. See, *Marco Polo Foods Proprietary Ltd. v. Benino Fine Foods Proprietary Ltd.* (2005) 67 IPR 179; [2005] ATMO 32 (The test is whether there is a ‘real and not remote chance or possibility’ of a reasonably significant number of people being misled or deceived by use of the mark); *GSM Proprietary Ltd. v. Blue Star Holdings Proprietary Ltd.* (2005) 67 IPR 194; [2005] ATMO 44 at [26]; *G Johns Orchards v. Cianfrano* (2005) 68 IPR 175; [2005] ATMO 73 at [37].

¹⁴⁴ MARK DAVISON & IAN HORAK, *SHANAHAN’S AUSTRALIAN LAW OF TRADE MARKS AND PASSING OFF* 234 (5th ed. 2012).

¹⁴⁵ See, *McLenny v. Blue Yonder Holdings Proprietary Ltd.* (1997) 149 ALR 496 and *Pacific Dunlop v. Hogan* (1989) 14 IPR 398.

2. *Pushing the Boundaries – Scandal in the US!*

Section 2(a) of the Lanham Act endorses refusal by the PTO of any mark that is scandalous or disparaging.¹⁴⁶ Specifically, Section 2(a) states:

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it (a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.¹⁴⁷

¹⁴⁶ 15 U.S.C. § 1052(a) (2006). Two prohibitions in Section 2(a) – that against registration of “scandalous” marks and that against registration of “immoral” marks – can be treated as a single category. As a practical matter, no reported decision has barred registration of a mark on the sole grounds that it is immoral, *see, e.g., McGinley*, 660 F.2d at 484 n.6 (C.C.P.A. 1981); *Mavety Media*, 1993 TTAB Lexis 25, at *1 n.2 (T.T.A.B. 1993); rather, the issue of “immorality,” where it arises at all, is subsumed into the analysis of whether the mark is “scandalous.” *See, e.g., id.* at *1, n. 2. (“Where refusals have been made for both reasons, the cases seem to focus almost exclusively upon the issue of whether a mark is scandalous.”). For a listing of the relevant state statutes, see John V. Tait, Note, *Trademark Regulations and the Commercial Speech Doctrine*, 67 *FORDHAM L. REV.* 897, 907 n.74 (1998). The legislative history of Section 2(a) is diagonal as to why the Lanham Act denies registration to scandalous, or disparaging matter. Two general theories have been offered by courts and commentators: First, the government should not waste its resources on protecting unseemly marks. *See, e.g., In re McGinley*, 660 F.2d 481, 486 (C.C.P.A. 1981) (“We do not see [Section 2(a)] as an attempt to legislate morality, but, rather, a judgment by the Congress that such marks [should] not occupy the time, services, and use of funds of the federal government.”). *But see id.* at 487 (Rich, J. dissenting) (“More ‘public funds’ are being expended in the prosecution of this appeal than would ever result from the registration of the mark.”); Jendi B. Reiter, *Redskins and Scarlet Letters: Why “Immoral” and “Scandalous” Trademarks Should be Federally Registrable*, 6 *FED. CIR. B.J.* 191, 199 (1996) (arguing that because the PTO’s trademark operations are entirely funded by application and maintenance fees, it is the PTO’s opposition to a mark, rather than its approval, that is more likely to cause expenditure of federal funds”). These arguments ignore the potential deterrence effect of the PTO denying registrations to allegedly scandalous and disparaging marks, however. Second, the government should not provide official sanction to unseemly marks. *See, e.g., Bruce C. Kelber, “Scalping the Redskins:” Can Trademark Law Start Athletic Teams Bearing Native American Nicknames and Images on the Road to Racial Reform?*, 17 *HAMLIN L. REV.* 533, 560-61 (1994) (“[T]he government has a substantial interest in prohibiting certain marks from carrying the implied approval of the federal government” and “does not want to encourage these marks by granting exclusive ownership.”). *But see In re Old Glory Condom Corp.*, 26 *U.S.P.Q.2d* (BNA) 1216, 1220 n.3 (T.T.A.B. 1993) (“the act of registration is not a government imprimatur or pronouncement that the mark is a ‘good’ one in an aesthetic, or any analogous, sense”). Other commentators, however, argue that *all* marks should be registered, regardless of their content, and that the marketplace should decide what is or is not acceptable commercial behavior. Such explanations are mere speculation, however, as Congress has given no signal of its intent in enacting the prohibitions of Section 2(a).

