

4 June 2020

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Dear Sirs/Mesdames

Wine Label Registry Regulations, Department of Agriculture, Water and the Environment (DOA)

This submission concerning Wine Label Registry Regulations is made by the Intellectual Property Committee of the Business Law Section of the Law Council of Australia (the **IPC**).

Background

The legislation necessary for Wine Australia to establish the Australian Wine Label Directory has been passed.¹

The Wine Label Directory is intended to relate to wines exported from Australia only.

¹ See *Export Control (Consequential Amendments and Transitional Provisions) Act 2019 and the Wine Australia Amendment (Label Directory) Act 2013*

The amendments to the Acts are minor; the major development work will come with the Regulations to be developed during 2020.

On 27 February 2020, members of the Trade Marks sub-committee, Warwick Rothnie, Stephen Stern and Marianne Barker of the IPC had a telephone conference with representatives of the DOA to discuss the drafting of the Regulations and made oral submissions based on prior discussions with other members of the trade marks sub-committee and with the authority of the full committee. The IPC was not given a copy of any draft Regulations, but did receive the partially redacted instructions given to the Parliamentary draftsmen by the DOA beforehand.²

The IPC has been invited to confirm those submissions in writing should it desire to do so.

IPC's aim

The IPC's aim is to assist the DOA in developing a simple and transparent system which achieves the Australian Wine industry's aims whilst not establishing a competitive intellectual property (**IP**) system or additional IP rights outside the existing IP statutes (or creating confusion between the two).

Wine Industry Proposals

Wine Australia and its lobbying arm, Australian Grape and Wine Incorporated, have informed the IPC of what the Industry does and does not want³.

In essence, although Wine Australia and Australian Grape and Wine Incorporated state that they do not want a certificate of label approval (**COLA**) type system (as in the USA) and do not want to create separate IP rights, they do want Wine Australia to be able to assess the labels uploaded onto the Wine Label Directory as part of the export licence application process sufficiently for Wine Australia to be able to refuse an export licence for what is believed to be counterfeit wine using, possibly, an extended version of Wine Australia's label integrity programme (this is currently unclear until the draft Regulations are issued).

The exact details of how this is to work are as yet unclear and require development in the course of drafting the Regulations.

The DOA and the Wine Industry bodies do acknowledge though that wine exporting companies will still need to institute trade mark (or other) infringement proceedings in the Federal Court and to obtain an injunction in order to "stop" such exports but, again, there is some ambiguity around this process.

Confirmation of Oral Submissions

The purpose of these submissions is to confirm the oral submissions already made to the DOA and to provide some additional background information in relation to issues surrounding the COLA system in the USA and some practical suggestions for the operation of the system.

² Please see Appendix A

³ Please see Appendix B

As submitted already, the IPC is not opposed to the establishment of the Wine Label Directory if its purpose is not to create any additional IP rights but rather to support the enforcement of any pre-existing IP rights such as trade marks and copyright works (and any ancillary common law or statutory rights) used on wine labels by providing an easily searchable public directory to determine the labels proposed to be used for export of wine from Australia.

Currently a search can be made of the Register of Trade Marks for all trade marks registered in relation to wine but there is usually no information available from that Register regarding intention to export (the exception being wine export services registrations).

Of course, counterfeiters rarely register their trade marks and, in any event, are simply copying existing labels. The system could also work not as against counterfeiters who use identical or virtually identical labels to those of legitimate producers, but also as against “infringers” whose trade marks might be deceptively similar to those of legitimate producers. The problem here is that it would, in our view, be inappropriate to give Wine Australia the power to make determinations as to what label or trade mark is “deceptively similar” to an existing label or trade mark owned by a legitimate producer.

Further, there is no public register for copyright works which may also form part of a label and nor is there any public register for any other aspect of trade dress that might come within any definition of “label” (such as a collar or neck “label” for example). In respect of copyright works that subsist in a particular wine label, it would also, in our view, be inappropriate to give Wine Australia the power to make determinations as to whether another label was a “substantial reproduction” of a legitimate trader’s copyright work subsisting in its wine label.

