FEDERAL COURT OF AUSTRALIA

Kraft Foods Group Brands LLC v Bega Cheese Limited [2020] FCAFC 65

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| Appeal from: | *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 8)* [2019] FCA 593 |
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| File number: |  |
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| Judges: | **FOSTER, MOSHINSKY AND O'BRYAN JJ** |
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| Date of judgment: | 14 April 2020 |
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| Catchwords: | **CONTRACTS** – construction of agreements relating to the restructure of the Kraft Foods Inc group in October 2012 – where two independent public companies were created: a global snacks business (SnackCo) and a North American grocery business (GroceryCo) – where certain intellectual property rights were allocated to the intellectual property company of the SnackCo group (SnackCo IPCo) and certain such rights were allocated to the intellectual property company of the GroceryCo group (GroceryCo IPCo) – whether rights in relation to certain get-up used by an Australian company for peanut butter products manufactured and sold in Australia (the Peanut Butter Trade Dress) were allocated to SnackCo IPCo or GroceryCo IPCo – construction of various definitions used in the agreements – consideration of commercial purpose or object of the agreements  **CONSUMER LAW** – misleading or deceptive conduct – whether either party engaged in misleading or deceptive conduct in contravention of the Australian Consumer Law (or passing off) by applying the Peanut Butter Trade Dress to peanut butter products – whether the respondent engaged in misleading or deceptive conduct in relation to its television and radio advertisements – whether the appellants engaged in misleading or deceptive conduct in a press release and by use of the slogan “Loved since 1935”  **TRADE MARKS** – infringement – where primary judge found that the respondent had infringed the appellants’ trade marks by supplying certain peanut butter products in ‘shippers’ bearing the Kraft hexagon logo – whether the respondent used the Kraft hexagon logo trade mark (or the “Kraft” trade mark) “as a trade mark” within the meaning of s 120(1) of the *Trade Marks Act 1995* (Cth) |
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| Legislation: | *Competition and Consumer Act 2010* (Cth), Sch 2, Australian Consumer Law, ss 18, 29  *Trade Marks Act 1995* (Cth), ss 7, 120 |
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| Cases cited: | *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640  *Barefoot Contessa Pantry, LLC v Aqua Star (USA) Co* (U.S. District Court, S.D. New York, 15-CIV-1092 (JMF) 26 February 2015)  *Bodum v DKSH Australia Pty Ltd* (2011) 280 ALR 639  *Branir Pty Ltd v Owston Nominees (No 2) Pty Ltd* (2001) 117 FCR 424  *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd* (2007) 159 FCR 397  *Campbell v Backoffice Investments Pty Ltd* (2009) 238 CLR 304  *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45  *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107  *Commissioner of State Revenue v Placer Dome Inc* (2018) 93 ALRJ 65  *Commissioners of Inland Revenue v Muller & Co.’s Margarine Ltd* [1901] AC 217  *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302  *CPA Australia Ltd v Dunn* (2007) 74 IPR 495; [2007] FCA 1966  *Defiance Button Machine Co v C & C Metal Products Corp*, 759 F2d 1053 (2d Cir 1985)  *Dental Manufacturing Co Ltd v C de Trey & Co* [1912] 3 KB 76  *E&J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144  *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1966) 116 CLR 254  *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605  *Geraghty v Minter* (1979) 142 CLR 177  *Google Inc v Australian Competition and Consumer Commission* (2013) 249 CLR 435  *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641  *Homart Pharmaceuticals Pty Ltd v Careline Australia Pty Ltd* (2018) 264 FCR 422  *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216  *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41  *Inland Revenue Commissioners v Muller & Co’s Margarine Ltd* [1901] AC 217  *JT International SA v Commonwealth* (2012) 250 CLR 1  *Kosciuszko Thredbo Pty Ltd v ThredboNet Marketing Pty Ltd* (2014) 223 FCR 517  *Lacteosote Ltd v Alberman* [1927] 2 Ch 117  *Marshak v Green, 746 F2d 927 (2d Cir 1984)*  *Mount Bruce Mining Pty Ltd v Wright Prospecting Pty Ltd* (2015) 256 CLR 104  *Optical 88 Ltd v Optical 88 Pty Ltd* (2011) 197 FCR 67  *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191  *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670  *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491  *Re GE Trade Mark* [1969] RPC 418  *Re McGregor Trade Mark* [1979] RPC 36  *Revlon Inc v Cripps & Lee Ltd* [1980] FSR 85  *State Government Insurance Corporation v Government Insurance Office of New South Wales* (1991) 28 FCR 511  *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177  *Visa USA Inc v Birmingham Trust National Bank*, 696 F2d 1371 (Fed. Cir. 1982)  *Woodtree Pty Ltd v Zheng* (2007) 164 FCR 369 |
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| Date of hearing: | 6, 7 and 8 November 2019 |
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| Date of last submissions: | 22 November 2019 |
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| Registry: |  |
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| Category: | Catchwords |
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| Counsel for the Appellants and Cross-Respondents: | Mr JT Gleeson SC with Mr BN Caine QC, Mr IP Horak and Dr B Kremer |
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| Solicitor for the Appellants and Cross-Respondents: | Jones Day |
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| Counsel for the Respondent and Cross-Appellant: | Mr A McGrath SC with Mr CH Smith |
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| Solicitor for the Respondent and Cross-Appellant: | Addisons Lawyers |

ORDERS

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|  | | VID 597 of 2019 |
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| BETWEEN: | KRAFT FOODS GROUP BRANDS LLC  First Appellant  H.J. HEINZ COMPANY AUSTRALIA LIMITED  Second Appellant | |
| AND: | BEGA CHEESE LIMITED  Respondent | |
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| AND BETWEEN: | BEGA CHEESE LIMITED  Cross-Appellant | |
| AND: | KRAFT FOODS GROUP BRANDS LLC  First Cross-Respondent | |
| AND: | H.J. HEINZ COMPANY AUSTRALIA LIMITED  Second Cross-Respondent | |

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| JUDGES: | FOSTER, MOSHINSKY AND O'BRYAN JJ |
| DATE OF ORDER: | 14 ApRil 2020 |

THE COURT ORDERS THAT:

1. The appeal be dismissed with costs.
2. The cross-appeal be dismissed with costs.

Note: Entry of orders is dealt with in Rule 39.32 of the *Federal Court Rules 2011*.

REASONS FOR JUDGMENT

THE COURT:

# INTRODUCTION

1. This appeal relates to the get-up or appearance of packaging used in relation to certain peanut butter products in Australia. The get-up in issue, which will be referred to as the **Peanut Butter Trade Dress**, consists of a jar with a yellow lid and a yellow label with a blue or red peanut device, with the jar having a brown appearance when filled. The Peanut Butter Trade Dress can be seen in the following examples of products manufactured and sold in Australia by Kraft Foods Limited (**KFL**), an Australian company, in the period between late 2011 and October 2012:



It is common ground that the Peanut Butter Trade Dress is an unregistered trade mark.

1. In October 2012, the corporation then known as Kraft Foods Inc, which was incorporated in the State of Virginia and the ultimate parent company of KFL, effected a corporate restructure (the **Restructure**). In broad terms, two independent public companies were created: Kraft Foods Inc, which retained (what was described as) the global snacks business, and Kraft Foods Group Inc (which, prior to the Restructure, was a subsidiary of Kraft Foods Inc), which held the North American grocery business. The Restructure was achieved by a ‘spin-off’ of the shares in Kraft Foods Group Inc to the existing shareholders of Kraft Foods Inc. The Kraft brand was allocated to the North American grocery business. Kraft Foods Inc, as the parent company of the global snacks business, was renamed Mondelez International Inc. As part of the Restructure, the North American grocery business gave the global snacks business a licence to use the Kraft brand on certain products for a period of 10 years. That period was later reduced to end on 31 December 2017.
2. Following the Restructure, KFL, which remained a subsidiary of Mondelez International Inc, was renamed Mondelez Australia (Foods) Ltd (**MAFL**). It continued to manufacture and sell peanut butter products under the Kraft brand and with the Peanut Butter Trade Dress.
3. In July 2015, Kraft Foods Group Inc (the parent company for the North American grocery business) merged with H. J. Heinz Company in the United States to form Kraft Heinz Company.
4. In January 2017, Mondelez Global LLC, MAFL, Mondelez Australia Pty Ltd and the respondent, Bega Cheese Limited (**Bega**) entered into a sale and purchase agreement in relation to what was called the “Joey business” of the Mondelez group (essentially, the business and assets of MAFL). The agreement was subsequently amended. The amended agreement that governed the transaction was dated 4 July 2017 (the **SPA**). The transaction closed on 4 July 2017.
5. In June 2017, MAFL began to sell peanut butter products without the Kraft brand, but using the Peanut Butter Trade Dress in conjunction with the words “The Good Nut”, depicted as follows:



1. In July 2017, following Bega’s acquisition of the business and assets of MAFL, including a peanut butter factory in Port Melbourne, Victoria, Bega commenced manufacturing and selling peanut butter products under the Bega brand in conjunction with the Peanut Butter Trade Dress and the words “The Good Nut”, depicted as follows:



1. Since late 2017, Bega has sold Bega branded peanut butter products using the Peanut Butter Trade Dress, depicted as follows:



1. The first appellant, which was the first applicant at first instance, is Kraft Foods Group Brands LLC. It was incorporated in Delaware on 1 June 2012 and became the intellectual property company for the North American grocery business under the Restructure. As such, it was a subsidiary of Kraft Foods Group Inc and, since July 2015, has been a subsidiary of Kraft Heinz Company. It has its principal place of business in Chicago. The second appellant, which was the second applicant at first instance, is H.J. Heinz Company Australia Limited. It is a recently incorporated Australian company. It is also a subsidiary of the Kraft Heinz Company. It manufactures various products, including peanut butter, in Australia. It will be convenient to refer to the appellants collectively as **Kraft**.
2. In the proceeding at first instance (which included a cross-claim), Kraft and Bega each claimed that they were entitled to use the Peanut Butter Trade Dress in relation to peanut butter products to the exclusion of the other. Kraft relied on causes of action based on contract, passing off and the misleading or deceptive conduct provisions of the Australian Consumer Law, being Sch 2 to the *Competition and Consumer Act 2010* (Cth) (the **Australian Consumer Law**). Bega relied on passing off and the misleading or deceptive conduct provisions of the Australian Consumer Law. The resolution of these issues involved a consideration of: rights in relation to the Peanut Butter Trade Dress before the Restructure; the effect of the Restructure; rights in relation to the Peanut Butter Trade Dress following the Restructure; contractual obligations under the Restructure documents to which Bega acceded; and various other issues relating to alleged misleading or deceptive conduct.
3. The primary judge concluded, in summary, that:
4. immediately prior to the Restructure, the goodwill generated in respect of Kraft branded peanut butter bearing the Peanut Butter Trade Dress inured to KFL (as contended by Bega);
5. after the Restructure, the goodwill generated in respect of Kraft branded peanut butter bearing the Peanut Butter Trade Dress inured to MAFL (as contended by Bega);
6. the rights to the Peanut Butter Trade Dress were sold to Bega in July 2017;
7. it followed from (c) that Bega was entitled to use the Peanut Butter Trade Dress in the business that it acquired and Bega was entitled to take action to protect *its* goodwill in its peanut butter business by preventing use of the Peanut Butter Trade Dress by others, including Kraft;
8. having bought the business, the recipe and the goodwill (including the Peanut Butter Trade Dress), Bega did not mislead consumers within the meaning of the Australian Consumer Law by doing that to which it had a contractual right to do;
9. insofar as Bega acceded to certain obligations under the Restructure documents, Bega had not breached any such obligations by its use of the Peanut Butter Trade Dress;
10. in relation to television and radio advertisements published by Bega in late 2017, Kraft’s case based on the first to seventh alleged representations was not made out, but Kraft’s case based on the eighth alleged representation was established;
11. Kraft contravened the Australian Consumer Law by its release of a press release in October 2017 and by its use of the slogan “Loved since 1935”;
12. Kraft engaged in misleading and deceptive conduct, and passing off, through its use of the Peanut Butter Trade Dress;
13. insofar as Bega used a Kraft hexagon logo on ‘shippers’ (which are a form of shelf-ready packaging, with a perforated section that can be removed so that what remains acts as a tray to hold products for display on a supermarket shelf), this constituted an infringement of Kraft’s trade marks under s 120(1) of the *Trade Marks Act 1995* (Cth).
14. Kraft appeals from part of the judgment of the primary judge. Kraft’s amended notice of appeal contains 10 grounds. Kraft’s principal contentions on the appeal relate to the proper construction of the Restructure documents. In summary, Kraft contends that, on the true construction of those documents, the rights relating to the Peanut Butter Trade Dress were allocated to the North American grocery business (referred to as “GroceryCo” in the Restructure documents) rather than to the global snacks business (referred to as “SnackCo”). Further, Kraft contends, Bega was bound by that allocation as a matter of contract, as it agreed to assume certain obligations under the Restructure documents.
15. For the reasons that follow, we reject the fundamental premise of Kraft’s contentions. That is, we do not accept that on the true construction of the Restructure documents the Peanut Butter Trade Dress was allocated to the North American grocery business. Rather, in our view, on the true construction of the documents, viewed in their commercial context, the Peanut Butter Trade Dress was allocated to the global snacks business. It follows from this, and the other conclusions set out later in these reasons, that the appeal is to be dismissed.
16. Bega cross-appeals from the part of the primary judge’s judgment dealing with the shippers. For the reasons that follow, we consider that the cross-appeal should be dismissed.

# BACKGROUND FACTS

1. The following outline of the background facts is based on the primary judge’s reasons for judgment: *Kraft Foods Group Brands LLC v Bega Cheese Limited (No 8)* [2019] FCA 593 (the **Reasons**).

## Kraft branded peanut butter sales in Australia before October 2012

1. For many years before Bega acquired the assets and business of MAFL in 2017, KFL/MAFL had by far the largest market share of peanut butter products in Australia.
2. Kraft Walker Cheese Company Proprietary Limited was first incorporated in Australia in 1926. That company was renamed Kraft Foods Limited in 1951.
3. “Kraft Peanut Butter” has been available for purchase in Australia since 1935.
4. The word “Kraft” was registered as a trade mark in Australia for use in a class of goods, including peanut butter products, in the name of KFL in October 1959.
5. In 1962, KFL established a factory at Port Melbourne, in Victoria, to manufacture peanut butter (and other products).
6. In 1963, KFL registered the following Kraft hexagon logo as a trade mark in Australia for use in a class of goods, including peanut butter products:



1. Commencing in the 1980s, KFL promoted its peanut butter products by television advertisements featuring the “Never Oily, Never Dry” expression. The scripts of these television advertisements are set out in Annexure B to the Reasons.
2. In the early 1990s, Kraft peanut butter first became available in Australia in a jar with yellow lid.
3. From around 1997, the packaging of Kraft branded peanut butter involved the use of a clear jar with a yellow lid with the Kraft hexagon logo presented centrally on its label.
4. On 1 January 2000, KFL entered into a licence agreement with Kraft Foods Holdings Inc (the **2000 Licence Agreement**), a Delaware corporation. The primary judge found that the licence agreement did not relate to peanut butter products (Reasons, [220]) and there is no appeal from that finding.
5. On 4 July 2001, KFL registered the words “Never Oily, Never Dry” as a trade mark in Australia for use on a class of goods of peanut butter products. The words “Never Oily, Never Dry” appear on each of the peanut butter products depicted in the Introduction to these reasons, immediately below the words “Peanut Butter” in the blue or red peanut device. Two of the facts agreed between the parties at first instance were as follows:

3 Australian Trademark Registration No. 778978 is a trade mark registration for the words ‘NEVER OILY NEVER DRY’, registered in Class 29 for ‘peanut butter’ from 20 November 1998.

4 Australian Trademark Registration No. 778978 was or has been registered in the name of:

a) Kraft Foods Ltd until about 9 October 2013;

b) Mondelez Australia (Foods) Ltd from about 9 October 2013 until about 21 September 2017; and

c) Bega Cheese Limited from about 21 September 2017.

1. By 2007, KFL was making, promoting and selling peanut butter products in Australia applying four trade marks:
2. the registered trade mark of the word “Kraft” (registered in the name of KFL);
3. the registered trade mark of the Kraft hexagon logo (registered in the name of KFL);
4. the registered trade mark of the words “Never Oily, Never Dry” (registered in the name of KFL); and
5. the (unregistered) Peanut Butter Trade Dress.
6. From 2007, the packaging of Kraft branded peanut butter involved a jar with a yellow lid and a yellow label with a blue or red peanut device, the jar having a brown appearance when filled (i.e. the Peanut Butter Trade Dress). The Peanut Butter Trade Dress was, therefore, used by KFL from 2007. There is no suggestion in the material that the Peanut Butter Trade Dress was developed or used by any other entity in the Kraft Foods Inc group.
7. In 2009, an agreement entitled “Amendment to and Restatement of License Agreement” was entered into by Kraft Foods Global Brands LLC and KFL, effective 1 January 2009 (the **2009 Licence Agreement**). We pause to note that Kraft Foods Global Brands LLC is to be distinguished from Kraft Foods *Group* Brands LLC, which is the first appellant and has been referred to earlier. Kraft Foods Global Brands LLC was the intellectual property company for the Kraft Foods Inc group of companies prior to the Restructure. In the Restructure, it remained a subsidiary of Kraft Foods Inc and became part of the global snacks business, changing its name to Intercontinental Great Brands LLC in May 2013. In the Restructure documents, it is referred to as “SnackCo IPCo”. As already noted earlier, Kraft Foods *Group* Brands LLC was incorporated in July 2012 and became the intellectual property company for the North American grocery business following the Restructure. It is referred to in the Restructure documents as “GroceryCo IPCo”.
8. By the terms of the 2009 Licence Agreement, KFL was granted a licence to use the “Subject Trademarks” in the Territory (defined as Australia) subject to certain conditions. “Subject Trademarks” were defined to mean:

(i) all trademarks owned in the Territory by Licensor from time to time, or which have been licensed to Licensor with the right to grant sublicenses thereunder in the Territory;

(ii) trademarks that are registered in the name of Licensor or the subject of pending applications for registration in the Territory, standing in the name of Licensor;

(iii) trademarks filed and/or registered in the Territory by Licensor after the date of this License Agreement, and all trademarks used in the Territory by Licensee at present or in the future under the control of Licensor as to the character and quality of the goods and/or services connected with such trademarks.