¹⁴⁷ 15 U.S.C. § 1052(a) (2006). The specific language of Section 2(a) states that registration shall be refused if the mark consists of matter that: (1) is scandalous; (2) is immoral; (3) is deceptive; (4) may disparage persons (living or dead), institutions, beliefs, or national symbols; (5) may bring persons (living or dead), institutions, beliefs, or national symbols into contempt or disrepute; or (6) may falsely suggest a connection with persons (living or dead), institutions, beliefs, or national symbols. Thus, while the first three categories ban registration of any mark that “is” scandalous, immoral, or deceptive; the latter three categories, on the other hand, ban registration of any mark that “may” fall within one of the proscribed categories. *See infra* note 116 (discussing the significance of the word “may” in this context). In addition, once a mark has been placed on the Principal Register, it can be cancelled or opposed in an *inter partes* proceeding under the same

While the Lanham Act bars the *registration*, it does not prohibit the *use* of scandalous and disparaging marks.¹⁴⁸ Claimants can, therefore, continue to use marks that have been denied federal registration and to claim the common law rights that might attach to them.¹⁴⁹ Notwithstanding that the Lanham Act directs the USPTO to refuse registration to scandalous marks, nowhere does the Act define “scandalous.”¹⁵⁰ Courts and administrative bodies have generally looked to

standard. 15 U.S.C. § 1063-64 (2006). Registration of matter that is “deceptive” is also barred under the Lanham Act, as a public policy matter, the Act does not permit registration of marks that deceive the public. Section 2(a)’s prohibition against registration of deceptive marks is distinct from Section 2(e)’s ban against registration of “deceptively misdescriptive” marks, 15 U.S.C. § 1052(e)(1) (2006) unless they have become distinctive of the applicant’s goods or services. 15 U.S.C. § 1052(f) (2006). The focus here is on the prevention of deception to the public—one of the two basic objectives of the Lanham Act, *see supra* note and accompanying text, as opposed to the content-based basis of other parts of Section 2(a). Section 2(a) prohibits registration of marks that disparage: (1) persons; *see Morehouse Mfg. Corp. v. J. Strickland & Co.*, 407 F.2d 881, 888 (C.C.P.A. 1969); (2) institutions; *see Gavel Club v. Toastmasters Int’l*, 127 U.S.P.Q. (BNA) 88, 89 (T.T.A.B. 1960) (unincorporated fraternal-type associations); *Frederick Gash, Inc. v. Mayo Clinic*, 461 F.2d 1395 (C.C.P.A. 1972) (professional organizations); *In re NAFTA*, 43 U.S.P.Q.2d (BNA) 1218 (T.T.A.B. 1998) (NAFTA is an institution); (3) beliefs; and (4) national symbols. *See In re Anti-Communist World Freedom Congress, Inc.*, 161 U.S.P.Q. (BNA) 304, 305 (T.T.A.B. 1969) (case law indicates that national symbols of other countries are also protected by Section 2(a)). While the Act also prohibits registration of marks that may bring living or dead persons, institutions, beliefs, or national symbols into “contempt” or “disrepute,” I could find no reported decision that relied solely on those grounds in denying registration of a mark; rather, this ban seems to be subsumed into the ban again “disparaging” marks. In *Greyhound Corp. v. Both Worlds, Inc.*, 6 U.S.P.Q.2d (BNA) 1635, 1641 (T.T.A.B. 1988), for example, the Board stated:

[T]he offensiveness of the [challenged] design becomes even more objectionable because it makes a statement about opposer itself, and holds opposer up to ridicule and contempt.