The only matter on which the IPC disagrees with the wine industry bodies and the DOA is the proposal to allow Wine Australia to hold back from inclusion on the Wine Label Directory (that is to defer public listing) labels for certain products for a period of up to 90 days when the exporter requests this in respect of new product launches.

As discussed, the IPC views this proposal as unfair, open to abuse, not transparent and hence bad public policy. If there is to be a useful public Wine Label Directory, it needs to be current and searchable by the public.

Allowing an exporter to defer disclosure of a label for up to 90 days (presumably to maintain confidentiality vis-a-vis competitors) will frustrate the objective of the scheme because an unscrupulous exporter may use that period to export wine before an IP rights holder can ascertain from the Wine Label Directory the plan to export wine under the label.

Put another way, if such requests for deferrals are available to all, and any suggestion that such deferrals are only available to a limited class of producers is clearly inappropriate, then they can also be made by persons wishing to export wines bearing labels that incorporate counterfeit trade marks and copyright works.

Hence, in the view of the IPC, Wine Australia should not be allowed to hold back inclusion (or defer inclusion) on the Wine Label Directory under the provisions of the Regulations.

We confirm that this concern was also apparently raised by the Parliamentary draftsmen.

Finally, the IPC confirms that given that there may be a perceived overlap between:

- (a) the existing trade marks and copyright regimes (and ancillary rights of an IP nature), and
- (b) the new Wine Label Directory,

the Regulations, the Wine Label Directory and the relevant pages of the website used to implement the system, ought to include warnings to wine exporters to the effect that inclusion on the Directory provides no intellectual property rights but is one of the several preconditions to the right to export the wine from Australia under the label in question, subject always to any court order to the contrary.

Further, the users of the system ought to be informed that if they wish to take action to “stop” the wine being exported from Australia under the label in question, they will need to use the usual court processes to obtain a court order to do so.

Those safeguards may go some way to avoid the problems experienced in the USA under the COLA system⁴.

If you would like to discuss this submission or if you have any questions or comments, please contact Matthew Swinn, Chair of the Intellectual Property Committee (matthew.swinn@au.kwm.com or 03 9643 4389).

Yours faithfully



Greg Rodgers
Chair, Business Law Section

⁴ Please see Appendix C

Appendix A

Drafting instructions for: Wine Australia (Label Directory) Amendment Regulations 2019

1. Legislative background

The *Wine Australia Act 2013* (the Act) continues in existence Wine Australia (formerly the Australian Grape and Wine Authority), established under the *Australian Grape and Wine Authority Act 2013*. The *Wine Australia Regulations 2018* enable Wine Australia to carry out its regulatory functions made under the Act. Namely, to control the export, description and presentation of wine to ensure the reputation of Australian wine is protected and that Australia acts in accordance with its international obligations.

A wine label intellectual property (IP) directory (Label Directory) was initially proposed by Australian Grape and Wine Incorporated (AGWI) as a regulatory measure to decrease copycat wine exports from Australia and as a means for wine brand owners to take proactive action over IP infringements on wine labels. Copycat wine exports are wines exported from Australia with labels that seek to mimic elements of brands of other Australian wines for commercial gain.

In Australia, the *Trade Marks Act 1995* has provisions that allow rights holders to take action to prevent the export of infringing or falsely labelled goods. Provisions also exist under the *Commerce Trade Descriptions Act 1905* relating to goods that are imported or exported intentionally or recklessly with a false trade description. However, the IP owner is only able to take action under these provisions if they know about the infringement and the Label Directory will provide visibility to help address this issue.