1. The 2009 Licence Agreement provided for the payment of royalties by KFL (see clause III.A). Clause IV was entitled “Control”, and included:

A. To protect the goodwill symbolized by the Subject Trademarks, and to ensure that the public may continue to rely upon the Subject Trademarks as identifying Products and Services of consistent high quality, Licensee agrees that it will use the Subject Trademarks under the strict control of Licensor as to the character and quality of all Products and Services associated with the Subject Trademarks. More particularly, Licensee agrees that it will manufacture, promote, advertise, distribute, sell, and package the Products distributed, sold, or offered for sale by it in association with the Subject Trademarks in accordance with Licensor’s specifications, recipes, formulae, procedures, quality control and other standards, policies, and guidelines.

1. In April 2009, Kraft Foods Global Brands LLC filed (and subsequently registered) Australian Trade Mark No. 1294171 for the logo appearing on peanut butter in Australia, depicted as follows:



1. In August 2009, Kraft Foods Global Brands LLC filed Australian Trade Mark No. 1317816 (which was subsequently registered). The logo in that trade mark is the bear shown on the top right-hand corner of a version of the peanut device, depicted as follows:



1. In 2011, the 2009 Licence Agreement was amended and restated by an agreement entitled “Second Amendment to and Restatement of License Agreement” between Kraft Foods Global Brands LLC and KFL, effective 1 January 2011 (the **2011 Licence Agreement**), but the applicable provisions of that agreement were not relevantly different.
2. In October 2011, Kraft Foods Global Brands LLC applied for trade marks for the following logos in respect of peanut butter (which were subsequently registered as Australian Trade Marks Nos. 1454045 and 1454228):





1. On 19 April 2012, KFL entered into a trade mark assignment agreement with Kraft Foods Global Brands LLC (the **April 2012 Assignment Agreement**). That agreement included an assignment of the “Kraft” word trade mark and the Kraft hexagon logo trade mark from KFL to Kraft Foods Global Brands LLC. The April 2012 Assignment Agreement did not refer to the Peanut Butter Trade Dress.
2. Kraft contended at first instance that Kraft Foods Global Brands LLC was at all material times prior to the assignment the beneficial owner of the “Kraft” word trade mark and the Kraft hexagon logo trade mark, and that KFL/MAFL only ever held bare legal title to those marks. The primary judge rejected this contention: Reasons, [243]-[244].
3. It was common ground at first instance that KFL/MAFL was at all material times the legal and beneficial owner of the registered trade mark being the words “Never Oily, Never Dry” and that Bega acquired the mark when it acquired the business and assets of MAFL in 2017: Reasons, [80].
4. As at September 2012 (i.e. immediately before the Restructure), KFL produced, promoted and sold Kraft branded peanut butter products, applying the following trade marks (as depicted in [1] above):
5. the registered trade mark of the word “Kraft” (registered in the name of Kraft Foods Global Brands LLC and licensed to KFL);
6. the registered trade mark of the Kraft hexagon logo (registered in the name of Kraft Foods Global Brands LLC and licensed to KFL);
7. the registered trade mark of the words “Never Oily, Never Dry” (registered in the name of KFL);
8. the trade marks depicted in [35] above (applications in the name of Kraft Foods Global Brands LLC and licensed to KFL); and
9. the (unregistered) Peanut Butter Trade Dress.

## The Restructure (October 2012)

1. On 4 August 2011 the board of directors of Kraft Foods Inc, the parent entity and ultimate controller of companies operating the Kraft Foods business globally, announced that it intended by October 2012 to create two independent public companies: a global snacks business and a North American grocery business. It was called a “proposed spin-off transaction”. In its Form 10-Q for the quarterly period ended 30 June 2012 filed with the United States Securities and Exchange Commission pursuant to the *Securities Exchange Act of 1934* on 3 August 2012, Kraft Foods Inc described the proposed transaction in these terms, which the parties agreed at first instance was a useful summary of the purpose and effect of the Restructure:

On August 4, 2011, we announced that our Board of Directors intends to create two independent public companies: (i) a global snacks business (the “Global Snacks Business”) and (ii) a North American grocery business (the “North American Grocery Business”). We expect to create these companies through a spin-off of the North American Grocery Business to our shareholders (“Spin-Off’). Following the Spin-Off, we will hold the Global Snacks Business and change our name to Mondelez International, Inc. (“Mondelez”). Mondelez will primarily consist of our current Kraft Foods Europe and Developing Markets segments as well as our North American snack and confectionery businesses and related categories in our Canada & N.A. Foodservice segment. Our subsidiary, Kraft Foods Group, Inc. (“Kraft Foods Group”) will hold the North American Grocery Business, which will primarily consist of our current U.S. Beverages, U.S. Cheese, U.S. Convenient Meals and U.S. Grocery segments, grocery-related categories in our Canada & N.A. Foodservice segment as well as the *Planters* and *Corn Nuts* brands and businesses. We have received a private letter ruling from the Internal Revenue Service (“IRS”) confirming that, based on certain representations, assumptions and undertakings, the Spin-Off will be tax-free to our U.S. shareholders for U.S. federal income tax purposes.

1. In the transaction documents for the Restructure, which took place in October 2012, the head company of the global snacks business (Kraft Foods Inc) was referred to as “SnackCo” and the intellectual property company for that business (Kraft Foods Global Brands LLC) was referred to as “SnackCo IPCo”. The head company for the North American grocery business (Kraft Foods Group Inc) was referred to as “GroceryCo” and the intellectual property company for that business (Kraft Foods Group Brands LLC) was referred to as “GroceryCo IPCo”. Given the similarity in the names of the companies, we will often refer to the companies both by name and by the label given to them in the transaction documents. This should assist in making clear which company is being referred to.
2. The following agreements, which are relevant for present purposes, were entered into as part of the Restructure:
3. a Separation and Distribution Agreement between Kraft Foods Inc (SnackCo) and Kraft Foods Group Inc (GroceryCo), entered into on 27 September 2012 (the **SDA**);
4. a Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property between Kraft Foods Global Brands LLC (SnackCo IPCo) and Kraft Foods Group Brands LLC (GroceryCo IPCo) dated 27 September 2012 (the **Master Trademark Agreement** or **MTA**);
5. a Master Ownership and License Agreement Regarding Patents, Trade Secrets and Related Intellectual Property between Kraft Foods Global Brands LLC (SnackCo IPCo), Kraft Foods Group Brands LLC (GroceryCo IPCo), Kraft Foods UK Ltd, and Kraft Foods R&D Inc dated 27 September 2012 (the **Master Patent Agreement**); and
6. a Trademark Assignment between Kraft Foods Global Brands LLC (SnackCo IPCo) and Kraft Foods Group Brands LLC (GroceryCo IPCo) dated 21 November 2012, including the assignment of the “Kraft” word and hexagon trade mark registrations in Australia, which states “together with the goodwill of the business symbolized thereby and associated therewith”.

The relevant provisions of these agreements are set out later in these reasons.

1. On 1 October 2012, Kraft Foods Inc changed its name to Mondelez International Inc.
2. It was common ground at first instance that the registered trade marks of the word “Kraft” and the Kraft hexagon logo were agreed to be assigned from Kraft Foods Global Brands LLC (SnackCo IPCo) to Kraft Foods Group Brands LLC (GroceryCo IPCo) and that the assignments were effected by a Deed of Assignment dated 21 November 2012, expressed to have been effective on 29 September 2012.
3. Under the MTA, GroceryCo IPCo granted to SnackCo IPCo a 10 year licence to use the Kraft brand in relation to certain products, subject to the terms and conditions of that agreement (the **Mondelez Licence**). The period of that licence was subsequently reduced to end on 31 December 2017 (see the Reasons at [504]).

## Peanut butter sales in Australia between October 2012 and July 2017

1. After the Restructure, MAFL continued its business of making, promoting and selling peanut butter products in Australia, which included the application of the Peanut Butter Trade Dress to them.
2. At first instance, the parties agreed that Exhibit A1 accurately depicted each of the different Kraft branded peanut butter products sold by KFL/MAFL in Australia between 1997 and July 2017. It also showed, as the parties agreed, the Bega branded peanut butter products sold in Australia since late 2017. Exhibit A1 was annexed to the Reasons as Annexure C. The colours, in particular the colours of the yellow lids, are not uniform. The primary judge noted that this was due to the photography. The actual colour yellow, which is accurately enough depicted in the examples in [1] above, has remained unchanged at all relevant times.
3. The following licence agreements were entered into after the Restructure:
4. an agreement entitled “Trade Mark License Agreement” between MAFL and another Mondelez entity effective 1 December 2016 (the **2016 Licence Agreement**); and
5. an agreement entitled “Amendment No. 1 to and Restatement of Trademark License Agreement” between MAFL and another Mondelez entity, effective 1 January 2017 (the **2017 Licence Agreement**).
6. By 2017, Kraft branded peanut butter comprised approximately 60% by value and 55% by volume of total Australian peanut butter retail sales.
7. In June 2017, MAFL began to sell peanut butter products without the Kraft brand, but using the Peanut Butter Trade Dress in conjunction with the words “The Good Nut”, as depicted in [6] above.

## The SPA (July 2017)

1. On 19 January 2017, Mondelez Global LLC, MAFL, Mondelez Australia Pty Ltd and Bega entered into a Sale and Purchase Agreement in relation to what was called the “Joey Business” of the Mondelez Group (essentially, the business and assets of MAFL). The agreement was subsequently amended. The amended agreement, which is dated 4 July 2017, is referred to in these reasons as the “SPA”. The closing of the transaction under the SPA took place on 4 July 2017. In the SPA, Mondelez Global LLC was defined as “MDLZ”; Mondelez Australia (Foods) Ltd (MAFL) was defined as “MDLZ Australia Foods”; Mondelez Australia Pty Ltd was defined as “Mondelez Australia Pty”; and Bega Cheese Limited was defined as “the Buyer”.
2. The “Joey Business” was defined by the SPA to include the business, among many others, of developing, manufacturing, marketing, selling and distributing spreads including peanut butter, as conducted by the Mondelez group in Australia and New Zealand from time to time.
3. On 4 July 2017, Bega also entered into a Supplemental Agreement in Relation to the Sale and Purchase of the Australia and New Zealand Meals Business of Mondelez International with Intercontinental Great Brands LLC, Mondelez International AMEA Pte Limited, Mondelez International Holdings LLC, Mondelez UK Limited and Mondelez Ireland Limited (the **Supplemental Agreement**). Clause 6.4 of that agreement provided as follows:

Each MDLZ Party and the Buyer hereby acknowledges that certain of the Business IP is subject to the KFG Master Trademark Agreement or the KFG Master Patent Agreement. Any transfer of Business IP subject to, and of any related rights under, the KFG Master Trademark Agreement and the KFG Master Patent Agreement, is made on the basis that any Buyer Group Company which is a transferee of any such Business IP and related rights expressly assumes in writing all the obligations of the relevant transferor under the KFG Master Trademark Agreement and KFG Master Patent Agreement with respect to such transferred Business IP and related rights, and acknowledges KFG as the intended beneficiary of those obligations.

1. KFG was defined in that agreement to mean “Kraft Foods Group, Inc and its Affiliates”. The KFG Master Trade Mark Agreement and KFG Master Patent Agreement referred respectively to the MTA and Master Patent Agreement.

## Peanut butter sales in Australia since July 2017

1. In July 2017, following Bega’s acquisition of the business and assets of MAFL, Bega commenced manufacturing and selling peanut butter products under the Bega brand in conjunction with the Peanut Butter Trade Dress and the words “The Good Nut”, as depicted in [7] above.
2. Since late 2017, Bega has sold Bega branded peanut butter products using the Peanut Butter Trade Dress, as depicted in [8] above.
3. Upon Bega entering the market in July 2017, it obtained the whole, or almost the whole, of MAFL’s peanut butter market share, which was worth more than $60 million in annual sales.
4. In late 2017, Bega ran a series of advertisements on radio and TV that aired for about a month. The advertisements were:
5. A radio advertisement, broadcast on multiple radio stations nationally as part of regular traffic report segments, in which an announcer says: “Australia’s favourite peanut butter has changed its name. Kraft peanut butter is now Bega peanut butter. Never oily, never dry, with the same taste you’ve always loved, and now is Aussie owned by Bega.”
6. A television advertisement broadcast on major television networks and digital channels, which shows a jar of Kraft peanut butter, as an announcer says “Australia’s favourite peanut butter has changed its name to Bega peanut butter.” The Kraft label on the jar is then peeled off, revealing the Bega peanut butter label. The announcer continues: “It’s never oily, never dry, with the same taste you’ve always loved, and now Australian owned and made. Bega peanut butter.”
7. Two variations of a television advertisement broadcast on the major television networks in metropolitan markets depicting a worker named “Charlie” taste-testing peanut butter in which an announcer says: “Charlie’s quality tested Australia’s favourite peanut butter here in Port Melbourne for 18 years. Now that it’s owned by Bega, let’s see what’s changed.” “Charlie” then tastes the peanut butter and says “it’s the same”. The announcer then says: “Same recipe, same great taste. Now Aussie owned by Bega”. The Kraft label on the jar is then peeled off to reveal the Bega peanut butter label.
8. Since about April 2018, the second appellant has manufactured and sold peanut butter products in Australia, in relatively limited quantities.
9. At the time of trial, only Bega’s peanut butter was available at major supermarkets in Australia, which accounted for about 80% of the total nationwide annual sales of peanut butter. The major supermarkets had declined to stock the new Kraft peanut butter manufactured by the second appellant, citing the likelihood of consumer confusion. Both products were, however, still available at smaller, independent supermarkets.

# JUDGMENT OF THE PRIMARY JUDGE

1. The primary judge outlined the competing contentions of the parties at [17]-[31] of the Reasons. As noted at [31], the trial of the proceeding was conducted on issues of liability only, with any issues of quantum to be determined later.
2. The primary judge summarised the pleadings at [39]-[55]. The primary judge then set out an agreed list of the issues to be determined. The first six issues, which were inter-related, were set out in [56] of the Reasons:

(1) What is goodwill and what is the legal nature of the Peanut Butter Trade Dress as an unregistered trade mark?

(2) What did/does the Peanut Butter Trade Dress designate to consumers?

(3) How does goodwill inure to an entity?

(4) How is an unregistered trade mark in Australia assigned or transferred?

(5) To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure immediately prior to the date of the restructure?

(6) To whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure after the date of the restructure?

1. The additional issues, as set out in [57] of the Reasons, were as follows:

(7) Can the [Australian Consumer Law] and passing off issues in the case be determined without ascertaining whether rights in respect of trade dress accrued to the first applicant under the MTA?

(8) Does the Mondelez Licence (as defined in [18] of the TFASOC) preclude Bega from claiming “ownership” of the Peanut Butter Trade Dress?

(9) Has Bega breached any term(s) of the MTA that it is bound by in respect of its use of the Peanut Butter Trade Dress from 1 January 2018?

(10) What is the proper interpretation of the MTA? Did the MTA affect rights in respect of the Peanut Butter Trade Dress?

(11) Has Bega breached the [Australian Consumer Law] by using the Peanut Butter Trade Dress because of any association that it has with the Kraft brand?

(12) Did Bega breach the [Australian Consumer Law] by its television/radio advertisements in November 2017?

(13) Did Bega engage in passing off or misleading and deceptive conduct through use of the Peanut Butter Trade Dress?

(14) What rights were acquired by Bega in July 2017 in respect of peanut butter?

(15) Did Kraft breach the [Australian Consumer Law] by its release of a press release of October 2017, or use of the slogan “Loved since 1935”?

(16) Did Kraft engage in misleading and deceptive conduct or passing off though use of the Peanut Butter Trade Dress?

(17) Did Bega own, and did Kraft infringe, copyright in respect of the 2012 or 2015 labels?

(18) Was Bega’s use of the Kraft shippers unlawful?