The Act also prohibits registration of marks consisting of or comprising matter that may falsely suggest a connection with living or dead persons, institutions, beliefs, or national symbols. This section is quite similar to Section 2(d)’s ban against registration of marks that are likely to confuse, *see* 15 U.S.C. §1052(d), and the two grounds are often pled together as alternative grounds for opposing a mark registration. *See, e.g., Ritz Hotel Ltd. v. Ritz Closet Seat Corp.*, 17 U.S.P.Q.2d (BNA) 1466 (T.T.A.B. 1990).

¹⁴⁸ *See* Hinchliffe *supra* n. 1.

¹⁴⁹ *See* *Estate of P.D. Beckwith, Inc. v. Comm’r of Patents*, 252 U.S. 538, 546 (1920) (“refusal to register a mark does not prevent a former user from continuing its use, but it deprives him of the benefits of the statute”); 74 Am.Jur. 2d *Trademarks and Trade Names* § 70 (2012) (“the denial of an application for registration of a mark does not, of itself, prevent the continued use thereof by the applicant; it merely deprives him of the benefit of the protection accorded to the registered marks”). Restatement (First) of Torts §726 (1939), however, provides that a “designation cannot be a trademark or trade name if it is scandalous or indecent, or otherwise violates a defined public policy.” In addition, 47 states have statutes denying registration to scandalous, immoral, and disparaging marks. Only Hawaii, Maine, and Wisconsin do not. *See* Justin G. Blankenship, Casenote, *The Cancellation of Redskins as a Disparaging Trademark: Is Federal Trademark Law an Appropriate Solution for Words that Offend*, 72 U. COLO. L. REV. 415, 451-52 n.231-232 (2001) (collecting statutes).

¹⁵⁰ Although the Act also refers to “immoral” marks, very few cases have focused on this term and indeed, most cases that address the term seem to treat the term as synonymous with “scandalous.” *See, e.g., In re McGinley*, 660 F.2d 481, 484 n.6 (C.C.P.A. 1981) (“Because of our holding that appellant’s mark is ‘scandalous,’ it is unnecessary to consider whether appellant’s mark is ‘immoral.’ We note that the dearth of reported trademark decisions in which the term ‘immoral’ has been directly applied.”).

dictionaries for a definition of the term. *In re Riverbank Canning Co.*,¹⁵¹ for example, the Court of Customs and Patent Appeals (CCPA)¹⁵² quoted from two well-known dictionaries in defining “scandalous” as:

[S]hocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; giving offense to the conscience or moral feelings; ... [or] calling out [for] condemnation.¹⁵³

Similarly, in *Bromberg v. Carmel Self Service, Inc.*,¹⁵⁴ the Board relied upon dictionary definitions in stating that “scandalous” means “that which offends established moral conception or disgraces all who are associated or involved” and “to horrify or shock the moral sense.”¹⁵⁵

The extrusive 1999 decision, *Harjo v. Pro Football, Inc.*,¹⁵⁶ attempted to clarify the tests for both disparaging and scandalous marks. Disparaging marks are ones that “may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute.”¹⁵⁷ “Persons” includes both natural and “artificial” persons, such as corporations.¹⁵⁸ Despite the numerous cases on scandalous marks, only a select few have involved disparaging marks.¹⁵⁹ Like the term “scandalous”, “disparage” is not defined in the Lanham Act.¹⁶⁰ Courts have, however, appeared to give “disparage” its “ordinary and common” meaning as stated in dictionaries contemporaneous with the passage of the 1946 Act.¹⁶¹ For example, content that “may dishonour by comparison with what is inferior, slight, deprecate, degrade or affect or injure by unjust comparison.”¹⁶² This is unlike scandalousness, which looks to the conscience or moral

¹⁵¹ *In re Riverbank Canning Co.*, 95 F.2d 327 (C.C.P.A. 1938).