On 16 August 2018, the then Minister for Agriculture, the Hon. David Littleproud MP, agreed that the department consult on the proposal from AGWI with the wine industry and more broadly to create a Label Directory. Public consultation was undertaken on the proposed Label Directory over a period of four weeks from 21 September 2018 to 19 October 2018. Further information on the consultation process is at item 9. On 9 August 2019, Senator the Hon. Bridget McKenzie, Minister for Agriculture wrote to the Prime Minister seeking policy approval to amendments to the *Wine Australia Act 2013* (the Wine Australia Amendment (Label Directory) Bill 2019) and supporting regulations for Wine Australia to establish the proposed Label Directory. Policy approval was provided on behalf of the Prime Minister by the Hon. Ben Morton MP, Assistant Minister to the Prime Minister and Cabinet on 4 September 2019.

Instructions

To implement the proposed Label Directory, the *Wine Australia Regulations 2018* (the Regulations) would need to be amended to impose mandatory requirements that a licensee must publish images of relevant export labels on the Label Directory as a condition of approval of their grape product for export.

Please prepare provisions as detailed at Item 14.

Related projects

Not applicable.

Appendix A continued

Affected provisions and consequential provisions

Not applicable.

Source of Power

Section 45A of the Wine Australia Amendment (Label Directory) Bill 2019 (the Bill) will provide the regulations-making power. In particular, paragraph 45A(1) of the Bill provides that the regulations may make provision for and in relation to the Authority establishing, maintaining and making publicly available a database, to be known as the Label Directory.

Application, savings and transitional provisions

The amendments are to apply to licensees who apply for grape product approval and/or a certificate of export for a consignment of grape product after the commencement of the Amendment Act and Amendment Regulations.

Legal opinions

References to advice removed due to LPP.

Privacy issues

Subsection 45A(3) of the Bill specifies that the regulations may provide for personal information to be included in the Label Directory if the personal information:

- (a) is included in a digital colour image of a grape product label; or
- (b) relates to grape products or to exporters of grape products.

Consultation

On 19 July 2018, AGWI wrote to the Minister for Agriculture and Water Resources expressing concerns over Australian produced wine being exported with labels that may infringe brand owners' IP rights. AGWI proposed a number of measures aimed at preventing the export of wines with copycat labels. On 16 August 2018, Minister Littleproud directed the department to consult on the Label Directory proposal initiated by AGWI.

The department subsequently tested and refined the proposal in consultation with AGWI, Wine Australia and IP Australia and undertook public consultation for four weeks from 21 September to 19 October 2018. All regional wine associations were notified of the consultation. Seven submissions were received through the process and the five submissions from the wine industry broadly supported the purpose of, and proposed model for, the Label Directory.

Following this consultation, the department further refined the proposal with Wine Australia, IP Australia and AGWI, and the most updated proposal is supported by these groups. Wine Australia note the Label Directory would build well into their new Wine Export Approval system, the Wine Export Licensing and Approval System (WALAS).

Appendix A continued

The Office of Best Practice Regulation (OBPR) has advised that the proposal is likely to have no more than minor regulatory impacts and no Regulatory Impact Statement is required (OBPR ID number: 25090).

Commencement

It is intended that the Amendment Act will commence on a single day to be fixed by Proclamation. The Amendment Regulations should commence immediately after, or on the day after, the commencement of the *Wine Australia Amendment (Label Directory) Act 2019*.

Instructor

Details removed

Timetable

We would be grateful if the Amendment Regulations could be finalised by May 2020. It is anticipated that the Amendment Regulations would be made at a Federal Executive Council meeting in mid-2020.

This will enable an education/information campaign regarding the new controls to commence at the start of vintage in 2021 and provide Wine Australia with appropriate time to build the system and before commencement.

Other matters

Nil.

Details of instructions

The proposed Label Directory is intended to be a publicly available database, available to anyone to search for potential infringements of IP/trademark rights.

Section 14 of the Regulations, which provides for licensees to apply for a grape product to be approved for export, would be amended to require licensees to submit to the Authority, through Wine Australia's Wine Export Licensing and Approval System (WALAS), digital image files of the description and presentation elements that are to be applied to containers (that is, wine labels) for each different kind of grape product at the time of export, including foreign language versions of wine labels.