1. The balance of his Honour’s judgment was structured around these issues.

## Issues 1 to 6

1. His Honour considered issues 1 to 6 at [97]-[340] of the Reasons. In the course of considering issue 1, the primary judge quoted from *JT International SA v Commonwealth* (2012) 250 CLR 1 (***JT International***) at [40] per French CJ and at [348] per Kiefel J (as her Honour then was). The primary judge also quoted from *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302 (***ConAgra***) at 366 per Gummow J. The primary judge then noted, at [103], that, as senior counsel for Bega put it, in this case both sides were seeking to exercise the rights in the unregistered trade mark of the Peanut Butter Trade Dress “by taking a protective action against the invasion of goodwill in the form of the actions under the Australian Consumer Law and for passing off”. The primary judge then discussed the nature of goodwill, referring to *Federal Commissioner of Taxation v Murry* (1998) 193 CLR 605 (***Murry***); *JT International*; and *Commissioner of State Revenue v Placer Dome Inc* (2018) 93 ALRJ 65 (***Placer Dome***). The primary judge stated at [105] that these decisions stand for the proposition that goodwill is inseparable from the business to which it adds value and cannot be dealt with except in conjunction with the sale of that business.
2. In the course of discussing issue 1, the primary judge discussed, and rejected, a submission by Kraft that the Peanut Butter Trade Dress was a ‘diagnostic cue’ *only* to the Kraft brand. The concept of a ‘diagnostic cue’ was explained in the evidence of Professor Klein set out at [157] of the Reasons. It was explained in that evidence that “we use cues (attributes or features) to help us correctly identify an object”. It was stated: “These cues differ in cue validity (the ability of the cue to help distinguish objects from one another). A cue with high cue validity is known as a *diagnostic cue*.” The primary judge, at [159], did not accept that the Peanut Butter Trade Dress was a diagnostic cue only to the Kraft brand. His Honour noted, at [160], that the undisputed fact was that once Bega took over the business and started manufacturing and selling Bega branded peanut butter products using the Peanut Butter Trade Dress, it quickly assumed MAFL’s market share (over 60% by volume of sales). The primary judge stated at [160]: “That is itself overwhelming evidence that the proposition that the sole attractive force for sales was the Kraft brand cannot possibly be correct.”
3. At [162], the primary judge stated that he did not accept Kraft’s contention that the Peanut Butter Trade Dress did not generate goodwill itself, separately from that which the use of the Kraft trade mark generated.
4. The primary judge, at [163], did not accept Kraft’s contention that the Peanut Butter Trade Dress was used only in conjunction with the registered trade marks for the word “Kraft” and the hexagon logo. The primary judge found that it was used for many years in conjunction with KFL/MAFL’s trade mark “Never Oily, Never Dry”, which Bega acquired and was for many years the subject of an extensive advertising campaign.
5. In relation to issue 2, the primary judge stated at [167] that, as Bega submitted, because the Peanut Butter Trade Dress was an unregistered trade mark, it designated to a consumer that the trade origin of the products on which it was applied was separate and distinct from the trade origin of all other peanut butter products that do not have the Peanut Butter Trade Dress applied to them.
6. In relation to issue 3, the primary judge held at [168] that goodwill inures to an entity by that entity using, in its business, all of the sources that give rise to the attraction of custom in the business, citing *Murry*, *Placer Dome* and other cases.
7. In relation to issue 4, at [169] the primary judge accepted Bega’s proposition that the assignment or licensing of unregistered trade marks is not possible without the assignment of the underlying goodwill of the business (here, the peanut butter business of KFL/MAFL). The primary judge referred to his earlier reasons (in relation to issue 1) and to *Henry Clay & Bock & Co Ltd v Eddy* (1915) 19 CLR 641 at 655 per Isaacs J, *JT International* at [142] and [270], and *ConAgra* at 366-367.
8. Issue 5 was: to whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure immediately prior to the date of the Restructure?
9. At [180], the primary judge summarised Kraft’s contentions. Kraft contended that KFL did not conduct the business in which the Peanut Butter Trade Dress was used and the goodwill did not inure to KFL’s benefit prior to the Restructure because:
10. Before the Restructure, KFL used the Peanut Butter Trade Dress and the “Kraft” word trade mark under licence from Kraft Foods Global Brands LLC (SnackCo IPCo) (we interpolate, by operation of the 2009 Licence Agreement, 2011 Licence Agreement and April 2012 Assignment Agreement).
11. After the Restructure, and pursuant to the MTA, ownership of the goodwill (and thus ownership of the Peanut Butter Trade Dress) was assigned to Kraft Foods Group Brands LLC (GroceryCo IPCo) (we interpolate, by Kraft Foods Global Brands LLC (SnackCo IPCo)).
12. Kraft Foods Group Brands LLC (GroceryCo IPCo) then granted to Kraft Foods Global Brands LLC (later renamed Intercontinental Great Brands LLC) (SnackCo IPCo) a licence to use the Kraft brand and the Peanut Butter Trade Dress (i.e. the Mondelez Licence).
13. Kraft Foods Global Brands LLC (SnackCo IPCo) sub-licensed the Peanut Butter Trade Dress to KFL and later to MAFL until 31 December 2017, on which date Bega, having acquired the business and assets of MAFL, including its licence rights, no longer had any right to use the Peanut Butter Trade Dress.
14. KFL/MAFL’s production, branding, distribution and sale of Kraft branded peanut butter in Australia was at all times subject to the ultimate control of the relevant US parent company (Kraft Foods Inc, renamed Mondelez International Inc after the Restructure).
15. The Peanut Butter Trade Dress was only ever a “diagnostic cue” for the Kraft brand, so its use could only have inured to the benefit of the owner of that brand, i.e. Kraft Foods Group Brands LLC (GroceryCo IPCo).
16. The Mondelez Licence was assigned or novated to Bega, and Bega assumed the obligations and restrictions under the MTA in respect of the Mondelez Licence, by operation of New York law, so the fact that Bega was not a party to the MTA is irrelevant.
17. The primary judge noted at [181] that it was apparent from that summary of Kraft’s central propositions that its case must involve the requisite proof of the licensing arrangements relied on.
18. The primary judge, at [183]-[184], accepted Bega’s submission that, even if Kraft Foods Inc or any member of its group had purported to license, assign or otherwise ‘shift’ the Peanut Butter Trade Dress from KFL to an upstream company in the Kraft Foods Inc group, it would have been ineffective as a matter of Australian law. This followed from the primary judge’s conclusion in relation to issue 4, that the assignment or licensing of an unregistered trade mark is not possible without the assignment of the underlying goodwill of the business; and in relation to issue 1, that goodwill is inseparable from the business to which it adds value and cannot be dealt with except in conjunction with the sale of that business. Thus, KFL could not have assigned the rights in the Peanut Butter Trade Dress to any other member of the Kraft Foods Inc group without also assigning its peanut butter business, which (on any view) it did not do: see the Reasons at [179].
19. Nonetheless, in case that conclusion was wrong, the primary judge went on to consider the evidence adduced by Kraft about the relevant licensing arrangements: see [186]-[244]. The licence agreements in question were produced by MAFL pursuant to a subpoena. The licence agreements so produced included:
20. the 2000 Licence Agreement;
21. the 2009 Licence Agreement; and
22. the 2011 Licence Agreement.
23. The licence agreements were relevantly in the same terms: Reasons, [191]. The primary judge extracted key terms of the 2011 Licence Agreement at [192] of the Reasons.
24. After summarising the parties’ submissions, the primary judge concluded at [211] that Kraft had not established by production of the licence agreements that KFL used the Peanut Butter Trade Dress or the Kraft trade mark as a licensee. As the primary judge noted at [212], none of the licence agreements mentioned the Peanut Butter Trade Dress or the Kraft trade mark. The primary judge did not accept Kraft’s contention that it was to be inferred that the licence agreements “relate to Kraft peanut butter” because they were produced by MAFL pursuant to the subpoena: Reasons, [220].
25. The primary judge then considered the April 2012 Assignment Agreement, by which KFL agreed to assign to Kraft Foods Global Brands LLC the Kraft trade mark and the Kraft hexagon logo. Kraft contended below that this agreement proved that prior to April 2012 KFL only ever had “bare legal title” to the Kraft trade mark and the Kraft hexagon logo, and that the goodwill thus inured, not to the registered owner, but to the beneficial owner, Kraft Foods Global Brands LLC. The primary judge rejected this contention, holding at [244] that there was no proof of any basis upon which it could be established that Kraft Foods Global Brands LLC, prior to the Restructure, held a beneficial interest in trade marks registered in the name of KFL (in particular the word Kraft and the Kraft hexagon logo).
26. Issue 6 was: to whom did relevant goodwill generated in respect of peanut butter branded Kraft and bearing the Peanut Butter Trade Dress inure after the Restructure? The underlying question was: on the proper construction of the MTA, was the goodwill associated with the Peanut Butter Trade Dress assigned to Kraft Foods Group Brands LLC (GroceryCo IPCo) (as Kraft alleged) or did the MTA have no effect on the position that KFL retained its ownership of the goodwill in its Australian peanut butter business (as Bega alleged)?
27. The primary judge examined the terms of the agreements by which the Restructure was effected, in particular the SDA and the MTA. The primary judge noted at [278] that the suite of documents made no mention, in terms, of the Peanut Butter Trade Dress, despite the fact that it was a very valuable asset. Although the MTA was governed by “the internal Laws of the State of New York, without regard to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York”, it was common ground at first instance that Australian law governed the question of whether the MTA was effective to assign the goodwill in the Peanut Butter Trade Dress because the question of whether an intellectual property right is assignable at all and, if so, in what conditions, is governed by the law of the country under which the right was created: Reasons, [281]. Further, as the primary judge noted at [288], the parties agreed in the end that New York law in relation to the interpretation of contracts is not relevantly different from Australian law, at least for the purposes of this case.
28. After setting out the parties’ contentions, the primary judge concluded at [322] that the construction of the MTA contended for by Kraft was the preferable one. In the primary judge’s view, the MTA *purported* to assign to Kraft Foods Group Brands LLC (GroceryCo IPCo) the goodwill associated with the Peanut Butter Trade Dress: Reasons, [322]. (That conclusion of the primary judge is the subject of one of Bega’s grounds of contention in relation to the appeal.) The primary judge held, nevertheless, that for the reasons he had earlier given, such a purported assignment was ineffective as a matter of Australian governing law: Reasons, [322].
29. Thus, the primary judge’s conclusions in relation to issues 5 and 6 were, in summary, as follows (see the Reasons at [340]):
30. immediately prior to the Restructure, the goodwill generated in respect of Kraft branded peanut butter bearing the Peanut Butter Trade Dress inured to KFL (as contended by Bega); and
31. after the Restructure, the goodwill generated in respect of Kraft branded peanut butter bearing the Peanut Butter Trade Dress inured to MAFL (as contended by Bega).

## Issues 7, 11 and 13

1. The primary judge noted his later conclusion (in relation to issue 14) that Bega acquired the Peanut Butter Trade Dress as part of its acquisition of the business and assets of MAFL, pursuant to the SPA: Reasons, [342]. Having found that the rights to the Peanut Butter Trade Dress were sold to Bega in July 2017, it followed that Bega was entitled to use the Peanut Butter Trade Dress in the business that it acquired and Bega was entitled to take action to protect *its* goodwill in its peanut butter business by preventing use of the Peanut Butter Trade Dress by others, including Kraft: Reasons, [359], [362]. Having bought the business, the recipe and the goodwill (including the Peanut Butter Trade Dress), Bega did not mislead a consumer within the meaning of the Australian Consumer Law by doing that to which it had a contractual right to do: Reasons, [360].

## Issues 8 and 9

1. As noted in [371], Kraft pleaded that the benefit of the Mondelez Licence had been assigned to Bega by operation of New York law and that Bega had assumed obligations under the licence. In [372], the primary judge noted that Bega admitted that the licence granted under cl 3.1(a)(v) of the MTA to use the “Kraft GroceryCo Trademark” (as defined in the MTA) in relation to peanut butter in Australia was assigned to Bega pursuant to the Supplemental Agreement. Bega also admitted that “the assignment … carried with it the consequential obligations to Kraft Foods in relation to that licence provided under clauses 3.5, 3.8, 3.10 and 3.11 of the MTA”. The effect of those clauses was summarised in [373] of the Reasons.
2. At [374], the primary judge noted that in its written opening submission, Kraft recognised that the scope of Bega’s admissions was limited to “the licence which Bega admits was granted to Kraft Foods Global Brands LLC / Intercontinental Great Brands LLC and then assigned to it (not the broader Mondelez Licence alleged by Kraft)”. However, in its written closing submission at first instance, Kraft took the point further, contending that “the allegations of breach of contract turn solely on the terms of the MTA; they do not depend on the ownership of goodwill or there being any valid assignment of goodwill under the MTA”. The point was taken further in oral closing address, during which senior counsel for Kraft submitted: “Indeed, between us they’re obliged to concede, regardless of the true state of affairs – if it be otherwise – that the goodwill arising from the use of the marks belongs to [Kraft]”. (That submission is maintained and, indeed, emphasised by Kraft on the appeal.) The primary judge rejected Kraft’s contention at [379]:

I do not accept that the assumption of the obligations under the MTA which Bega concedes to have occurred by operation of New York law (the details of which it is unnecessary to explain, in light of Bega’s admission) obliges Bega to concede any assertion by the first [appellant] that it owns the [Peanut Butter Trade Dress], even if, on a proper analysis, it does not. Kraft’s submission also amounts to saying that an assignee is bound by an obligation greater than that owed by the assignor. No authority was cited for it, and no expert evidence on New York law was adduced to support it. Accordingly, I do not accept it.

## Issue 10

1. In relation to this issue, the primary judge referred back to his reasons in relation to issue 6.

## Issue 14

1. The primary judge concluded that Bega acquired all rights to the Peanut Butter Trade Dress pursuant to the terms of the SPA: Reasons, [398].

## Issue 12

1. This issue related to television and radio advertisements published by Bega in October and November 2017. Kraft’s case that Bega had contravened the Australian Consumer Law relied on eight alleged representations, which the primary judge set out at [409]-[410] of the Reasons:

409 The [third further amended statement of claim] pleads (at [40]) that each of the advertisements conveys to the ordinary reasonable consumer of peanut butter representations to the effect that:

(a) Kraft peanut butter is now Bega peanut butter (the **First Representation**);

(b) Kraft peanut butter is being replaced by Bega peanut butter (the **Second Representation**);

(c) peanut butter labelled with the Kraft Brand is no longer available for purchase or will cease to be available for purchase (the **Third Representation**);

(d) the Kraft Brand has ceased to exist or is ceasing to exist in relation to peanut butter (the **Fourth Representation**);

(e) the Kraft Brand has changed to, or is changing to, Bega in relation to peanut butter (the **Fifth Representation**);

(f) the only difference between Kraft peanut butter and Bega peanut butter is the name (the **Sixth Representation**); and

(g) the Respondent is, or was until very recently, selling peanut butter under the Kraft Brand (the **Seventh Representation**).

410 It is also pleaded that the First Bega Television Advertisement represents that peanut butter sold under the Kraft Brand is not, or was not, Australian made (the **Eighth Representation**).

1. The primary judge concluded at [432] that all but one of Kraft’s claims relating to Bega’s advertising failed because, even if the advertisements could be understood by the ordinary consumer to convey the pleaded representations, in light of the earlier finding on the critical anterior question of entitlement to the goodwill in the Peanut Butter Trade Dress, they were correct representations: Reasons, [432].
2. The primary judge’s reasoning in relation to the eight alleged representations was as follows:

435 The first and second representations, “Kraft peanut butter is now Bega peanut butter” and “Kraft peanut butter is being replaced by Bega peanut butter” are, in light of my earlier findings, correct statements. As Mr McGrath [senior counsel for Bega] put it in his oral closing submission:

Bega’s advertisement stated the correct position, which was that Bega peanut butter was the same as the peanut butter that had previously been marketed as Kraft peanut butter. So if one looks at the general dominant message that’s being given, that’s, in fact, true. What was Kraft peanut butter is now Bega peanut butter. That’s with a label peel, the products are identical. The same business is providing them; it just has a different owner. It’s exactly the same product as it was. And so when one looks at the dominant message being given, the supposed first representation said to be a misrepresentation, it’s in fact a correct – it’s a correct position.

436 As to the third representation, “peanut butter labelled with the Kraft Brand is no longer available for purchase or will cease to be available for purchase”, that too, even assuming it to be conveyed, was, in light of the earlier findings, a correct statement at the time the advertisements were broadcast (October - November 2017), because at that time Kraft peanut butter was not available for sale. It did not become available, in limited quantities, until at least April 2018.

437 As to the fourth representation, “the Kraft Brand has ceased to exist or is ceasing to exist in relation to peanut butter”, in my view that representation is not conveyed. The words of the advertisements certainly do not say that, and in order to arrive at such a view a consumer would, it seems to me, need to form some view that Kraft had forever departed the peanut butter products market in Australia. But the advertisements do not say that, and they do not reasonably convey that. In any event, as at the date of the broadcasts, the statement was true.

438 As to the fifth representation, “the Kraft Brand has changed to, or is changing to, Bega in relation to peanut butter”, that, it seems to me, is another way of saying that the peanut butter product formerly branded Kraft is now branded Bega. Again, that is a correct statement.

439 As to the sixth representation, that “the only difference between Kraft peanut butter and Bega peanut butter is the name”, again, that is a true statement.

440 As to the seventh representation, “[Bega] is, or was until very recently, selling peanut butter under the Kraft Brand”, in my view that representation is not reasonably conveyed.

441 The eighth representation is different. The allegation is that “the First Bega Television Advertisement represents that peanut butter sold under the Kraft Brand is not, or was not, Australian made”. These words are relied on: “Now Australian Owned and Made”. That statement, in my view, obviously enough, conveys the representation that Kraft peanut butter was not made in Australia. It was. It had been made in Port Melbourne since 1962. And it was made by an Australian company, albeit a wholly owned subsidiary of a U.S. company.

