



## **2015 Annual Australian Distillers Association Conference**

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# **Key brand and distribution protections**

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## Brand Protection



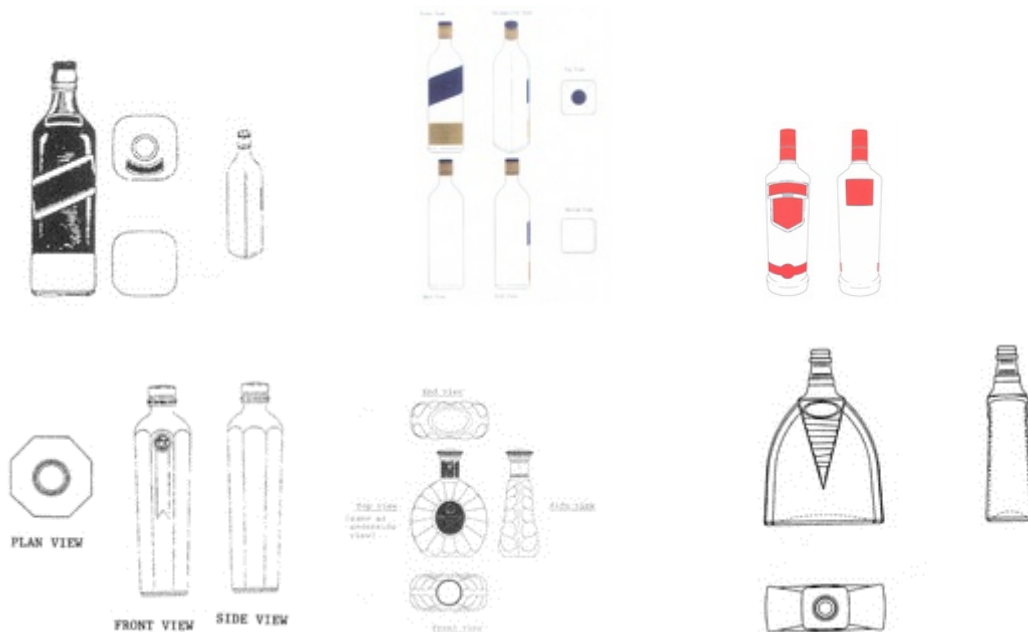
### **Domestic**

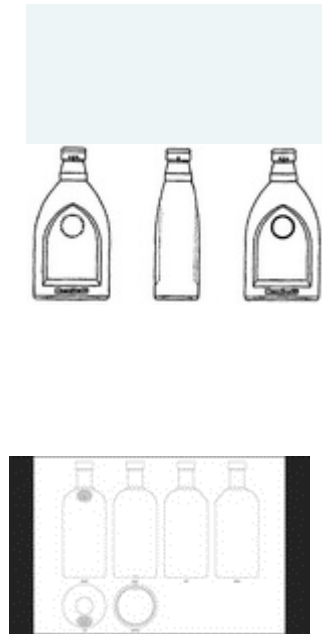
- Get protection properly sorted domestically first
- **Essential** to understand the difference between:
  - Registered business name
  - Company name
  - Registered trade mark
  - Domain name
- Only **one** of these gives you **ownership rights** in the brand
- What are the essential elements of your branding?
  - Bottle shape, label positioning – see below
  - Do you have any key sub-brands? (e.g. Johnnie Walker + Blue Label)
  - Use “TM” symbol if you can’t protect it (or can’t afford to)

- Beware adding an extra element which is actually a trade mark –  
e.g. North Ridge, other examples

## Selecting a brand in the spirits industry

- What to avoid:
  - Geographical names
  - Surnames
  - Descriptive terms
  - Letters, numbers or letter-number combinations
  - Other beverages – not just beer and wine, but also soft drinks
  - Associations with under-age products
- Poor choice affects both protectability and registrability
- Colour
- Shapes:





Provisions of subsection 41(5) applied.\* Colours claimed: WHITE and BROWN. The trade mark consists of the combination of a three-dimensional shape of a bottle with a BROWN cap, WHITE body and a CLEAR base outlined in the shape of a wave, as shown in the representation attached to this application form.