¹⁵² *Id.* This is the predecessor to the Federal Circuit. Prior to the creation of the United States Court of Appeals for the Federal Circuit on October 1, 1982, appeals from the TTAB were heard by the Court of Customs and Patent Appeals (C.C.P.A.). The CCPA merged with the United States Claims Court to form the Federal Circuit. Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982). *See* *South Corp. v. United States*, 690 F.2d 1368, 1369 (Fed. Cir. 1982) (The Federal Circuit promptly established that all decisions of the C.C.P.A. are binding precedents in the Federal Circuit).

¹⁵³ *In re Riverbank Canning Co.*, 95 F.2d at 328 (quoting FUNK & WAGNALLS NEW STANDARD DICTIONARY and WEBSTER'S NEW INTERNATIONAL DICTIONARY (1932) in interpreting predecessor statute to Lanham Act).

¹⁵⁴ *Bromberg v. Carmel Self Service, Inc.*, 198 U.S.P.Q. (BNA) 176 (T.T.A.B. 1978).

¹⁵⁵ *Id.* at 178 (quoting WEBSTER'S NEW COLLEGIATE DICTIONARY (2d ed.)).

¹⁵⁶ *Harjo v. Pro Football, Inc.*, 50 U.S.P.Q.2d (BNA) 1705, 1749 (T.T.A.B. 1999) (Ultimately, the Board found that the Redskins marks were disparaging to Native Americans, but were not scandalous to the general public).

¹⁵⁷ 15 U.S.C. § 1127 (2006). Section 1127 defines “person” as including “a juristic person as well as a natural person.”

¹⁵⁸ *See, e.g.,* *Order Sons of Italy in Am. v. Profumi Fratelli Nostra AG*, 36 U.S.P.Q.2d (BNA) 1221, 1223 (T.T.A.B. 1995) (granting standing to a fraternal order of Italian Americans to challenge a mark with Mafia connotations).

¹⁵⁹ *See supra* note __ and accompanying text.

¹⁶⁰ 15 U.S.C. § 1051 (2006). Legislative history sheds very little light on what Congress intended this prohibition to encompass. *See Harjo*, 50 U.S.P.Q.2d (BNA) at 1737-38 n.78.

¹⁶¹ *Id.* at 1738.

¹⁶² *Id.*

feelings of a substantial composite of the general public, “disparagement has an identifiable object.”¹⁶³

Figure 5: Table of court cases where determination of whether a mark has been scandalous or disparaging

Freedom of Speech

Case	Relevant Take-Away
Matal v Tam , 137 S. Ct. 1744 (June 19, 2017)	Trademark: THE SLANTS. Affirming the Federal Circuit’s holding that the disparagement prong of Section 1052(a) was unconstitutional.
In re Brunetti , 877 F.3d 1330 (Fed. Cir. Dec. 15, 2017) (<i>lanu v. Brunetti</i> (Case No. 18-302))	Trademark: FUCT. Federal Circuit followed its earlier instincts that that the “immoral . . . or scandalous” clause is an unconstitutional violation of the First Amendment’s free speech clause. Free to speak but not to register
Reed v. Town of Gilbert , 135 S. Ct. 2218, 2227-2231 (2015)	Claim that an ordinance which created different categories of signs, including “Ideological Sign[s],” “Political Sign[s],” and “Temporary Directional Signs Relating to a Qualifying Event” violated Freedom of Speech.
In re McGinley , 14. 660 F.2d 481 (C.C.P.A. 1981)	The refusal to register a mark under section 2(a) of the Lanham Act did not suppress freedom of expression.