442 Mr McGrath submitted, to the contrary, as follows:

That included, that advertisement, the statement, “Now Australian owned and made.” Well, that statement by Bega is correct. The products sold by Bega were both Australian owned and made, whereas the – previously the products sold by Mondelez Australia was not Australian owned. The statement made in the advertisement does not say that a previous product was not Australian made and not Australian owned. The dominant message of that advertisement speaks to the characteristics of the product that’s being advertised and which is available for sale, and that is that it’s both Australian made and Australian owned. It’s not telling you anything about the characteristics of a product that had previously been on the market.

443 I do not accept that submission. On this occasion, it seems to me, Bega seeks to attribute an overly elaborate meaning that is not a dominant message that any consumer, with the unbidden intrusion of a 15 second commercial, is likely to have arrived at.

444 It follows that the eighth representation is made out.

1. There is no cross-appeal in relation to the primary judge’s conclusion on the eighth alleged representation.

## Issue 15

1. Issue 15 was: did Kraft breach the Australian Consumer Law by its release of a press release in October 2017, or the use of the slogan “Loved since 1935”?
2. The press release, which was issued on about 24 October 2017 (the **Press Release**), was in the following terms:

**KRAFT RETURNS TO AUSTRALIAN STORES**

Kraft, a brand steeped in the life, culture and history of Australia since 1926, is set to appear on Australian supermarket shelves again with the planned return of two locally-manufactured traditional favourites, cheese and peanut butter.

The brand has been such an integral part of Australian families that its temporary absence has promptly been addressed by Kraft Heinz which has listened to its loyal consumers.

“We are thrilled to be bringing back Kraft to Australian supermarket shelves. Kraft is not just a brand, it is a way of life in Australia and we have unwavering commitment to strengthening it even further” said Bruno Lino, CEO of Kraft Heinz Australia.

“Kraft Singles is an Australian staple,” Mr Lino said.

In a move that will be further celebrated by millions of Australians, Kraft Peanut Butter will also be back on Australian supermarket shelves in early 2018.

“Kraft has been the top of mind brand in Peanut Butter for Australians for the last eight decades and when we surveyed consumers, Kraft Peanut Butter commanded a mammoth 65% market share. In addition, two out of three Australian households had Kraft product in their pantry at any point in time,” Mr Lino said.

“We are listening to our consumers and we know that Kraft Peanut Butter is the one Australians love.”

The return of these two Kraft favourites will be supported by an extensive marketing campaign.

1. Bega contended that the Press Release conveyed two representations: the “2017 Same Product Representation” and the “Bega Product Representation”.
2. In relation to the 2017 Same Product Representation, Bega contended that the Press Release represented to a reasonable consumer that the peanut butter products that the second appellant was launching in early 2018 (and later did launch in about April 2018) would be the same products that had been sold until about June 2017 under a Kraft trade mark. Bega submitted that, in fact, the second appellant was launching a new product, made by a contracted manufacturer (Sanitarium), and in respect of which substantial work over a long period of time was completed in order to seek to make a product with a similar taste and sensory profile to the one that it was targeting. Bega also submitted that by prominently displaying the slogan “Loved since 1935” on the front label of its newly launched peanut butter products, the use of the slogan on a Kraft branded peanut butter product bearing the Peanut Butter Trade Dress would cause a not insignificant number of consumers to understand that the product that the second appellant was supplying was the same product as that which had been supplied prior to June 2017 by reference to the Kraft trade mark and by reference to the Peanut Butter Trade Dress, when that was not the case.
3. In relation to the Bega Product Representation, the primary judge noted at [458] that, as at the time of the publishing of the press release, sales of Bega’s peanut butter products had a market share of about 66% by volume. Bega contended that a significant number of consumers who saw the Press Release (or any media resulting from the Press Release) would be familiar with the Bega product, and would understand from the Press Release that the Bega product was not the same product that had until about June 2017 been sold by reference to a Kraft trade mark, when in fact it was.
4. The primary judge concluded, at [468]-[469], that Bega’s case based on the alleged representations was made out:

468 It seems to me that in circumstances where it is common ground that Bega purchased the recipe for the peanut butter that was, before the sale, manufactured and sold by KFL, and then MAFL, it must be likely to mislead or deceive a consumer to say that “Kraft Peanut Butter will … be back on Australian supermarket shelves in early 2018”. That peanut butter is surely the very peanut butter product that Bega acquired, along with all the other assets. It was thus not [the second appellant’s] to bring “back”. It seems from the evidence of Mr de Souza and Ms Dal Maso that the newly incorporated [second appellant] may well in fact have developed a product with a similar sensory profile (that is, with a similar quality, flavour, aroma and texture) as the product that is now the Bega peanut butter. … Bega makes no complaint about that in this proceeding. But it seems to me that whatever new product [the second appellant] has been able to develop, it cannot say, because it would be misleading to say, that it is the same product that MAFL sold to Bega. As Mr McGrath put it, the vice of the advertising in the form of the “Loved since 1935” slogan and the press release that says “Kraft peanut butter will … be back … in early 2018” is that [the second appellant], a company that has never before made peanut butter, seeks to attach itself to a product that it has never had anything to do with, let alone produced.

469 It follows, as Bega submits, that consumers who saw the press release who were familiar with the Bega product, could well reasonably believe from it that the Bega product was not the same product that had until about June 2017 been sold by reference to a Kraft trade mark, when in fact it was.

## Issue 16

1. The primary judge stated at [475] that, ultimately, “it must be the case that if one party establishes that it owned the relevant rights in the [Peanut Butter Trade Dress], then the other party must accept that its own use of the [Peanut Butter Trade Dress] amounted to misleading or deceptive conduct and passing-off”. The primary judge stated at [476] that, for the reasons set out earlier, the goodwill in the Peanut Butter Trade Dress inured to the benefit of Bega. It followed that the claims made in Bega’s cross-claim (to the effect that Kraft engaged in misleading and deceptive conduct and passing off through its use of the Peanut Butter Trade Dress) were established.

## Issue 17

1. This issue concerned a copyright claim made by Bega. The primary judge considered it unnecessary to decide this issue.

## Issue 18

1. Issue 18 was: was Bega’s use of the shippers unlawful?
2. It was not disputed that the Kraft shippers were designed such that the Kraft hexagon logo could be seen on the bottom left hand corner of the shipper when displayed on a supermarket shelf, and that shippers are used by trade mark owners as a communication tool to promote their brand when the product is placed on the shelf in the packaging in which it is delivered: Reasons, [488]. A photograph of Bega’s peanut butter products as presented on supermarket shelves was in evidence and was reproduced at [489]:



1. In the above photo, the Kraft hexagon logo is presented adjacent to the registered symbol ® with peanut butter labelled both “The Good Nut” and “Bega”. The primary judge explained, at [483], that at various times between September 2017 and late March 2018, Bega supplied to supermarkets and to food service distributors peanut butter products branded “The Good Nut”, but not “Bega”, in Kraft shippers. To the extent that *Bega* branded products ever appeared on supermarket shelves in Kraft shippers (as in the above photo), this was the result of supermarket staff replenishing empty or depleted shippers on those shelves: Reasons, [486].
2. Kraft contends that Bega’s conduct between September 2017 and late March 2018 in supplying to supermarkets and food service distributors peanut butter products branded “The Good Nut” in Kraft shippers constitutes:
3. infringement of each of Australian Trade Mark Registration Nos. 156444 and 181518 pursuant to s 120(1) of the *Trade Marks Act*;
4. breach of the Mondelez Licence and, in particular, breach of the transition clause and, after 31 December 2017, breach of the discontinuance clause; and
5. breach of ss 18 and 29(1)(a), (g) and (h) of the Australian Consumer Law, and passing off.
6. The primary judge noted at [494] that the first appellant was the owner of Australian Trade Mark Registration No. 156444 for the word “Kraft”. It was lodged on 14 October 1959 in class 29 and it expressly encompasses goods including, inter alia, peanut butter. The first appellant was also the owner of Australian Trade Mark Registration No. 181518 for the Kraft hexagon logo, which was lodged on 15 July 1963 in class 29 and which expressly encompasses goods including, inter alia, peanut butter.
7. The primary judge concluded that Bega’s use of the Kraft hexagon logo on shippers constituted an infringement of Kraft’s trade marks under s 120(1) of the *Trade Marks Act*. His Honour’s reasoning was as follows:

512 I do not accept Bega’s contention that the use of the shippers about which Kraft complains was authorised by the MTA. Those parts of clause 3 of the MTA upon which Bega relies can only sensibly apply to circumstances where Bega is using the licence to put Kraft marks the subject of the licence on the product. But it never did that after 4 July 2017.

513 The licence granted under clause 3.1(a) permits Bega to use that mark on the principal display panel of certain products (including peanut butter) and in connection with the production and sale of such products. Clause 3.1(a) does not permit Bega to use the Kraft hexagon logo on the packaging of (or otherwise in relation to) products, like “The Good Nut”, that are not themselves labelled with the Kraft hexagon logo.

514 Clause 3.5(a) is also of no help to Bega. It is a run off clause, to be sure, but it only relevantly confers the right “to sell any finished goods bearing the Licensed Trademark held as inventory …” It is thus expressly limited to the sale of finished goods bearing the Licensed Trademark. This, again, does not include peanut butter labelled “The Good Nut” which did not bear the Kraft hexagon logo.

515 And clause 3.5(b) is also beside the point. It applies if Bega had intended “to transition the name of a product from a Licensed Trademark to a new trademark or brand name after the expiration or termination of the Trademark License” in which case Bega would have been “entitled to announce such transition of a product name prior to the expiration or termination of the Trademark License in advertising, marketing and sales materials”. It is, in my view, unlikely that the placement of “The Good Nut” product in Kraft shippers could be regarded as “announcing a transition”. In any event, I would not make any such finding absent evidence to support it.

516 As for Bega’s submission that it did not use the mark – the supermarkets did – I accept Kraft’s submission that a mark which has been applied to goods by a manufacturer is relevantly “used” by the manufacturer at the time when the products are offered for sale or sold by a retailer. See *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at 162 – 164, [42] and [46].

517 I also do not accept Bega’s final point that Kraft did not prove that consumers would recognise what is on a shipper tray as being used as a trade mark. The Kraft shipper expressly says that the Kraft hexagon label is used as a trade mark.

518 It follows that Bega used the Kraft hexagon logo on shippers in relation to the “Good Nut” peanut butter product without the permission of the first applicant. Such conduct constitutes trade mark infringement under s 120(1) of the Trade Marks Act.

These conclusions are the subject of Bega’s cross-appeal.

1. In relation to the alleged breach of the Mondelez Licence, the primary judge concluded at [521] that there was insufficient evidence to enable him to form any view about the allegations of denigration or tarnishing, so those allegations failed. There is no appeal from this conclusion.
2. In relation to the alleged contravention of ss 18 and 29 of the Australian Consumer Law, and passing off, the primary judge concluded at [526] that he was not satisfied that there was sufficient evidence to establish Kraft’s case with respect to the shippers. There is no appeal from this conclusion.

## Declarations and orders

1. The primary judge made declarations and orders on 21 May 2019, including (relevantly for present purposes) the following:

**THE COURT DECLARES THAT:**

1. By supplying, selling, offering to sell, advertising and promoting its Kraft-branded peanut butter products in the product packaging that is used for those products, H.J. Heinz Company Australia Limited:

(a) engaged in misleading and deceptive conduct in contravention of ss 18, 29(1)(g) and 29(1)(h) of the Australian Consumer Law; and

(b) committed the tort of passing off.

2. By issuing the press release dated 24 October 2017, H.J. Heinz Company Australia Limited engaged in misleading and deceptive conduct in contravention of s 18 of the Australian Consumer Law by falsely representing that:

(a) its products were the same as the peanut butter products that were sold in Australia prior to June 2017 by reference to the Kraft trademark and, since July 2017, by reference to the Bega trademark; and

(b) the peanut butter products that had been sold in Australia since July 2017, by reference to the Bega trademark, are not the same as the peanut butter products that were sold in Australia prior to June 2017 by reference to the Kraft trademark.

3. By using the slogan “Loved since 1935” on the packaging of its Kraft-branded peanut butter products, H.J. Heinz Company Australia Limited engaged in misleading and deceptive conduct in contravention of s 18 of the Australian Consumer Law by falsely representing that its products were the same as the peanut butter products that were sold in Australia prior to June 2017 by reference to the Kraft trademark and, since July 2017, by reference to the Bega trademark.

4. Kraft Foods Group Brands LLC is a person who was involved in each of the contraventions of ss 18, 29(1)(g) and 29(1)(h) of the Australian Consumer Law referred to in declarations (1), (2) and (3) above.

…

6. By packaging, using, selling and distributing peanut butter products branded “The Good Nut” in outer packaging (**shippers**) bearing the trademark the subject of Australian trademark registration no. 181518 (the Kraft hexagon logo) in the period between September 2017 and late March 2018, Bega Cheese Limited infringed Australian trademark registration no. 156444 and Australian trademark registration no. 181518 pursuant to s 120(1) of the *Trademarks Act 1995* (Cth).

**THE COURT ORDERS THAT:**

1. H.J. Heinz Company Australia Limited, whether by itself, its directors, servants or agents, is restrained from supplying, selling, offering to sell, advertising or promoting peanut butter products in Australia using or bearing the peanut butter trade dress (defined in paragraph 3 of the reasons for judgment dated 1 May 2019 as follows: a jar with a yellow lid and a yellow label with a blue or red peanut device, with the jar having a brown appearance when filled).

2. H.J. Heinz Company Australia Limited, whether by itself, its directors, servants or agents, is restrained from supplying, selling, offering to sell, advertising or promoting peanut butter products in Australia in packaging that is substantially identical or deceptively similar to the peanut butter trade dress.

3. H.J. Heinz Company Australia Limited, whether by itself, its directors, servants or agents, is restrained from supplying, selling, offering to sell, advertising or promoting peanut butter products in Australia using or bearing the slogan “Loved since 1935.”

4. Kraft Foods Group Brands LLC, whether by itself, its directors, servants or agents, is restrained from being involved in any conduct by H.J. Heinz Company Australia Limited contrary to orders (1), (2) and (3) above.

5. Kraft Foods Group Brands LLC and H.J. Heinz Company Australia Limited pay the costs of Bega Cheese Limited of the proceeding to date (being for the liability phase of the proceeding), including all reserved costs, but excluding costs the subject of previous costs orders.

6. The cost orders to date in this proceeding, including order (5) above, be taxable forthwith.

7. There be a further hearing and determination as to the quantum of monetary relief, if any, in respect of the following issues:

(a) the contraventions by Kraft Foods Group Brands LLC and H.J. Heinz Company Australia Limited of ss 18, 29(1)(g) and 29(1)(h) of the Australian Consumer Law;

(b) the commission by H.J. Heinz Company Australia Limited of the tort of passing off;

…

(d) infringement by Bega Cheese Limited of a registered trademark.

# APPEAL AND CROSS-APPEAL

1. By the amended notice of appeal, Kraft appeals from that part of the judgment of the primary judge whereby his Honour:
2. declined to grant the relief sought by the appellants in paragraphs 1(a) to 1(d), 2(a), 2(b), 2(c), 3, 4 and 5 of the further amended originating application dated 3 September 2018;
3. granted the relief sought by the respondent in the amended notice of cross-claim dated 18 May 2018;
4. made the declarations contained in paragraphs 1 to 4 of the orders made on 21 May 2019;
5. made the orders contained in paragraphs 1 to 6, 7(a) and 7(b) of the orders made on 21 May 2019; and
6. made the orders contained in paragraph 3 of the orders made on 14 June 2019 (which related to the costs of an interlocutory application).
7. Kraft’s amended notice of appeal contains 10 grounds supported by lengthy particulars. The grounds (omitting the particulars) are as follows:

**A. Bega’s Breach of the Master Trademark Agreement**

1. The primary judge erred in that he failed to find that the Respondent (**Bega**) had breached clauses 3.5, 3.10 and 3.11 of the Master Trademark Agreement (**MTA**).

**B. Goodwill generated by use of the Peanut Butter Trade Dress prior to the restructure in October 2012**

2. The primary judge erred in finding that the goodwill generated by the use of the Peanut Butter Trade Dress on Kraft peanut butter in the period prior to October 2012 inured to the benefit of KFL.

**C. Assignment of goodwill generated by use of the Peanut Butter Trade Dress prior the Restructure**

3. Having found at [322], [337] and [338] that the terms of the MTA purported to assign goodwill generated through use of the Peanut Butter Trade Dress from [Kraft Foods Global Brands LLC] to [Kraft Foods Group Brands LLC], the primary judge erred in finding at [183]-[184] that the assignment was ineffective.

**D. Goodwill generated by use of the Peanut Butter Trade Dress after the restructure in October 2012**

4. The primary judge erred in finding that the goodwill generated by the use of the Peanut Butter Trade Dress in the period after October 2012 on Kraft peanut butter inured to the benefit of KFL/MAFL.

**E. Misleading and deceptive conduct by Bega**

5. The primary judge erred in failing to find that Bega had engaged in passing off and misleading and deceptive conduct contrary to section 18 and 29 of the Australian Consumer Law.

**F. Sale and Purchase Agreement**

6. The primary judge erred in finding that goodwill in the Peanut Butter Trade Dress was acquired by Bega.

**G. Bega’s television and radio advertising**

7. The primary judge erred in failing to find that the conduct of Bega in publishing the:

(a) Bega Radio Advertisement;

(b) First Bega Television Advertisement; and

(c) Second Bega Television Advertisement;

(the **Bega Advertisements**)

was contrary to section 18 of the Australian Consumer Law.