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## International Protection

- Two Options
  - Madrid Protocol
    - through IP Australia
    - need an Australian registration
    - single registration for multiple countries
    - single form for changes, renewals, etc
    - considerably cheaper, if more than one country
    - can add additional countries in future (“subsequent designation”), at lower price
    - Base Fee is approx. A\$800, individual country fees range from A\$100 up to A\$400
    - Some countries still not participating (e.g. Hong Kong, Canada)
    - Usually have to use a foreign attorney if application not initially accepted by foreign TM Office
  - Use foreign attorney
    - Usually more expensive – e.g. about US\$1,000 for US
    - But may be able to file so it is accepted (e.g. if your name is a surname, in the US need to file on the Supplemental Register for first 5 years)
    - Most ‘faulty’ issues with Madrid application can be addressed through foreign attorney
- As will be mentioned again later, critical that Distributor Agreement prohibits distributor from registering your TM (and any business

name or domain name) – or anything like it. Furthermore, if they do so in breach, they have to assign to you.

- Beware of TM squatters – China especially bad
  - Consider applying for protection before entry / appointment of distributor.
  - May be a parallel importer

## **Distribution issues to consider**

- What is their focus – on premise, off premise, etc
  - What do you want / need for your brand?
- Does the distributor specialise in your area? What sort of experience do they have (not just a trophy investment for owner, especially China)?
- If off premise – do they have a captive branded chain of stores?
  - How long has the chain been going?
  - How many stores?
  - What is the rate of churn?
  - Is there a geographic focus where the stores are located?
  - What is the prospect of growing sales / reputation outside that branded group?
- Will you stand out in the portfolio?
- Full books – need a compelling offer – if it sounds too good, it probably is
  - if is too easy to get in – question competence, etc of the distributor



## The Distribution Agreement

- Exclusivity – do they have any competing Australian producers on their books?
  - If domestic - other producers who you consider competitors? If international – other Australian producers?
  - Whether to stop them signing up any more producers?
  - Same price point?
- Stop them developing their **own brand** of your specialist product – even if it is at a different price point.
- Consider restrictions on deals with the major chains – require your consent – e.g. brand may be discounted
  - if you are in the chains, other retailers and restaurants may not want to stock you
  - the chains would rather deal direct than through distributors – but they will try to take most (if not all) of the distributor margin
- If they say they are “national”, check what this involves
  - If they promise they will be national, get specific dates when this will happen
  - Likewise any other promises they make
  - Don’t make termination the only penalty for failure
    - e.g. reduce their fees (or pay reduced fees until they become national)
    - Reduce the scope of their territory to actual coverage
    - Remove exclusivity (although does the new appointee need it?)

- Reserve right to make sales yourself

*Domestic*

- Mailing list
- Local licensed establishments

*Domestic and International*

- Duty-free
  - internet sales
  - direct sales to chains (probably need to pay commission / management fee on these)
  - direct marketers (even use this channel to establish initial sales so you have a more compelling offer for new distributor)
- IP protection – it's not a breach if they register your name in the foreign jurisdiction – unless the contract says they can't
  - Prevention of cross-border sales + the flip-side – make sure they **only** buy from you – not from a cheaper market elsewhere
  - Payment terms
    - Whatever they are, be tight on them – Distributors are notoriously bad payers – start out the way you mean to continue.
    - If and when terminate, work out lowest point in the cycle – minimise amount outstanding at the time – it will be hard work to collect it all

**Advertising and promotion**

- They will charge a lot for this – but what will they actually do as a minimum – what are **you** expected to do

- Quantify this in terms of actual cost, actual activity, at least for the first year, and specify this is to be a minimum
- Get them to justify / substantiate what they have spent – not just a “slush fund”
- Make sure they are not acting as just a ‘box mover’
- Manage the process of promotions – want consistency throughout the year, not just a 2-week window when it is “your turn”

### **Termination**

- Be very careful with the payout provisions – Australia has no laws entitling the distributor to payment for goodwill, so they will try to word this in the contract
- Consider re-purchase of stock at landed cost [including ‘out of condition’ or old stock, at a discounted price] – if not, they can ‘dump’ it on the market, damaging the brand and the prospect of any sales at the start of the term
  - If approached by a new distributor, get them to wear any costs of changeover as part of the negotiations
- Specify performance requirements – allow termination for failure to reach them
  - Work through the clause to make sure it works – don’t want to have to endure 23 months’ bad performance before being able to terminate