

# WHO OWNS THE DRESS?

## KEY TAKEAWAY.

### Register your trade marks.

- Using, or licensing, an unregistered trade mark creates risk.
- If an unregistered trade mark licensee develops goodwill in the trade mark, it is difficult for the licensor to receive the benefit of such goodwill, even with well-drafted licence terms.
- This is because goodwill in the unregistered trade mark is inseparable from the business using it. Therefore, the goodwill in an unregistered trade mark cannot be assigned without the underlying business being part of that assignment (eg through a sale of business).
- On the other hand, a registered trade mark gives you the exclusive right to use, or license, that trade mark. Importantly, a registered trade mark can be dealt with independently of the goodwill of the underlying business using that trade mark.
- Trade dress or get-up, including colours, shapes and other designs used on bottles, jars and packaging, are key parts of many brands.
- Register your get-up by securing important features via trade mark registration.

## FACTS.

Kraft Foods Group Brands LLC (Kraft) and Bega Cheese Limited (Bega) disputed who owns the right to sell peanut butter in Australia with the trade dress of 'a jar with a yellow lid, yellow label, blue or red peanut device, and having a brown appearance when filled'.

Kraft argued that:

- Bega did not acquire the Trade Dress when it purchased Mondelez; and
- Kraft continues to own sole rights to the Trade Dress.



**Spot the difference?**

Before the dispute, Mondelez Australia (Foods) Limited (**Mondelez**), Kraft's Australian subsidiary, sold peanut butter using specific trade dress (**Trade Dress**).

In July 2017, Bega acquired the peanut butter business and goodwill of Mondelez and continued to sell peanut butter using the Trade Dress.

### WHAT IS GOODWILL?

Goodwill is an intangible asset, which may obtain value over time. Examples include a brand name, reputation or good customer relations.

### WHAT IS TRADE DRESS?

Trade dress is a product's overall look and feel, such as its packaging.

## KRAFT'S ARGUMENTS.

- Kraft argued that Bega did not acquire the Trade Dress when it purchased Mondelez because the Trade Dress was never Mondelez's to sell.
- In 2012, Kraft created a Master Trade Mark Agreement (**Licence**), granting Mondelez a licence to use the Trade Dress. However, the Licence stated that goodwill generated in the Trade Dress was assigned to Kraft.
- The Licence expired on 31 December 2017, at which point, Bega, having purchased Mondelez, ceased to have the licence for the Trade Dress.

## BEGA'S ARGUMENTS.

- Bega argued that it acquired the Trade Dress when it purchased Mondelez.
- Bega argued that it was not possible for Mondelez to have assigned the Trade Dress to Kraft under the Licence because, being an unregistered trade mark, it:
  - was an inseparable part of the goodwill of Mondelez's business; and
  - could never be assigned without the underlying peanut butter business also being sold.

## DECISION.

- An assignment of goodwill in an unregistered trade mark is not possible without the assignment of the underlying business.
- The goodwill generated by Mondelez through its use of the Trade Dress was not assigned to Kraft under the Licence because the underlying business was not sold with it.
- In the sale of business agreement between Bega and Mondelez, Bega acquired all rights to the Trade Dress. The goodwill in the unregistered trade mark was assigned to Bega because the underlying business was sold with it.

## CONTACT US NOW



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