**H. Cross-claim – press release**

8. The primary judge erred in finding at [468] and [469] that the conduct of the second appellant (**Kraft Heinz**) in issuing the Press Release contravened section 18 of the Australian Consumer Law.

**I. Cross-claim – “Loved Since 1935”**

9. The primary judge erred in finding at [468] and [469] that the conduct of Kraft Heinz in displaying the slogan “Loved Since 1935” on the front label of its peanut butter products contravened section 18 of the Australian Consumer Law.

**J. Cross-claim – Australian Consumer Law and passing off**

10. The primary judge erred at [475]-[477] in finding that:

(a) Kraft Heinz had engaged in misleading and deceptive conduct in contravention of ss 18, 29(1)(g) and 29(1)(h) of the *Australian Consumer Law*.

(b) [Kraft Foods Group Brands LLC] was a person who was involved in each of Kraft Heinz’s contraventions of the Australian Consumer Law; and

(c) Kraft Heinz had committed the tort of passing off.

1. Bega contends that the judgment of the primary judge should be affirmed on the following grounds other than those relied on by the primary judge. (The grounds of contention are set out in Bega’s amended notice of cross-appeal.):

6 The primary judge erred in finding at [322], [327], [337] and [338] that the MTA purported to assign to [Kraft Foods Group Brands LLC] the goodwill associated with the Peanut Butter Trade Dress.

7 The primary judge erred at [33], [62] and [160] in referring to “Kraft’s peanut butter market share” or “Kraft’s market share” and should have referred to the market share of the entity producing peanut butter products branded “Kraft” at the relevant times.

8. In addition to the finding at [468] that it was misleading of Kraft to say that its new peanut butter products were the same product that MAFL sold to Bega, the primary judge should also have found that it was Kraft’s intention that customers who saw Kraft’s new peanut butter products in the Peanut Butter Trade Dress on supermarket shelves from the time of their launch in April 2018 would understand that they were buying the same products that had previously been sold in Australia under the Kraft brand, when that was not the case.

The contention raised in [7] is not material to the resolution of the appeal and can be put to one side.

1. By its amended notice of cross-appeal, Bega appeals from declaration 6 and order 7(d) made by the primary judge on 21 May 2019 (both of which relate to the shippers). Bega relies on the following grounds (ground 2 has been deleted in the amended notice of cross-appeal):

1 The primary judge erred in finding at [512]-[515] and [518] that the supply by Bega of product branded THE GOOD NUT in shippers bearing a KRAFT trade mark was not authorised by clause 3.5 of the MTA.

…

3 The primary judge erred in finding at [516] that when products were offered for sale or sold by supermarkets which were contained in shippers displaying a KRAFT trade mark it involved use of that trade mark by Bega.

4 The primary judge should have found that the sale by supermarkets of product branded THE GOOD NUT in shippers bearing a KRAFT trade mark did not involve use of that trade mark by Bega.

5 The primary judge erred in finding at [518] that Bega’s use of the KRAFT trade mark on shippers in relation to THE GOOD NUT peanut butter product constituted trade mark infringement under section 120(1) of the *Trade Marks Act 1995* (Cth).

1. During the appeal hearing, Kraft was given leave to rely on a notice of contention in relation to the cross-appeal. Kraft contends that declaration 6 and order 7(d) (which relate to the shippers) should be affirmed on a ground other than those relied on by the primary judge. That ground is as follows:

1. In so far as it is not implicit in the primary judge’s findings, the primary judge should have found that by packaging, using, selling and distributing to supermarkets peanut butter products branded “The Good Nut” in outer packaging (shippers) bearing the KRAFT trade marks Bega’s conduct constituted trade mark infringement within the meaning of section 120(1) of the *Trade Marks Act 1995* (Cth).

The parties filed supplementary submissions after the appeal hearing in relation to Kraft’s notice of contention in relation to the cross-appeal.

# CONSIDERATION

1. As has been noted, in the proceeding at first instance, Kraft and Bega each claimed that they had the right to use the Peanut Butter Trade Dress in relation to peanut butter products to the exclusion of the other. Kraft relied on causes of action based on contract, passing off and the misleading or deceptive conduct provisions of the Australian Consumer Law and Bega relied on passing off and the misleading or deceptive conduct provisions of the Australian Consumer Law.
2. The factual basis on which each of the parties asserts legal rights with respect to the exclusive use of the Peanut Butter Trade Dress has some complexity. Each of the parties seeks to trace their asserted legal rights through a series of transactions: Kraft relies on asserted rights given to it through the MTA as part of the Restructure, which requires consideration of the contractual arrangements within the Kraft Foods Inc group of companies prior to the Restructure; Bega relies on the acquisition of the peanut butter business under the SPA, which also requires consideration of the contractual arrangements within the Kraft Foods Inc group of companies prior to the Restructure and the contractual arrangements effecting the Restructure.
3. Having regard to the basis on which each of the parties asserts their legal rights, it is necessary to analyse the nature of the rights that are asserted and the basis on which such rights are able to be created and transferred under Australian common law. Although the parties are in disagreement with respect to many issues, we consider the following two underlying principles to be uncontroversial and any disagreement between the parties about those principles (which we consider below) to be at the margins:
4. The first principle is that unregistered trade marks or product ‘get-up’, such as the Peanut Butter Trade Dress, are not recognised under Australian common law as a species of property; rather, the business goodwill or reputation generated by the use of unregistered trade marks can be protected by an action for passing off or statutory misleading and deceptive conduct: see *JT International* at [31] and [40] per French CJ, [106] per Gummow J, [292] and [300] per Crennan J. Accordingly, when we refer to the “rights in relation to the Peanut Butter Trade Dress”, this is a shorthand reference to a company having the requisite reputation with respect to the goods to bring an action for passing off or an action based on the statutory misleading or deceptive conduct provisions in relation to the Peanut Butter Trade Dress.
5. The second principle is that the goodwill of a business is property capable of assignment, where goodwill is understood to be the “legal right or privilege to conduct a business in substantially the same manner and by substantially the same means that have attracted custom to it”: *Murry* at [23] per Gaudron, McHugh, Gummow and Hayne JJ; see also *JT International* at [39] per French CJ and [106] per Gummow J.
6. The analysis of the “rights in relation to the Peanut Butter Trade Dress” must therefore encompass the use of the Peanut Butter Trade Dress and any contractual arrangements affecting such use as well as the generation and ownership of goodwill arising from that use which can be protected by an action in passing off or misleading and deceptive conduct. Argument on the appeal was necessarily directed to the creation, ownership and transfer of goodwill associated with the Australian peanut butter business. For that reason, a number of authorities relating to goodwill were referred to on the appeal and are considered below. It is important to bear in mind, however, that many of the authorities relating to goodwill involve legal questions far removed from the present case, such as the accounting and taxation treatment of goodwill (as in *Murry*) or the meaning of property in s 51(xxxi) of the Constitution (as in *JT International*). Accordingly, some care must be taken in the identification of applicable principle, keeping in mind that the issues in this proceeding concern the legal rights with respect to the exclusive use of the Peanut Butter Trade Dress, which can be enforced in actions in contract, passing off or misleading and deceptive conduct.
7. Kraft’s grounds of appeal do not address the issues in chronological order; they commence with the contention that Bega breached the MTA and then later raise the contention that the primary judge erred in his consideration of the position before the Restructure. We consider it helpful to the analysis to address the issues raised by the appeal and cross-appeal in chronological order, and therefore to commence with the position regarding Peanut Butter Trade Dress before the Restructure. This provides context for consideration of the effect of the Restructure. We will therefore consider the issues under the following headings:
8. The position regarding the Peanut Butter Trade Dress before the Restructure.
9. The proper construction of the Restructure documents (October 2012).
10. The position regarding the Peanut Butter Trade Dress between the Restructure (October 2012) and the SPA (July 2017).
11. The effect of the SPA (July 2017).
12. Whether Bega breached certain obligations in the MTA.
13. Whether Bega or Kraft engaged in passing off and misleading or deceptive conduct in relation to the Peanut Butter Trade Dress.
14. Whether Bega engaged in misleading or deceptive conduct in relation to the television and radio advertising.
15. Whether Kraft engaged in misleading or deceptive conduct in relation to the Press Release and the slogan “Loved since 1935”.
16. Whether Bega engaged in trade mark infringement in relation to the shippers.

## The position regarding the Peanut Butter Trade Dress before the Restructure

1. This issue is raised by ground 2 of the amended notice of appeal. By this ground, Kraft contends that the primary judge erred in finding that the goodwill generated by the use of the Peanut Butter Trade Dress on Kraft peanut butter in the period prior to October 2012 inured to the benefit of KFL. Kraft challenges the primary judge’s reasoning and conclusions in relation to issues 1, 4 and 5 at first instance. In summary, in relation to those issues, the primary judge concluded that: goodwill is inseparable from the business to which it adds value and cannot be dealt with except in conjunction with the sale of that business; the assignment or licensing of an unregistered trade mark is not possible without the assignment of the underlying goodwill of the business, and even if there had been an attempt to assign or ‘shift’ the Peanut Butter Trade Dress from KFL to an upstream company in the Kraft Foods Inc group, it would have been ineffective as a matter of Australian law. The primary judge also went on to consider, in the context of issue 5, the licence agreements (in particular the 2009 and 2011 License Agreements) and the April 2012 Assignment Agreement.
2. In brief terms, Kraft’s submissions in relation to ground 2 of the amended notice of appeal may be summarised as follows. Kraft contends that: the primary judge erred in his consideration of goodwill; although the primary judge relied on the principles expressed in *Murry,* his Honour departed from those principles by referring to (what he described as) the “peanut butter business” of KFL, which was only a subset of KFL’s business (which included other product lines); the correct approach is to distinguish between the goodwill relating to the business as a whole (referred to as “Business Goodwill” in Kraft’s submissions) and the goodwill derived from the use of trade marks on a particular branded product line (referred to as “Product Goodwill” in Kraft’s submissions); as discussed in US case law, which should be seen to represent Australian law as well, an unregistered trade mark may be assigned together with the related Product Goodwill; here, adopting a multi-factorial approach, the owner of the Peanut Butter Trade Dress prior to the Restructure was either Kraft Foods Inc or Kraft Foods Global Brands LLC, rather than KFL – this followed from the control exercised by Kraft Foods Inc (as the ultimate parent company of KFL) or by Kraft Foods Global Brands LLC (under the 2009 and 2011 Licence Agreements). It follows, Kraft contends, that, immediately prior to the Restructure, the rights relating to the Peanut Butter Trade Dress were held by Kraft Foods Inc or Kraft Foods Global Brands LLC and not KFL.
3. While some elements of Kraft’s submissions may be accepted, overall we do not accept Kraft’s contentions on this ground. In summary, we consider that: it was open to the primary judge to identify the relevant business as KFL’s peanut butter business; his Honour was correct to conclude that, as a matter of Australian law, rights in relation to an unregistered trade mark can only be assigned by way of an assignment of the goodwill of the underlying business; at a factual level, the primary judge was correct to conclude that the rights in relation to the Peanut Butter Trade Dress were held by KFL at the time the Peanut Butter Trade Dress was created (in 2007) and that no subsequent step (between 2007 and October 2012, the date of the Restructure) effected an assignment of those rights to Kraft Foods Inc or Kraft Foods Global Brands LLC. Accordingly, immediately before the Restructure, the rights relating to the Peanut Butter Trade Dress were held by KFL. We now address Kraft’s submissions in more detail.
4. The following propositions, contained in Kraft’s submissions, may be accepted. At the level of a business as a whole, goodwill will take on different shapes and have different sources depending on the nature of the business. It might, depending on the facts, be generated through the use of differing sources such as the locations, people, efficiencies, systems, processes and techniques of the business: see *Placer Dome* at [68], citing *Murry* at [12]. Goodwill will have different aspects or components corresponding to its sources: see *JT International* at [39]. Trade marks, registered or unregistered, can be an important source of the overall goodwill of a business: *Murry* at [24], [51]. A given business might operate multiple product lines, each with varying or overlapping trade marks. Each trade mark will make some contribution to the build-up of the goodwill of the business as a whole: *Murry* at [24], citing *Commissioners of Inland Revenue v Muller & Co.’s Margarine Ltd* [1901] AC 217 at 235.
5. The following additional propositions, contained in Kraft’s submissions, may also be accepted. The goodwill dealt with in *Murry* is the attractive force which brings in custom to a business *as a whole* by operation of the collective assets of the business. It is *property* in the sense of the right or privilege to use the assets of the business, as a business, to produce income: *Murry* at [23]. It has multiple *sources*, being each identifiable asset or other attribute of the business which contributes to bringing customers back to the business: *Murry* at [24]. It has a *value* ascertainable after all the identifiable assets of the business have been properly valued: *Murry* at [51]. In discussing the value of the goodwill of a business in *Murry* at [51]-[52], Gaudron, McHugh, Gummow and Hayne JJ expressly noted that, where a trade mark is a source of the overall goodwill of a business, it is appropriate to distinguish between: (a) the full “earning power” of the trade mark; and (b) the value of the goodwill of the business, which arises only after the trade mark and all other identifiable assets have been fully valued. This statement was made in the context of a registered trade mark.
6. Discrete operations can take place within a larger business as a whole. In *Geraghty v Minter* (1979) 142 CLR 177, Stephen J stated at 193:

Goodwill of a partnership business is an inseverable whole unless, of course, it consists in fact of a series of separate goodwills, each applicable to distinct areas in which the one business operates or to distinct business activities which the one business entity carries on.

In *Murry*, at [16], Gaudron, McHugh, Gummow and Hayne JJ quoted with apparent approval a statement by Lord Lindley in *Inland Revenue Commissioners v Muller & Co’s Margarine Ltd* [1901] AC 217 at 235 to the effect that if a business was carried on in more than one place then “there may be several businesses, each having a goodwill of its own”.

1. Kraft submits that the primary judge’s approach has the following difficulties. Kraft submits that: the primary judge, while treating *Murry* as the guiding principle, did not decide the case based on a Business Goodwill as dealt with in *Murry*; thus, he did not say that in order effectively to assign or license the Peanut Butter Trade Dress as an unregistered trade mark it was necessary for it to be dealt with along with an assignment of *all* of the assets of KFL; instead, his Honour conceived of a sub-aspect of KFL’s business, which he termed the “peanut butter business” (at [169], [179] and [245]), as generating its own goodwill, to which he then sought to apply *Murry* constraints despite acknowledging elsewhere the difficulty with this conclusion (at [322]).
2. While it may be accepted that the primary judge approached the issues by reference to what he described as the “peanut butter business” of KFL, and that this did not comprise the whole of KFL’s business, we consider this approach to have been open to his Honour. Viewing the matter in this way provides an appropriate amount of flexibility in applying the principles regarding the assignment of the rights in relation to unregistered trade marks and, indeed, derives some support from the US cases cited by Kraft in its submissions (discussed further below). Kraft points to a number of practical problems that could arise with taking such an approach, such as the utilisation of the same infrastructure or staff in connection with multiple product lines. But in the circumstances of the present case, these practical problems do not arise, as the SPA essentially involved the sale and purchase of all of the business and assets of KFL.
3. Insofar as Kraft submits that an unregistered trade mark may be assigned without an assignment of the goodwill of the business, this does not represent Australian law. In *JT International*, Gummow J referred at [142] to the goodwill associated with get-up and stated that “[a]t common law the goodwill would be assignable only in conjunction with the goodwill of the business in respect of which the get-up was used”, citing *Lacteosote Ltd v Alberman* [1927] 2 Ch 117 at 130, *Hospital Products Ltd v United States Surgical Corporation* (1984) 156 CLR 41 at 100-101, 144-145, and *ConAgra* at 366-367. His Honour explained that the underlying reason for the common law taking this attitude to assignments of goodwill is “the loss of distinctiveness leading to the likelihood of deception of consumers as to the origin of goods”. Similarly, at [270], Crennan J stated: “At common law a trade mark could not be assigned except with the goodwill of the business in respect of which it was used, because it was feared that to do otherwise would engender deception and confusion”. Where a company carries on several discrete businesses (as in the present case, based on the approach taken by the primary judge), we do not see any reason why these principles should not apply to each separate business, such that an unregistered trade mark may be assigned together with the goodwill of the related business, rather than the business as a whole.
4. We note for completeness that Gummow J also stated at [142] that the same reasoning “may” apply to *licensing* of common law marks, but did not express a concluded view on the position with respect to licensing. For present purposes, it is also unnecessary to express a concluded view on the requirements regarding licensing of an unregistered trade mark.
5. If and to the extent that the US cases relied on by Kraft – *Visa USA Inc v Birmingham Trust National Bank*, 696 F2d 1371 (Fed Cir 1982) (***Visa***); *Marshak v Green*, 746 F2d 927 (2d Cir 1984); and *Defiance Button Machine Co v C & C Metal Products Corp*, 759 F2d 1053 (2d Cir 1985) – stand for a different principle (from that discussed in [128] above), they do not represent Australian law. However, once it is accepted that, where a company carries on several discrete businesses, an unregistered trade mark may be assigned together with the goodwill of the related business, there does not appear to be a large difference between the principles set out above and the principles discussed in the US cases. For example, in *Visa*, the Court stated (at 1375) that trade marks are “integral and inseparable elements of the goodwill of the business or services to which they pertain”. The Court then stated that, since goodwill is inseparable from the business with which it is associated, “when one speaks of the transfer of goodwill that accompanies a mark, one necessarily means the transfer of the portion of the business or service with which the mark is associated.” This was stated to be the common law rule, which the Lanham Act (15 U.S.C. § 1060 (1976)) adopts in its provision that a mark is “assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark”. In explaining the rationale for the prohibition against a “naked assignment of the mark without the accompanying goodwill” (also referred to as an ‘assignment in gross’), the Court explained that this stemmed from the nature of trade marks themselves. The Court stated: “A key objective of the law of trademarks is protection of the consumer against being misled or confused as to the source of the goods or services he acquires”. See also *Marshak v Green* at 929-930.
6. Kraft submits that a multi-factorial approach is to be adopted in determining ownership (in the sense of a right to bring an action for passing off) in respect of an unregistered trade mark. Kraft relies on *Barefoot Contessa Pantry, LLC v Aqua Star (USA) Co* (U.S. District Court, S.D. New York, 15-CIV-1092 (JMF) 26 February 2015). In that case, the Court stated:

Where disputes as to trademark or trade dress ownership arise between manufacturers and exclusive distributors and no agreement controls, courts often apply four factors to determine superior ownership: “(1) which party invented and first affixed the mark onto the product; (2) which party’s name appeared with the trademark; (3) which party maintained the quality and uniformity of the product; and (4) with which party the public identified the product and to whom purchasers made complaints.”