Licensees would be required to submit and consent to the publication of images of the front and back labels of the grape product (including foreign language versions). The label images would be published alongside information provided by the licensee to identify the label and associated grape product, including the brand name, product name, exporter details (name, business address, ABN/ACN/ARBN) and the date of publication so potential copyright infringements to be acted upon by rights-holders. This published information may include personal information submitted to Wine Australia by licensees in accordance with section 45A(3) (as a result of the Bill).

Appendix A continued

Licensees would be required to declare that the images submitted to the directory are an accurate representation of the labels applied on the container for the product to be exported. The legal declaration would be in a form approved by Wine Australia (including a tick box). If a label intended to be affixed to a grape product package (as per definition as a result of the Bill) for export changes after the label images have been provided, the exporter will be required to reapply for product approval.

Bulk wine exports (being any grape product dispatched in a container larger than 20 litres, forming all or part of a consignment greater than 100 litres) usually do not contain any description or presentation elements (beyond standard information required for food safety). They are not exported in a manner suitable for retail sale, but are typically exported in a large sack for re-bottling and distribution overseas. Therefore, an exception will need to be carved out for bulk wine exports to the Label Directory requirements.

In the event of 'in-market' product launches—where new branding would be released in an export market—licensees may apply in writing to Wine Australia (the Authority) for a deferral of the publication of their label/s on the Label Directory. The licensee would still be required to submit an image of their label for export (for grape product approval) but if the deferral is granted the image would not be published for up to 90 days. Wine Australia may grant a deferral if it is satisfied that:

- the licensee is undertaking an in-market *new* product launch; or
- the licensee is undertaking an in-market product launch of an *existing* product with new branding.

Wine Australia must notify the licensee in writing of its decision. If Wine Australia refuses to approve the deferral, or imposes conditions on the approval of the deferral, the notice must state the reasons for the decision. Any decision by Wine Australia to grant a deferral would be reviewable under section 23 of the Regulations.

As approval of grape products for export under section 14 is a condition that must be satisfied for the issue of an export certificate under section 20 of the Regulations, Wine Australia, as the Authority, would not be permitted to issue an export certificate without the submission of the label and accompanying declaration. Wine Australia may also consider any non-compliance with these requirements, and/or false declarations in determining a person's suitability to continue to hold an export licence under section 13 of the Regulations (including, the fit and proper person test under s10 of the Regulations). In issuing an export certificate under section 20 of the Regulation, Wine Australia would need to be satisfied that the label images submitted to it are published on the Label Directory before the intended date of export.

Transitional provisions for grape products approved for export prior to the Amendment Regulations would also be put in place.

Appendix B

The position of Wine Australia and its representative organization, Australian Grape and Wine, in relation to the anticipated Wine Label Directory for wine exports in Australia.

- 1 They do not want a COLA system similar to that which exists in the USA.
- 2 They do not intend to establish any new IP right or change any existing IP right by virtue of the establishment of the Wine Label Directory.
- 3 The Directory is intended to aid Australian wine exporters in preventing the export of counterfeit wines which has apparently occurred. In their words:

“...the directory is intended to decrease copycat wine exports from Australia and as a means for wine brand owners to take proactive action over IP infringements on wine labels. Copycat wine exports are wines exported from Australia with labels that seek to mimic elements of brands of other Australian wines for commercial gain”.
- 4 However, there will not be an assessment by Wine Australia of whether there is or may be an infringement of IP rights by the exporter.
- 5 It will still be up to the IP rights holder in the wine industry to institute any court proceedings to prevent the infringement.
- 6 The system will not provide enough time to enable all infringing exports to be prevented; only those after which any Court injunction is granted will be “stopped” as reported in the apparent statement of the previous Minister. In their words:

“Wine Australia may revoke product approvals under section 17(3) of the Wine Australia Regulations 2018 if it is no longer satisfied that the description and presentation of a grape product is appropriate having regard to the requirements of the *Wine Australia Act 2013*, other Australian laws, and the laws of other countries. This power would be exercised if a judicial body were to make out that IP infringements had occurred.”
- 7 The Directory will be kept by Wine Australia and will be updated by exporters when a licensed exporter applies for a product to be approved for export in accordance with section 14(c) of the Wine Australia Regulations 2018.
- 8 As the applications are expected to take approximately 7 days from the date of the application to the date of grant of the export licence, the Directory will be a relatively comprehensive and up to date list of all labels used by exporters of wine from Australia. The label images would appear on the directory as soon as the product has been approved for export. Product approval precedes shipping approval (referred to as the issuance of an ‘export certificate’ in the Regulations).
- 9 The exception to this is where there is a new product being launched and the exporter wishes there to be an embargo on publication of the label in the Directory, in which case Wine Australia proposes that it will manually deal with

Appendix B continued

the relevant application to delay the publication of the new label for up to 90 days.

- 10 They believe that the risk of this embargo time being used as a cloak by infringers is minimal.
- 11 The system is to be funded by those using the export system.
- 12 They do not intend that there will be any notification process established with Customs to assist in identifying infringing export shipments (as presently exists in respect of imported goods using registered trade marks for example).

Appendix C

Research on the COLA system in the USA

The Department of Agriculture and Water Resources' consultation paper states:

A wine label directory is not a new concept. In the United States of America, the Alcohol and Tobacco Tax and Trade Bureau implements and enforces a broad range of statutory and compliance provisions including that all labels used on wines are to be certified and published on their public certificate of label approval (COLA) registry.

The question is whether the USA system and experience gives rise to any trade mark law issues. The answer appears to be "yes".

USA

The COLA application process involves the US regulator (TTB) applying acceptance/rejection criteria which have shades (and more) of trade mark law principles:⁵

The alcoholic beverage product's brand name, fanciful name and the label design, content and imagery are part of the COLA that needs federal approval. A label rejection can be based on global content, including the product name if it contains or conveys:

- anything false about the product
- anything disparaging about a competitor's product or implying that the product is superior;
- anything "obscene or indecent";
- anything applying intoxicating qualities (other than certain statements regarding alcohol content);
- anything with a government stamp or seal;
- anything implying endorsement of a non-alcohol commodity without written permission;
- anything implying health benefits. [p. 24]

There appears to be the perception (and perhaps actuality) of conflict which is played out in some of the US cases:⁶

⁵ Tracy Jong; Luis Ormaechea, *Trends to Note in Alcoholic Beverage Trademark Law That Can Impact the Decision Making Process for Businesses at Critical Points in the Alcoholic Beverage Product Life Cycle*, 12 BUFF. INTELL. PROP. L.J. 19 (2018)

⁶ Michael Mercurio, *Safe Harbor on the Rocks: TTB Label Approval for Beer, Wine, and Spirits, and the Uncertain Status of the Safe Harbor Defense*, 7 NOTRE DAME J. INT'L COMP. L. 107 (2017).

Although the [COLA legislation] and the [trade marks legislation and TRIPS agreement] have overlapping concerns, namely the protection of producers from unfair competition and the protection of consumers from misinformation and deception – they emphasise different focuses in achieving their similar goals. Ultimately, trademark law and appellation law's primary concern is protecting producers (which has the secondary effect of protecting consumers from misinformation) whereas the TTB chiefly aims to protect consumers (although by protecting consumers, the TTB has the secondary effect of protecting producers' brands as well). [pp 115 – 116]

This author cites a number of cases involving tensions between trademark owners and COLA registrants and confusion as to whether COLA registration provides a de facto safe harbour.

Given the above issues, the Department of Agriculture and Water Resources may consider issuing a guidance note on managing the practical overlap and tensions between the wine export label directory scheme and trade mark protection and enforcement measures.