Section 2(a) of the Lanham Act

Case	Relevant Take-Away
In re Mavety Media Group Ltd , 1993 TTAB LEXIS 25, *1 n 2	The case law does not contain any distinctions between “scandalous” and “immoral”
Bromberg v. Carmel Self Service Inc. , 198 U.S.P.Q. (BNA) 176 (T.T.A.B. 1978)	The Board relied upon dictionary definitions in stating that: “scandalous” means “that which offends established moral conception or disgraces all who are associated or involved” and “to horrify or shock the moral sense.” (at 178)
In re Hershey , 6 U.S.P.Q.2d (BNA) 1470, 1471 (T.T.A.B. 1988)	Trademark BIG PECKER BRAND. The standards for determining whether a mark is scandalous are “somewhat vague” and the determination of the issue “necessarily. . . highly subjective”. In reversing the examiner’s denial of registration to the mark BIG PECKER BRAND as being scandalous, the Board stated that: “the inclusion of the bird design would make it less likely that purchasers would attribute any vulgar connotation to the word mark...”. (at 1472). Similarly, in concurrence, Board Member Cissel wrote in that “To suggest that a significant number of potential purchasers of applicant’s shirts would be offended by applicant’s trademark for them is . . . unfounded ...” (at 1472 (Cissel, concurring))
Harjo v. Pro Football, Inc. 50 U.S.P.Q.2d (BNA) 1705 (T.T.A.B. 1999)	Attempted to clarify the tests for both disparaging and scandalous marks.

¹⁶³ *Id.* at 1739.

	<p>The Board examined an objection brought by several Native Americans alleging that the mark REDSKINS for a football team was both scandalous and disparaging. Ultimately, the Board found that the Redskins marks were disparaging to Native Americans, but were not scandalous to the general public.</p> <p>The Board stated that the public's acceptance of the word "Redskins" was "inconsistent with the sense of outrage by a substantial composite of the general population that would be necessary to find this word scandalous in the context of the subject marks and the identified services." 50 U.S.P.Q.2d (BNA) at 1749.</p>
In re Tinseltown, Inc. , 212 U.S.P.Q. (BNA) 863, 865 (T.T.A.B. 1981)	<p>Application of test – standard of public.</p> <p>"[W]e reject applicant's argument that the question is whether its mark is scandalous should be evaluated in the setting of its posh clientele [I]t seems to us that we are required to apply a broader standard ... [W]e could not possibly apply a standard of public policy to the question before us which would be limited to a particular stratum of society, defined by its level of 'sophistication,' or, as others might perceive it, its level of vulgarity."</p>
In re Riverbank Canning Co. , 95 F.2d 327, 329 (C.C.P.A. 1938)	<p>Application of test – standard of public.</p> <p>The CCPA stated:</p> <p>"[W]e feel certain that [the] use [of the mark MADONNA] upon wine for beverage purposes would be shocking to the sense of propriety of nearly all who do not use wine as a beverage, and also to many who do so use it; therefore, we think such use of the word "Madonna" would be scandalous and its registration prohibited under [the 1095 Trade-Mark Act]."</p>
In re Old Glory Condom Corp. 26 U.S.P.Q.2d (BNA) 1216 (T.T.A.B. 1993):	<p>"What was considered scandalous as a trademark or service mark twenty, thirty, or fifty years ago may no longer be considered so, given the changes in societal attitudes. Marks once thought scandalous may now be thought merely humorous (or even quaint)." (at 1219)</p>
In re Riverbank Canning Co. 95 F.2d 327 (C.C.P.A. 1938)	<p>The CCPA (the predecessor to the Federal Circuit) quoted from two well-known dictionaries in defining "scandalous" as:</p> <p>"[S]hocking to the sense of truth, decency, or propriety; disgraceful; offensive; disreputable; giving offense to the conscience or moral feelings; ... [or] calling out [for] condemnation." (at 328)</p>

The CCPA has also held that "the threshold for objectionable matter is lower" for scandalous matter under Section 2(a) than for "obscene" matter under the First Amendment.¹⁶⁴ The latter is of present relevance following the *In re Brunetti* decision, raising the potential opportunity for scandal in the US wine industry.