(Citation omitted.)

1. Kraft also relies on Wadlow, C, *The Law of Passing-Off: Unfair Competition by Misrepresentation* (Sweet & Maxwell, 5th ed, 2016) at [3-141]:

To expand, the following questions are relevant as to who owns goodwill in respect of a particular line of goods, or, mutatis mutandis, a business for provision of services: (1) Are the goods bought on the strength of the reputation of an identifiable trader? (2) Who does the public perceive as responsible for the character or quality of the goods? Who would be blamed if they were unsatisfactory? (3) Who is most responsible in fact for the character or quality of the goods? (4) What circumstances support or contradict the claim of any particular trader to be the owner of the goodwill?

1. The present case concerns the right to bring an action for passing off, or to bring an action based on contravention of statutory misleading or deceptive conduct provisions. It is relevant, therefore, to have regard to the elements and nature of such causes of action. As Crennan J stated in *JT International* at [292], an action for passing off protects any goodwill and reputation in product get-up. Her Honour stated: “In a passing off action in respect of get-up, a plaintiff must show not only goodwill and reputation in the product get-up, but also a representation by a defendant to the public leading to actual deception or the probability of deception, and actual damage or the likelihood of damage”.
2. In *ConAgra* at 327, Lockhart J quoted from *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491 at 499 per Lord Oliver of Aylmerton (with whom Lord Goff of Chieveley, Lord Brandon of Oakbrook and Lord Bridge of Harwich agreed), where the elements of the action for passing off were described in terms that refer to get-up. The first element was that the plaintiff must establish “a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying ‘get-up’ (whether it consists simply of a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff’s goods or services”. The second element of the cause of action was that the plaintiff must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him or her are the goods or services of the plaintiff. In relation to this element, Lord Oliver stated: “Whether the public is aware of the plaintiff’s identity as the manufacturer or supplier of the goods or services is immaterial, as long as they are identified with a particular source which is in fact the plaintiff.” It is unnecessary for present purposes to refer to the third element of the cause of action as described by Lord Oliver. After an extensive review of the authorities in several jurisdictions, and in the context of considering an issue concerning the necessity or otherwise of local business in the forum, Lockhart J stated (at 340) that “the basis of the cause of action [for passing off] lies squarely in misrepresentation, for its underlying rationale is to prevent commercial dishonesty”. His Honour also stated (at 340) that reputation “is the key business facet that passing off protects”. It followed, as Lockhart J stated (at 342), that the test for whether a foreign plaintiff may succeed in a passing off action is “not that he must have business activities or a place of business in [the forum], but whether, as a question of fact, his business has goodwill or a reputation in [the forum]”. Recognising the changes that had occurred in the distribution and marketing of goods, Lockhart J stated (at 342) that it “is no longer valid, if it ever was, to speak of a business having goodwill or reputation only where the business is carried on”. Lockhart J also stated (at 343) that the “reality of modern international business is that contemporary consumers are not usually concerned about the actual location of the premises of a company or the site of its warehouse or manufacturing plant where the goods are produced, but they are concerned with maintenance of a high level of quality represented by internationally known and famous goods”. Lockhart J then stated at (343):

The real question is whether the owner of the goods has established a sufficient reputation with respect to his goods within the particular country in order to acquire a sufficient level of consumer knowledge of the product and attraction for it to provide custom which, if lost, would be likely to result in damage to him. This is essentially a question of fact.

1. These principles assist in identifying which company had the requisite reputation with respect to the goods to bring an action for passing off in relation to the get-up (that is, the Peanut Butter Trade Dress). Although we are also concerned with the right to bring an action based on the statutory misleading or deceptive conduct provisions, it is sufficient for present purposes to refer to the passing off cause of action, given the overlap between the relevant elements of the causes of action.
2. Kraft relies on *Re GE Trade Mark* [1969] RPC 418. In that case, Graham J (at 454) expressed certain propositions with respect to the statutory definition of “trade mark” in the *Trade Marks Act 1938* (UK). His Honour stated that, in his judgment, the statutory definition “must now include at least any connection in the course of trade by which the proprietor retains the ability to specify or control the nature or quality of the goods sold under the mark, and the expression ‘a trade mark denotes the origin of the goods’ must now properly be used and understood as including such a connection”. His Honour then stated (at 454-455) that the requirements of the common law in respect of an unregistered mark were the same. The judgment of Graham J was cited with approval by Aickin J in *Pioneer Kabushiki Kaisha v Registrar of Trade Marks* (1977) 137 CLR 670 at 682. It is important to note the context of the discussion in *Re GE Trade Mark*. The case was concerned with the validity of a licensed trade mark. It was held that the trade mark was valid, provided that the owner of the mark retained a sufficient degree of control over the nature and quality of the goods sold under the mark. The case was not concerned with whether the exercise of quality control over goods or services itself confers ‘ownership’ of a (registered or unregistered) trade mark.
3. It is necessary to consider which company held the rights in relation to the Peanut Butter Trade Dress (in the sense explained above) at various points in time from 2007 to the date of the Restructure.
4. The first point in time is 2007, when the Peanut Butter Trade Dress was first applied by KFL to the peanut butter products that it manufactured and sold. At this stage, KFL manufactured and sold the peanut butter products under three registered marks as well as the (unregistered) Peanut Butter Trade Dress. The three registered marks were the “Kraft” trade mark, the Kraft hexagon logo trade mark and the “Never Oily, Never Dry” trade mark. Each of these marks was registered in the name of KFL at this stage. Insofar as Kraft contends that Kraft Foods Global Brands LLC was the beneficial owner of the “Kraft” trade mark and the Kraft hexagon logo trade mark (relying on the “confirmation” and “acknowledgement” clause in the April 2012 Assignment Agreement), there is insufficient evidence to sustain this proposition. Accordingly, as at 2007, all three relevant registered marks were registered in the name of KFL. In these circumstances, prima facie at least, as at 2007, KFL had the requisite reputation with respect to the goods to bring an action for passing off or an action based on the statutory misleading or deceptive conduct provisions in relation to the Peanut Butter Trade Dress, and therefore held the rights in relation to the Peanut Butter Trade Dress.
5. Kraft relies on the degree of control exercised by Kraft Foods Inc to support the proposition that the rights in relation to the Peanut Butter Trade Dress were held by Kraft Foods Inc or Kraft Foods Global Brands LLC. Kraft relies on the submissions and evidence recorded in [122]-[127] of the Reasons. These paragraphs indicate that Kraft Foods Inc had mechanisms in place to control the quality of products produced by KFL and the marketing of those products. It does not appear to have been in dispute that KFL was an integrated part of the Kraft Foods Inc group. However, we do not consider these matters to be sufficient to indicate that as at 2007 KFL did not hold the rights in relation to the Peanut Butter Trade Dress. As noted earlier in these reasons, there is no suggestion in the material that the Peanut Butter Trade Dress was used or developed by any other entity in the Kraft Foods Inc group. And while it may be accepted that Kraft Foods Inc exercised control over the operations of KFL, KFL also had its own staff who were responsible for the quality of the products and marketing. Thus we do not consider there to be a basis to conclude that the rights in relation to the Peanut Butter Trade Dress were held by Kraft Foods Inc as at 2007. Insofar as Kraft contends that Kraft Foods Global Brands LLC held the rights in relation to the Peanut Butter Trade Dress in 2007, we note that Kraft does not rely on the 2000 Licence Agreement, but only on the 2009 and 2011 Licence Agreements (see T139; see also the amended notice of appeal, in which the references to the 2000 Licence Agreement have been removed from the particulars to ground 2). As at 2007, the 2009 and 2011 Licence Agreements had not yet come into operation. It follows that the control provisions in those licence agreements are not relevant to considering the position as at 2007. There does not appear to be any other basis to contend that Kraft Foods Global Brands LLC held the rights in relation to the Peanut Butter Trade Dress as at 2007. For these reasons, we conclude that, as at 2007, the rights in relation to the Peanut Butter Trade Dress were held by KFL.
6. In April 2009 and August 2009, Kraft Foods Global Brands LLC filed applications for the trade marks depicted in [32] and [33] above. By this stage, the 2009 Licence Agreement had come into operation. These trade marks were covered by the definition of “Subject Trademarks” in that agreement, and the control provision in Clause IV applied to the character and quality of the peanut butter products manufactured and sold by KFL. However, we do not consider these facts and matters to affect the position regarding the Peanut Butter Trade Dress. The short point is that there was no assignment of the goodwill of the peanut butter business from KFL to Kraft Foods Global Brands LLC, this being necessary for the (unregistered) Peanut Butter Trade Dress to be assigned as a matter of Australian law. The fact that Kraft Foods Global Brands LLC could exercise control over the character and quality of the products was due to the requirements for the licensing of registered marks. It did not change who held the rights in relation to the Peanut Butter Trade Dress.
7. In October 2011, Kraft Foods Global Brands LLC applied for registration of two further trade marks, which are depicted in [35] above. By this stage, the 2011 Licence Agreement had come into operation. The terms of this agreement were not relevantly different from the 2009 Licence Agreement. The new trade marks were covered by the definition of “Subject Trademarks” in the 2011 Licence Agreement, and the control provision in Clause IV applied to the character and quality of the peanut butter products manufactured and sold by KFL. However, we do not consider these facts and matters to affect the position regarding the Peanut Butter Trade Dress. Again, the short point is that there was no assignment of the goodwill of the peanut butter business from KFL to Kraft Foods Global Brands LLC, this being necessary for the (unregistered) Peanut Butter Trade Dress to be assigned as a matter of Australian law.
8. In April 2012, KFL assigned to Kraft Foods Global Brands LLC the “Kraft” trade mark and the Kraft hexagon logo trade mark, pursuant to the April 2012 Assignment Agreement. Thus, from this point in time, the “Kraft” trade mark and the Kraft hexagon logo trade mark were held by Kraft Foods Global Brands LLC and licensed to KFL under the 2011 Licence Agreement. They were covered by the definition of “Subject Trademarks” in that agreement, and the control provision in Clause IV continued to apply. (It should be noted that the “Never Oily, Never Dry” trade mark was not assigned to Kraft Foods Global Brands LLC and remained registered in the name of KFL. This continued to be used on the label of KFL’s peanut butter products, in conjunction with the Peanut Butter Trade Dress. The words appeared within the peanut device.) We do not consider these facts and matters to affect the position regarding the Peanut Butter Trade Dress. Again, the short point is that there was no assignment of the goodwill of the peanut butter business from KFL to Kraft Foods Global Brands LLC, this being necessary for the (unregistered) Peanut Butter Trade Dress to be assigned as a matter of Australian law.
9. The position as at September 2012 (i.e. immediately before the Restructure) was the same. That is, the rights in relation to the Peanut Butter Trade Dress were held by KFL. At this time, the peanut butter products were being manufactured and sold by KFL under: several trade marks registered in the name of (or applied for by) Kraft Foods Global Brands LLC, which were licensed to KFL; the “Never Oily, Never Dry” trade mark, which was registered in the name of KFL; and the (unregistered) Peanut Butter Trade Dress: see [39] above. A product can bear, and be sold by reference to, more than one trade mark. If those trade marks are registered marks, then those separate trade mark registrations may be owned by more than one person. And if the use of each of the registered trade marks is a licensed use, then each trade mark owner may separately exercise quality control over the relevant goods (and would need to do so). The fact that a business may use a licensed trade mark on its product does not preclude it from owning another trade mark (whether registered or unregistered) that is also used on the goods.
10. Insofar as Kraft submits, in effect, that the sole critical source of goodwill or reputation relevant to the sale of the relevant peanut butter products was the “Kraft” trade mark, this is contrary to the primary judge’s findings, and we do not consider there to be any error in those findings. While the primary judge accepted that consumers would have an association between the Peanut Butter Trade Dress and the Kraft brand (at [156]), it was common ground at first instance and on appeal that the Peanut Butter Trade Dress operated as an unregistered trade mark, and the primary judge did not accept Kraft’s contention that the Peanut Butter Trade Dress was a diagnostic cue *only* to the Kraft brand (at [159]). As the primary judge stated at [160], the undisputed fact was that, once Bega took over KFL’s business and started manufacturing and selling Bega branded peanut butter products using the Peanut Butter Trade Dress, it quickly assumed KFL’s peanut butter market share (over 60% by volume of sales).
11. Insofar as Kraft asserts that the “Never Oily, Never Dry” trade mark had no attractive value, that is contrary to the findings at [163]-[165] and we see no error in those findings.
12. Kraft’s submissions largely ignore the quality of the products themselves as a source of goodwill or reputation, which relates not only to what Kraft terms a “recipe” (which was a list of ingredients to which Kraft also had access), but also to the manufacturing equipment that was tailored to making the products, know-how of staff, and supply contracts. The primary judge found at [161] that these were all sources of the goodwill of the business, and we see no error in those findings.
13. Kraft submits that any rights that KFL held in any of the intellectual property related to the Kraft branded peanut butter product line were held on licence, express or implied, from the US parent (Kraft Foods Inc); and any goodwill generated in respect to the branded product line inured to the benefit of the US parent, citing *Revlon Inc v Cripps & Lee Ltd* [1980] FSR 85 at 105 per Buckley LJ. However, the passage cited does not stand for a general legal proposition, but rather a conclusion on the facts of the particular case, namely that the relevant mark was an asset of the Revlon group as a whole and thus of the parent company. For the reasons indicated, we would not draw the same inference here.
14. In light of these matters, the position as at September 2012 was the same as at the previous points in time, namely that the rights in relation to the Peanut Butter Trade Dress were held by KFL.

## The proper construction of the Restructure documents (October 2012)

1. This issue is raised by ground 1 of the amended notice of appeal, by which Kraft contends that the primary judge erred in that he failed to find that Bega had breached clauses 3.5, 3.10 and 3.11 of the MTA (set out below). This issue is also raised by Bega’s contention 6, by which it contends that the primary judge erred in finding at [322], [327], [337] and [338] that the MTA purported to assign to Kraft Foods Group Brands LLC (GroceryCo IPCo) the goodwill associated with the Peanut Butter Trade Dress.
2. The primary judge dealt with this issue in the context of issue 6. As noted above, the parties ultimately agreed that New York law in relation to the interpretation of contracts is not relevantly different from Australian law, at least for the purposes of this case: Reasons, [288]. The primary judge set out the relevant provisions of the SDA and the MTA at [251]-[276] of the Reasons. His Honour noted at [278] that the suite of documents made no mention, in terms, of the Peanut Butter Trade Dress, despite the fact that it is a very valuable asset. His Honour indicated at [279] that in his view “the answer to the question of construction is one that is available on the tolerably plain meaning of the critical provisions of the MTA”. The primary judge summarised the parties’ submissions on construction at [293]-[321]. The primary judge concluded, at [322], that the construction of the MTA contended for by Kraft was the preferable one. In the primary judge’s view, the MTA *purported* to assign to Kraft Foods Group Brands LLC (GroceryCo IPCo) the goodwill associated with the Peanut Butter Trade Dress, but for the reasons he had given earlier, such a purported assignment was ineffective as a matter of Australian governing law. His Honour’s reasons for so concluding in relation to the construction issue were set out at [323]-[338] of the Reasons. In summary, his Honour considered it unlikely that the parties intended to relegate the phrase “and all related Trade Dress” in the definition of “Trademarks” in the MTA in the manner contended for by Bega (at [327]). In his Honour’s view, Bega’s reading of section 2 of the MTA was not consistent with the principles of contractual interpretation applicable under New York law because it did not read the definition of “Trademarks” as a whole. His Honour considered that it was unnecessary to decide which construction of the MTA was more commercially sensible, because (in light of his Honour’s views on the other issues) there was no practical utility in the question, and because the correct view about what the parties to the MTA purported to do was, in his Honour’s view, tolerably clear (at [337]).
3. In considering ground 1 of the amended notice of appeal and the related ground of contention, we are concerned only with the correct *construction* of the Restructure documents (as distinct from the requirements for an assignment of an unregistered trade mark under Australian law). Kraft contends that, irrespective of whether the Restructure documents were effective to assign the rights in relation to the Peanut Butter Trade Dress under Australian law, it is entitled to relief against Bega on the basis that Bega acceded to the relevant obligations under the MTA. (We deal with whether Bega in fact acceded to the relevant obligations under the MTA separately, later in these reasons.) Accordingly, the issue to be considered in this section is concerned with the correct construction of the Restructure documents.

### Overview of the parties’ contentions

1. In broad outline, Kraft contends that the Restructure is to be understood as involving a division of individual *branded product lines* between the two groups (i.e. GroceryCo and SnackCo). Kraft contends that, subject to limited exceptions, this division transcended geographical boundaries and in some cases did not match a strict *groceries* v *snacks* division. Kraft submits that the business undertaken in respect of the Kraft peanut butter product line, which was carried on primarily using intellectual property allocated to GroceryCo as an asset, was a business allocated to GroceryCo. Kraft relies on two construction “pathways” in its submissions. The first pathway, which finds some support in the Reasons of the primary judge, relies on the conceptual proposition that the parties allocated and licensed all trade dress to follow the allocation and licensing of the primary brand that the trade dress accompanies. This pathway relies on the operation of section 2.1(a)(i) of the MTA. The second pathway relies on the operation of section 2.1(a)(iii) of the MTA. The primary judge did not deal with this contention.
2. Bega contends, in broad outline, that the MTA did not purport to assign or allocate rights in relation to the Peanut Butter Trade Dress to Kraft Foods Group Brands LLC (GroceryCo IPCo). Bega submits that Kraft is advancing a different case on appeal than that run at trial as to the asserted effect and intention of the Restructure. In particular, Bega submits that the following contentions made by Kraft are new:
3. that the business in respect of the Kraft peanut butter product line was allocated to GroceryCo as a “GroceryCo Business” (as defined in the Restructure documents); and
4. that the Restructure involved an allocation of *branded product lines* on an international basis.

Bega refutes each of these contentions. Bega submits that (a) is contrary to a finding made by the primary judge at [318] that the Australian peanut butter business was a SnackCo business, which Kraft does not challenge on appeal. Bega submits that (b) is not borne out by the Restructure documents.

### The Restructure

1. An overview of the Restructure has been set out at [40]-[45] above. As noted, in its Form 10-Q for the quarterly period ended 30 June 2012 filed with the United States Securities and Exchange Commission pursuant to the *Securities Exchange Act of 1934* on 3 August 2012 (the **Kraft Foods 10-Q**), Kraft Foods Inc described the proposed transaction in terms which the parties at first instance agreed was a useful summary of the purpose and effect of the Restructure. That description (see [40] above) stated that Kraft Foods Inc intended to “create two independent public companies: (i) a global snacks business … and (ii) a North American grocery business”. These companies would be created by a spin-off of the North American grocery business to Kraft Foods Inc’s shareholders. Following the spin-off, Kraft Foods Inc would hold the global snacks business and change its name to Mondelez International Inc. It was stated that Mondelez International Inc “will primarily consist of our current Kraft Foods Europe and Developing Markets segments as well as our North American snack and confectionary businesses and related categories in our Canada & N.A. Foodservice segment”. (As discussed later in these reasons, the Australian business operated by KFL fell within the Developing Markets segment in Kraft Foods Inc’s financial reports.) It was stated that the subsidiary, Kraft Foods Group Inc, would hold the North American grocery business, which would primarily consist of the current US Beverages, US Cheese, US Convenient Meals and US Grocery segments, grocery-related categories in the Canada and N.A. Foodservice segment, as well and the Planters and Corn Nuts brands and businesses.
2. The key documents for present purposes are the SDA, which effected the distribution of assets, and the MTA, which concerned the allocation and licensing of intellectual property between the two groups. As noted above, in the documents, the head company of the global snacks business (Kraft Foods Inc, which would change its name to Mondelez International Inc) was referred to as “SnackCo”, and the intellectual property company for that business (Kraft Foods Global Brands LLC, which would change its name to Intercontinental Great Brands LLC) was referred to as “SnackCo IPCo”. The head company of the North American grocery business (Kraft Foods Group Inc) was referred to as “GroceryCo” and the intellectual property company for that business (Kraft Foods Group Brands LLC) was referred to as GroceryCo IPCo.

### The relevant terms of the SDA and the MTA

1. We now set out the relevant terms of the SDA and MTA. Despite their length, it is necessary to set out the relevant terms in full. We will then consider the parties’ submissions on the issue of construction.
2. The parties to the SDA (the Separation and Distribution Agreement) were Kraft Foods Inc (SnackCo) and Kraft Foods Group Inc (GroceryCo). The agreement was dated 27 September 2012 (although the copy in the Appeal Book is undated). The Recitals to the SDA were as follows:

A. Kraft Foods Inc., acting through itself and its direct and indirect Subsidiaries, currently conducts the GroceryCo Business and the SnackCo Business.

B. The Kraft Foods Board has determined that it is appropriate, desirable and in the best interests of Kraft Foods Inc. and its shareholders to separate Kraft Foods Inc. into two publicly traded companies: (a) GroceryCo, which following the Distribution will own and conduct, directly and indirectly, the GroceryCo Business; and (b) SnackCo, which following the Distribution will own and conduct, directly and indirectly, the SnackCo Business.

C. On the Distribution Date and subject to the terms and conditions of this Agreement, Kraft Foods Inc. shall distribute to the Record Holders, on a *pro rata* basis, all the outstanding shares of common stock, no par value, of GroceryCo (“GroceryCo Common Stock”) then owned by Kraft Foods Inc. (the “Distribution”).

D. The Distribution is intended to qualify as a tax-free spin-off pursuant to Section 355 of the Internal Revenue Code of 1986, as amended (the “Code”).

1. Section 2.1 of the SDA set out definitions of certain defined terms. These included:

“Ancillary Agreements” means … the IP Agreement (Trademark) [i.e. the MTA] …

“GroceryCo Assets” means:

(a) the Assets listed or described on Schedule 1.2(5) (which for the avoidance of doubt is not a comprehensive listing of all GroceryCo Assets and is not intended to limit the other clauses of this definition of “GroceryCo Assets”) and all other Assets that are expressly provided in this Agreement or any Ancillary Agreement as Assets to be transferred to or retained by any member of the GroceryCo Group;

(b) all interests in the capital stock of, or any other equity interests in, the members of the GroceryCo Group (other than GroceryCo), and the capital stock and other equity, partnership, membership, joint venture and similar interests set on Schedule 1.2(6);

(c) all Assets reflected as assets of the members of the GroceryCo Group on the GroceryCo Balance Sheet and any Assets acquired by or for any member of the GroceryCo Group subsequent to the date of the GroceryCo Balance Sheet that, had they been acquired on or before such date and owned as of such date, would have been reflected on the GroceryCo Balance Sheet if prepared in accordance with United States generally accepted accounting principles (“GAAP”) applied on a consistent basis, subject to any dispositions of any such Assets subsequent to the date of the GroceryCo Balance Sheet;

(d) all approvals, registrations, permits or authorizations issued by any Governmental Authority that relate exclusively to the GroceryCo Business or the GroceryCo Assets and are held in the name of any member of the SnackCo Group;

(e) all Assets owned or held immediately prior to the Distribution by Kraft Foods Inc. or any of its Subsidiaries that primarily relate to or are primarily used in the GroceryCo Business (the intention of this clause (e) is only to rectify any inadvertent omission of transfer or conveyance of any Asset that, had the parties given specific consideration to such Asset as of the date of this Agreement, would have otherwise been classified as a GroceryCo Asset; no Asset shall be a GroceryCo Asset solely as a result of this clause (e) unless a claim with respect thereto is made by GroceryCo on or prior to the date that is 18 months after the Distribution); and

(f) all recoveries or other Assets (net of any expenses) received by any member of either Group with respect to any GroceryCo Action.

Notwithstanding the foregoing, the GroceryCo Assets shall not include any Assets governed by the Tax Sharing Agreement. In the event of any inconsistency or conflict that may arise in the application or interpretation of any of the foregoing provisions, for the purpose of determining what is and is not a GroceryCo Asset, any item explicitly included in clause (a), (b) or (f) of the definition of “SnackCo Assets” shall take priority over any of clauses (c) through (e) of this definition of “GroceryCo Assets” and clause (e) of the definition of “SnackCo Assets” shall take priority over clause (c) of this definition of “GroceryCo Assets.”

“GroceryCo Business” means:

(a) the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution comprising what is referred to in Kraft Foods lnc.’s Quarterly Report on Form 10-Q for the six months ended June 30, 2012 (the “Kraft Foods 10-Q”) as the *U.S. Beverages, U.S. Cheese, U.S. Convenient Meals* and *U.S. Grocery* segments, including the production, distribution, manufacture, marketing, packaging and sale of products under the stock keeping units (“SKUs”) listed on Schedule 1.2(7), as applicable (other than any SKUs of the SnackCo Group that may be inadvertently listed on such Schedule);

(b) the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution relating to the production, distribution, manufacture, marketing, packaging and sale of products included in the GroceryCo Business under clause (a) above or under one of the brands listed on Schedule 1.2(8), in each case through what is referred to in the Kraft Foods 10-Q as the *Kraft Foods Canada & N.A. Foodservice* segment, including the SKUs listed on Schedule 1.2(7), as applicable (other than any SKUs of the SnackCo Group that may be inadvertently listed on such Schedule);

(c) the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution in the Caribbean and Puerto Rico relating to the production, distribution, manufacture, marketing, packaging and sale of products included in the GroceryCo Business under clause (a) or (b) above (other than Refreshment Beverages Products), including the SKUs listed on Schedule 1.2(7), as applicable (other than any SKUs of the SnackCo Group that may be inadvertently listed on such Schedule);

(d) the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution relating to the production, distribution, manufacture, marketing, packaging and sale of products included in the GroceryCo Business under clause (a) or (b) above (other than Refreshment Beverages Products and products sold under the brands listed on Schedule 1.2(9)) that are sold in any geographic region other than the United States, Canada, the Caribbean or Puerto Rico as an export from the United States or Canada to Third Parties through the export group of Kraft Foods Inc., including the SKUs listed on Schedule 1.2(7), as applicable (other than any SKUs of the SnackCo Group that (i) may be inadvertently listed on such Schedule or (ii) relate to Refreshment Beverages Products and products sold under the brands listed on Schedule 1.2(9));

(e) the Other Excluded SnackCo Businesses; and

(f) any other businesses or operations conducted primarily through the use of the GroceryCo Assets.

For the avoidance of doubt, this definition of “GroceryCo Business” shall not be construed to transfer to any member of either Group any trademark or other intellectual property governed by the IP Agreement (Trademark) [i.e. the MTA] or the IP Agreement (Non-Trademark).

“GroceryCo Products” means any products included in the GroceryCo Business or sold by any of the businesses listed or described on Schedule 1.2(16).

“Internal Reorganization” means all of the transactions, other than the Distribution, described in the document entitled “Detailed Transaction Steps” delivered by Kraft Foods Inc. to GroceryCo.

“SnackCo Assets” means:

(a) the Assets listed or described on Schedule 1.2(19) (which for the avoidance of doubt is not a comprehensive listing of all SnackCo Assets and is not intended to limit the other clauses of this definition of “SnackCo Assets”) and all other Assets that are expressly provided in this Agreement or any Ancillary Agreement as Assets to be transferred to or retained by any member of the SnackCo Group;

(b) all interests in the capital stock of, or any other equity interests in, the members of the SnackCo Group (other than SnackCo), and the capital stock and other equity, partnership, membership, joint venture and similar interests listed on Schedule 1.2(20);

(c) all Assets reflected as assets of the members of the SnackCo Group on the SnackCo Balance Sheet and any Assets acquired by or for any member of the SnackCo Group subsequent to the date of the SnackCo Balance Sheet that, had they been acquired on or before such date and owned as of such date, would have been reflected on the SnackCo Balance Sheet if prepared in accordance with GAAP applied on a consistent basis, subject to any dispositions of any such Assets subsequent to the date of the SnackCo Balance Sheet;

(d) all approvals, registrations, permits or authorizations issued by any Governmental Authority that relate exclusively to the SnackCo Business or the SnackCo Assets and are held in the name of any member of the GroceryCo Group;

(e) all Assets owned or held immediately prior to the Distribution by Kraft Foods Inc. or any of its Subsidiaries that primarily relate to or are primarily used in the SnackCo Business (the intention of this clause (e) is only to rectify any inadvertent omission of transfer or conveyance of any Asset that, had the parties given specific consideration to such Asset as of the date of this Agreement, would have otherwise been classified as a SnackCo Asset; no Asset shall be a SnackCo Asset solely as a result of this clause (e) unless a claim with respect thereto is made by SnackCo on or prior to the date that is 18 months after the Distribution); and

(f) all recoveries or other Assets (net of any expenses) received by any member of either Group with respect to any SnackCo Action.

Notwithstanding the foregoing, the SnackCo Assets shall not include any Assets governed by the Tax Sharing Agreement. In the event of any inconsistency or conflict that may arise in the application or interpretation of any of the foregoing provisions, for the purpose of determining what is and is not a SnackCo Asset, any item explicitly included in clause (a), (b) or (f) of the definition of “GroceryCo Assets” shall take priority over any of clauses (c) through (e) of this definition of “SnackCo Assets” and clause (e) of the definition of “GroceryCo Assets” shall take priority over clause (c) of this definition of “SnackCo Assets.”

“SnackCo Business” means:

(a) the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Snacks, Kraft Foods Europe* and *Kraft Foods Developing Markets* segments (but excluding (i) the production, distribution, manufacture, marketing, packaging and sale of *Planters* and *Corn Nuts* branded products (but for the avoidance of doubt, not *Back-to-Nature* nuts) (the “Other Excluded SnackCo Businesses”) and (ii) the other businesses and operations included in clauses (c) and (d) of the definition of “GroceryCo Business”);

(b) the business and operations conducted by Kraft Foods Inc. and its Subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *Kraft Foods Canada & N.A. Foodservice* segment (but excluding the businesses and operations described in clause (b) of the definition of “GroceryCo Business”); and

(c) any other businesses or operations conducted primarily through the use of the SnackCo Assets.

For the avoidance of doubt, this definition of “Snack Co Business” shall not be construed to transfer to any member of either Group any trademark or other intellectual property governed by the IP Agreement (Non-Trademark) or the IP Agreement (Trademark).

1. The Distribution Date for the purposes of the SDA was 1 October 2012.
2. Section 2.1 of the SDA dealt with the internal reorganisation:

Section 2.1 Internal Reorganization: Transfer of Assets and Assumption of Liabilities

(a) Prior to the Distribution, the parties shall cause the Internal Reorganization to be completed, and shall, and shall cause their respective Subsidiaries to, execute all such instruments, assignments, documents and other agreements … necessary to effect the Internal Reorganization.

(b) Prior to the Distribution, the parties shall, and shall cause their respective Subsidiaries to, (i) execute such instruments of assignment and transfer and take such other corporate actions as are necessary to (A) transfer to one or more members of the GroceryCo Group all of the right, title and interest of the SnackCo Group in and to all GroceryCo Assets and (B) transfer to one or more members of the SnackCo Group all of the right, title and interest of the GroceryCo Group in and to all SnackCo Assets …

1. Article III of the SDA dealt with the Distribution. Article IV dealt with further assurances and additional agreements.
2. Article VIII of the SDA dealt with miscellaneous matters. This included section 8.1, which provided in part:

Section 8.1 Coordination with Ancillary Agreements; Conflicts.

(a) Except as otherwise expressly provided in this Agreement, in the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of an Ancillary Agreement, the provisions of the Ancillary Agreement shall control over the inconsistent provisions of this Agreement as to matters specifically addressed in the Ancillary Agreement. For the avoidance of doubt, the Tax Sharing Agreement shall govern all matters (including any indemnities and payments among the parties and each other member of their respective Groups and the allocation of any rights and obligations pursuant to agreements entered into with Third Parties) relating to Taxes or otherwise specifically addressed in the Tax Sharing Agreement.

1. The effect of the above provision was that, in relation to matters specifically addressed by the MTA, the MTA (which was an Ancillary Agreement) prevailed over the SDA in the event of inconsistency.
2. We turn now to the MTA. The parties to the MTA (the Master Ownership and License Agreement Regarding Trademarks and Related Intellectual Property) were Kraft Foods Global Brands LLC (SnackCo IPCo) and Kraft Foods Group Brands LLC (GroceryCo IPCo). The agreement was dated “as of” 27 September 2012. The Recitals to the MTA were as follows:

A. Kraft Foods Inc., a Virginia corporation (“Kraft Foods Inc.”) or (“SnackCo”) and Kraft Foods Group, Inc a Virginia corporation (“GroceryCo”) have entered into the Separation and Distribution Agreement (the “Separation Agreement”), dated as of September 27, 2012, under which Kraft Foods Inc. will distribute to the Record Holders (as defined in the Separation Agreement), on a *pro rata* basis, all the outstanding shares of GroceryCo Common Stock (as defined in the Separation Agreement) owned by Kraft Foods Inc. on the Distribution Date (as defined in the Separation Agreement) (the “Distribution”).

B. Prior to the Distribution, Kraft Foods Inc., acting through itself and its direct and indirect Subsidiaries (as defined in the Separation Agreement), has conducted the GroceryCo Business (as defined in the Separation Agreement), and the SnackCo Business (as defined in the Separation Agreement). Pursuant to the Distribution, Kraft Foods Inc. is being separated into two publicly traded companies: (i) GroceryCo, which will own and conduct, directly and indirectly, the GroceryCo Business; and (ii) SnackCo, which will own and conduct, directly and indirectly, the SnackCo Business.