¹⁶⁴ See *In re McGinley*, 660 F.2d 481, 485 n.9 (C.C.P.A. 1981) (where the court also held that dictionary definitions of the term "scandalous" were precise enough to satisfy due process requirements. *Id.* at 485). See also, *Harjo v. Pro-Football, Inc.*, 57 U.S.P.Q.2d (BNA) 1140, 1143 (D.D.C. 2000), (where the district court noted that no court had yet ruled on whether the definition of "disparaging" was so vague as to deny due process, but declined to decide the issue, stating that the avoidance doctrine required federal courts to exhaust all non-constitutional avenues for resolving a case before turning to constitutional arguments. The *McGinley* court also determined that a refusal to register a trademark on the grounds that it is scandalous does not violate First Amendment free speech rights (at 484)). A number of commentators disdain the ruling in *McGinley*,

3. First Amendment

In recent years, courts have grappled with the application of First Amendment principles to the law governing trademark registration. This is because in determining whether a mark may be registered, the USPTO reviews the mark under the standards imposed by the Lanham Act and decides whether it may be registered.¹⁶⁵ By the terms of § 2(a), the determination requires the USPTO to examine the content of the mark and thus the content of the speech.¹⁶⁶ This led to the question of whether § 2(a)'s requirement that the USPTO consider the content of a trademark applicant's speech violated the First Amendment.¹⁶⁷

In *Matal v. Tam*,¹⁶⁸ the United States Supreme Court held that the bar on disparaging trademarks in § 2(a) was unconstitutional under the First Amendment.¹⁶⁹ Although, they declined to address whether trademarks were purely commercial speech or a hybrid of commercial and expressive speech because the disparagement clause could not prevail under the standard of review associated with either category.¹⁷⁰ The Court found that mere registration was insufficient to transform expressive ideas into government speech and trademarks were entitled to First Amendment protection.¹⁷¹ The Court also noted that neither the interest of preventing underrepresented groups from being “bombarded with demeaning messages in commercial advertising” nor the interest of protecting the “orderly flow of commerce” was sufficient to withstand intermediate scrutiny and thus the § 2(a) bar on disparaging marks was unconstitutional.¹⁷²

In *In re Brunetti*,¹⁷³ the Federal Circuit invalidated the immoral-scandalous provision on the ground that it conflicted with the First Amendment, which allowed the mark FUCT to be registered. While allowing FUCT to be registered was proper, the majority erred in concluding there was no reasonable interpretation of the immoral-scandalous provision that could preserve its constitutionality.¹⁷⁴ It is improper to prevent the registration of marks that are merely “immoral” or “scandalous,” but First Amendment jurisprudence indicates it would proper to narrow the bar to prevent only the subset of immoral or scandalous marks that are

arguing that Section 2(a) does violate First Amendment rights. *See, e.g.*, Baird *supra* note 55, at 685-86; Theodore H. Davis, Jr., *Registration of Scandalous, Immoral, and Disparaging Matter Under Section 2(a) of the Lanham Act: Can One Man's Vulgarity Be Another's Registered Trademark?*, 54 OHIO ST. L.J. 331, 345-47 (1993); Tait *supra* note 296, at 936. *See also*, Hinchliffe *supra* note 1.

¹⁶⁵ *See Id.* § 1051.

¹⁶⁶ *See Id.* § 1052.

¹⁶⁷ *See, e.g.*, *Matal v. Tam*, 137 S. Ct. 1744 (2017).

¹⁶⁸ *Id.* at 1765.

¹⁶⁹ *Id.* In *Tam*, Simon Tam, a member of The Slants, an Asian American rock group, attempted to register “THE SLANTS” as a trademark: *Id.* at 1751, 1754. The USPTO denied the application on the basis of § 2(a) of the Lanham Act because the Examiner found the mark violated the provision prohibiting “the registration of trademarks that may ‘disparage . . . or bring . . . into contemp[t] or disrepute’ any ‘persons, living or dead’” because “slants” is a derogatory term for people of Asian descent: *Id.* at 1751 (quoting 15 U.S.C. § 1052(a)). The T.T.A.B. affirmed the Examiner, but the Federal Circuit reversed: *id.* at 1754.

¹⁷⁰ *See Tam*, 137 S. Ct. at 1764-65.

¹⁷¹ *Id.* at 1760

¹⁷² *See id.* at 1764-65

¹⁷³ *In re Brunetti*, 877 F.3d at 1357

¹⁷⁴ *Id.*

also obscene. Because courts have a duty to preserve the constitutionality of a statute unless there is no reasonable interpretation,¹⁷⁵ the majority failed its duty when it rejected a rational interpretation of the immoral scandalous provision. The concurring opinion, which suggested preserving the statute by limiting its reach to obscene marks,¹⁷⁶ had the correct analysis of the case.

D. Scandal in the Wine Industry and Implications for Branding of Wines

This article discussed the acute legal dimensions of branding, labelling and intellectual property law. It highlighted that brands are distinct from intellectual property rights, which are both interdependent to and dependent on labelling laws with regards wine. This is because a brand (insofar as a unique identifier is concerned) in the form of a mark allows the consumer (and obviously the winery) to build a linkage across the aggregate category of wine products.

A regulatory framework and laws therein can facilitate effective communication of information about a good by virtue of the legal regimes that it embodies.¹⁷⁷ The objectives of a legal regime, whether (e.g. in the case of the trademark regime, or GI regime) that legal regime facilitates communication of information, and what stakeholders (e.g. consumers of wine) look for and which drive their decision making to buy the product are factors interwoven into assessing the preference for and value attributed to branding and/or origin of wine.

Usefully for consumers the distinctness of a mark provides them with an opportunity to ‘retaliate’ by changing their loyalty when the expected quality is not delivered.¹⁷⁸ Wine (an experience good) may be either frequently or infrequently purchased.¹⁷⁹ Trademarks work because consumers have sufficient memory of the previous act of consumption, and the distinctive mark allows them to identify a product.¹⁸⁰ Their preference is because even while the consumer may not have experience with the specific product, they may have experience with other products within a broader category.

In Australia, labelling laws require the origin of the wine—namely the wine’s GI—to be included on a label. Other branding recognition, e.g. the name of a winery, or one of their products, may be achieved through the trademark regime. Compared to the US, this is a more conservative standard. Nevertheless, the trademark regime does take into account changes in consumer perception and, in so doing, has the proven ability to influence consumer preference (insofar as what is acceptable and not) with regards wine products.

This article highlighted that the present state of IP law with respect to trademarks in the US allows for a plethora of opportunity for funky and unique

¹⁷⁵ See *id.* at 1358 (Dyk, J., concurring).

¹⁷⁶ *Id.* at 1357–61.

¹⁷⁷ See Sarah Hinchliffe, *supra* note 10, Part II (discussing that effective communication of information is defined differently depending on the context – i.e. in the context of trademarks, and from a purely economic perspective); Posner, *supra* note 115 at 292-3.

¹⁷⁸ See *id.*, at Part VI.

¹⁷⁹ See Economides, *supra* note 115 at 526.

¹⁸⁰ See *supra* note 115 at 499-500, mentioning also that a consumer may “link it to expected quality”.

branding of wines. Existing registration of trademarks such as “Fat Bastard” notes that the boundaries of what is considered disparaging or scandalous is very narrow. Nonetheless, following *Bruniitti* and *Tam*, it seems that the sky is the limit for there to be some “scandal” in branding of wine labels!