C. In furtherance of the separation of Kraft Foods Inc. into two publicly traded companies pursuant to the Separation Agreement, Section 2.1(b) of the Separation Agreement requires GroceryCo and SnackCo to, and to cause their respective subsidiaries to, (A) transfer to one or more members of the GroceryCo Group (as defined in the Separation Agreement) all of the right, title and interest of the SnackCo Group (as defined in the Separation Agreement) in and to all GroceryCo Assets (as defined in the Separation Agreement) and (B) transfer to one or more members of the SnackCo Group all of the right, title and interest of the GroceryCo Group in and to all SnackCo Assets (as defined in the Separation Agreement).

D. In addition to such transfer of GroceryCo Assets and SnackCo Assets, the parties desire to license to each other certain Trademarks (as defined below) on both a short-term and long-term basis, taking into consideration the historic joint development of such Trademarks by the GroceryCo and SnackCo Businesses, the overlapping usage by both the GroceryCo and SnackCo Businesses in certain jurisdictions, and the needs for the Licensee (as defined below) to transition to new branding and Trademarks and exhaust existing inventory.

E. The parties desire to enter into an agreement on the following terms and conditions to set forth their agreements regarding the ownership and licensing of Trademarks used in the conduct of the GroceryCo Business and the SnackCo Business.

1. Section 1.2 of the MTA stated that “[c]apitalized terms used herein without definition shall have the meanings assigned to them in the [SDA]”. Section 1.2 also included the following definitions:

“GroceryCo Brand-Related Copyrights” means any of the copyrights owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution in any product packaging, advertising and promotional material and website and other content that relates specifically to products that are primarily branded with GroceryCo Marks, other than the copyrights mentioned in Section 2.1(d).

“GroceryCo Brand IP” means, collectively, the GroceryCo Marks (and the goodwill associated therewith), the GroceryCo Brand-Related Copyrights and the GroceryCo Domain Names.

“GroceryCo Mark Binders” means the Trademark binders dated as of the Distribution Date and labeled “GroceryCo Marks” that contain a listing of all of the GroceryCo Marks.

“GroceryCo Marks” means any of the Trademarks owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) are GroceryCo Primary Brands or (ii) primarily relate to or are primarily used in the GroceryCo Business. The “GroceryCo Marks” include all of the Trademarks listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein).

“GroceryCo Primary Brands” means the brands used in the GroceryCo Business that are listed on Schedule B hereto.

“GroceryCo Products” means products produced, manufactured, advertised, promoted. marketed, distributed or sold in connection with the GroceryCo Business.

“Kraft GroceryCo Trademark” means the Trademarks “KRAFT” and “KRAFT FOODS” owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution, including the Kraft Hexagon Logo or any successor logo adopted by GroceryCo.

“Kraft Hexagon Logo” means the Trademark owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that consists of “Kraft” bordered with a hexagon as shown below.



“SnackCo Brand IP” means, collectively, the SnackCo Marks (and the goodwill associated therewith), the SnackCo Brand-Related Copyrights and the SnackCo Domain Names.

“SnackCo Mark Binders” means the Trademark binders dated as of the Distribution Date and labeled “SnackCo Marks” that contain a listing of all of the SnackCo Marks.

“SnackCo Marks” means any of the Trademarks owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) are SnackCo Primary Brands or (ii) primarily relate to or are primarily used in the SnackCo Business. The “SnackCo Marks” include all of the Trademarks listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein).

“SnackCo Primary Brands” means the brands used in the SnackCo Business that are listed on Schedule C hereto.

“SnackCo Products” means products produced, manufactured, advertised, promoted, marketed, distributed or sold in connection with the SnackCo Business.

“Split-Ownership Brands” means the following brands used in connection with the GroceryCo Business and the SnackCo Business: “Philadelphia”, “Maxwell House”, “Gevalia”, “Dream Whip” and “Live Active”.

“Sub-Brands” means a Trademark, excluding Trade Dress, used on the front of the package for purpose of naming product variants, product segments, product flavors, usage occasions and the like and used in combination with a licensed GroceryCo Primary Brand or a licensed SnackCo Primary Brand, as the case may be.

“Trade Dress” means the rights in the registered or unregistered characteristics of the visual appearance of a product packaging including the shape or appearance of the container, graphic design, and color scheme or design, or a combination of any of the foregoing that serve as a source identifier and are used on the package in combination with a licensed GroceryCo Primary Brand or a licensed SnackCo Primary Brand, as the case may be.

“Trademarks” means trademarks, service marks, trade names and other indications of origin or similar rights and all related Trade Dress, in each case, whether registered or unregistered, including all registrations and all applications to register any of the foregoing.

1. Article II of the MTA dealt with the allocation of ownership of Trademarks, Brand-Related Copyrights and Domain Names. Section 2.1 stated in part as follows:

**Section 2.1** Ownership of Trademarks, Brand-Related Copyrights and Domain Names.

(a) Ownership by GroceryCo IPCo.

(i) The parties acknowledge that, as between the parties and their respective Affiliates, GroceryCo IPCo and its Affiliates are the sole and exclusive owners of the GroceryCo Brand IP and that no SnackCo Entity has any right or interest therein, subject to the licenses granted to SnackCo IPCo in the GroceryCo Brand IP under this Agreement. SnackCo IPCo hereby assigns to GroceryCo IPCo all right, title and interest of SnackCo IPCo in and to the GroceryCo Brand IP, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to GroceryCo IPCo or an Affiliate of GroceryCo IPCo designated by GroceryCo IPCo any right, title and interest of such Affiliates of SnackCo IPCo in and to the GroceryCo Brand IP.

…

(iii) All Trade Dress used for GroceryCo Products and adopted by SnackCo IPCo or any of its Affiliates prior to the Distribution Date with respect to any of the GroceryCo Marks licensed hereunder (“GroceryCo Trade Dress”) shall be owned by GroceryCo IPCo (or, pursuant to separate assignment agreements, Affiliates of GroceryCo IPCo designated by GroceryCo IPCo) and deemed to be included in the GroceryCo Marks licensed to SnackCo IPCo hereunder, and SnackCo IPCo hereby assigns to GroceryCo IPCo all right, title and interest of SnackCo IPCo in such GroceryCo Trade Dress, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to GroceryCo IPCo or an Affiliate of GroceryCo IPCo designated by Grocery IPCo any right, title and interest of such Affiliates of SnackCo IPCo in and to such GroceryCo Trade Dress. Any Trade Dress that is created in good faith after the Distribution Date by or on behalf of a SnackCo Entity independently from such GroceryCo Trade Dress in connection with the use of a GroceryCo Mark licensed by GroceryCo IPCo hereunder (“SnackCo-Developed Trade Dress”) and that portion of any Trade Dress that relates specifically to any SnackCo Marks shall be owned by SnackCo IPCo or its respective Affiliates.

…

(b) Ownership by SnackCo IPCo.

(i) The parties acknowledge that, as between the parties and their respective Affiliates, SnackCo IPCo and its Affiliates are the sole and exclusive owners of the SnackCo Brand IP and that no GroceryCo Entity has any right or interest therein, subject to the licenses granted to GroceryCo IPCo in the SnackCo Brand IP under this Agreement. GroceryCo IPCo hereby assigns to SnackCo IPCo all right, title and interest of GroceryCo IPCo in and to the SnackCo Brand IP, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to SnackCo IPCo or an Affiliate of SnackCo IPCo designated by SnackCo IPCo any right, title and interest of such Affiliates of GroceryCo IPCo in and to the SnackCo Brand IP.

…

(iii) All Trade Dress used for SnackCo Products and adopted by GroceryCo IPCo or any of its Affiliates prior to the Distribution Date with respect to any of the SnackCo Marks licensed hereunder (“SnackCo Trade Dress”) shall be owned by SnackCo IPCo (or, pursuant to separate assignment agreements, Affiliates of SnackCo IPCo designated by SnackCo IPCo) and deemed to be included in the SnackCo Marks licensed to GroceryCo IPCo hereunder, and GroceryCo IPCo hereby assigns to SnackCo IPCo all right, title and interest of GroceryCo IPCo in such SnackCo Trade Dress, and agrees to cause its Affiliates to assign pursuant to separate assignment agreements to SnackCo IPCo or an Affiliate of SnackCo IPCo designated by SnackCo IPCo any right, title and interest of such Affiliates of GroceryCo IPCo in and to such SnackCo Trade Dress. Any Trade Dress that is created in good faith after the Distribution Date by or on behalf of a GroceryCo Entity independently from such SnackCo Trade Dress in connection with the use of a SnackCo Mark licensed by SnackCo IPCo hereunder (“GroceryCo-Developed Trade Dress”) and that portion of any Trade Dress that relates specifically to any GroceryCo Marks shall be owned by GroceryCo IPCo or its respective Affiliates.

1. Article III of the MTA dealt with licences. Section 3.1 stated in part:

**Section 3.1** License Grants by GroceryCo IPCo to SnackCo IPCo.

(a) Ten-Year License of Kraft GroceryCo Trademark to SnackCo IPCo. Subject to the terms and conditions of this Agreement, GroceryCo IPCo hereby grants to SnackCo IPCo from the Distribution Date until the tenth anniversary of the Distribution Date an exclusive, fully-paid, royalty-free, and nontransferable (except as expressly permitted herein) license to use and display in the following jurisdictions the Kraft GroceryCo Trademark in the same relative size or smaller on the principle display panel as used on the Distribution Date on SnackCo Products in the following product categories existing on the Distribution Date on which the Kraft GroceryCo Trademark appears on such date in such jurisdictions and on any substantially similar SnackCo Products and flankers and product line extensions of such SnackCo Products developed by or on behalf of the SnackCo Business or any member of the SnackCo Group after the Distribution Date and in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of such SnackCo Products in such jurisdictions:

(i) cheese, including without limitation, processed cheese, cream cheese, grated cheese, hard cheese and natural cheese in the Near East Countries, Australia and New Zealand, including the use of the GroceryCo mark “Singles” for processed cheese;

(ii) processed cheese in Mauritius, Mexico, Venezuela, Malaysia, Singapore and Philippines, including the use of the GroceryCo Mark “Singles” for processed cheese;

(iii) mayonnaise in the European Union, Mexico, Venezuela, Australia and New Zealand;

(iv) salad dressing in the European Union, Australia and New Zealand;

(v) peanut butter in Australia and New Zealand;

(vi) ketchup in the European Union; and

(vii) macaroni and cheese products in Australia and New Zealand including the use of GroceryCo Marks “Kraft Mac & Cheese” and “Kraft Easy Mac” for such products.

Notwithstanding the foregoing, if, subject to Section 3.7 of this Agreement and Section 4.6 of the Separation Agreement, any of the licenses granted in this Section 3.l(a) are assigned or otherwise transferred by the Licensee to a third party, the term of such license following such assignment or other transfer shall be limited to the shorter of (A) the remaining term of the original ten-year license term or (B) two years from the date of such assignment or other transfer; provided that GroceryCo IPCo shall in good faith consider in its sole discretion any requests by SnackCo IPCo to extend the two year remaining term for up to one additional year.

…

(m) Related Logos and Tag Lines. For clarity, and unless expressly provided otherwise herein, references to a specific GroceryCo Mark that is a Licensed Trademark under this Section 3.1 shall include the logos, Sub-Brands, Trade Dress, and tag lines (other than “Make Today Delicious” which is owned by SnackCo IPCo) owned by a GroceryCo Entity as of the Distribution Date and used in connection with Such GroceryCo Mark in any product packaging immediately prior to the Distribution Date.

1. Section 3.5 of the MTA (being one of the clauses that Kraft contends Bega breached) stated:

**Section 3.5** Obligation to Phase-Out Use.

(a) Upon any termination or expiration of any license of a Licensed Trademark granted under Sections 3.1, 3.2 and 3.6, the Licensee agrees (i) to discontinue, and cause each of its Affiliates to discontinue, the production of packaging, promotion and marketing materials that display such Licensed Trademark and (ii) to cease all advertising, couponing and any other consumer-directed marketing or promotion activity making use of such Licensed Trademark. During the twelve (12) month period following any such termination or expiration of any such license of a Licensed Trademark, the Licensee shall have the right (i) to sell any finished goods bearing the Licensed Trademark held as inventory on the date of such termination or expiration and (ii) to produce products bearing such Licensed Trademark to the extent necessary to exhaust all packaging materials existing at the time of such termination or expiration and in connection therewith to use such packaging materials and sell such products as finished goods. Each party agrees that it and its Affiliates will not produce or authorize the production of any products or packaging materials bearing a Licensed Trademark licensed to such party with an intent that such quantities be in excess of the quantity that reasonably would be expected to be sold prior to the termination or expiration of the license of such Licensed Trademark and such party shall have no rights under this Section 3.5 following the termination or expiration of the relevant license to sell any such product or use any such packaging materials in excess of such quantity. Except as contemplated above in this Section 3.5, all use of a Licensed Trademark by the Licensee shall cease upon the termination or expiration of the license of such Licensed Trademark. For the avoidance of doubt, the rights and obligations set forth in this Section 3.5 shall apply to the sublicensees of SnackCo IPCo set forth in Section 3.1(1), subject to Section 2.10.

(b) If the Licensee intends to transition the name of a product from a Licensed Trademark to a new trademark or brand name after the expiration or termination of the Trademark license, the Licensee shall be entitled to announce such transition of a product name prior to the expiration or termination of the Trademark license in advertising, marketing and sales materials. The Licensee may announce such transition of a product name on the product packaging and shall be permitted to reasonably reduce the prominence of the logos of the Licensed Trademarks as they appear on such packaging in furtherance of such transition, provided that no so labeled products are shipped to customers or distributors after the expiration or termination of the Trademark license (except during the twelve (12) month period provided for in Section 3.5(a)). The announcement of the transition of a product name in advertising, marketing, sales materials and product packaging shall be unobtrusive and shall not denigrate or tarnish the image and reputation of the Licensed Trademark or impair or aggravate a potential market entry by the Licensor after the expiration or termination of the Trademark license.

1. Section 3.8 of the MTA stated in part:

**Section 3.8** Quality Standards and Control.

(a) The parties acknowledge that the Trademarks licensed hereunder have established valuable goodwill and that it is important to the parties that this valuable goodwill and reputation be preserved. Accordingly, the parties agree that the products with which the Licensed Trademarks are used by a party or its Affiliates, as Licensee, shall for the term of the respective Trademark license meet quality standards that are substantially equivalent to or higher than those standards maintained by Kraft Foods Inc. and its Subsidiaries immediately prior to the Distribution Date. Each party covenants and agrees that all of its and its Affiliates’ activities in connection with such Trademarks licensed to it by the other party will be conducted in conformity with all applicable Laws. In case a Licensed Trademark is used as an ingredient indicator on the packaging of a certain product, the Licensee shall purchase the indicated ingredient(s) from the Licensor or one of its Affiliates, or from a company designated and approved by the Licensor or one of its Affiliates.

1. Section 3.10 of the MTA (being one of the clauses Kraft says Bega breached) stated:

**Section 3.10** Goodwill Arising from Use of Marks.

Any and all goodwill arising from any Licensee’s or its Affiliates’ use of Trademarks licensed by the Licensor shall inure solely to the benefit of the Licensor and neither during the terms of the respective Trademark licenses nor after their termination or expiration shall either party assert any claim to the Licensor’s Trademarks or such goodwill relating thereto as a result of the use of such Trademarks pursuant to the license granted to the Licensee hereunder. Each party agrees that all goodwill in the Licensor’s Trademarks licensed to the Licensee hereunder that may be held by Licensee notwithstanding the foregoing is hereby assigned by the Licensee and its Affiliates to the Licensor, without the need for any further action by any person.

1. Section 3.11 of the MTA (being one of the clauses Bega is said to have breached) stated:

**Section 3.11** No Inconsistent Action.

Subject to Section 2.3, neither the Licensee nor any of its Affiliates shall knowingly or intentionally: (a) take, maintain or direct any action that is inconsistent with the Licensor’s ownership of the Licensed Trademarks (b) assert any claim of right in or ownership of the Licensor’s Licensed Trademarks or challenge the Licensor’s right, title, interest in, or ownership of, its Licensed Trademarks or its registrations therefor; (c) apply for, or cause any other entity to apply for, the registration of any logo, symbol, trademark, service mark, company or corporate name, product name, domain name or a new social media account or address that does not exist as of the Distribution Date (e.g., a new Facebook or Twitter address) other than for licenses for a term of not less than ten (10) years hereunder and then in a manner that does not include the territory reserved to the Licensor in such addresses and otherwise is consistent with the territorial restrictions in this Agreement, or commercial slogan which (i) consists in whole or in part of the Licensor’s Licensed Trademarks that have been registered in such jurisdiction or (ii) is confusingly similar to the Licensor’s Licensed Trademarks that have been registered in such jurisdiction; or (d) take any action that would diminish or dilute the value, reputation or goodwill of the Licensor’s Licensed Trademarks or that would otherwise denigrate the image and reputation of the Licensor, tarnish the Licensor’s Licensed Trademarks or harm the Licensor’s goodwill in its Licensed Trademarks. Neither party shall take any action with an intent to diminish the value, reputation or goodwill of or that would otherwise denigrate the image and reputation of the Split-Ownership Brands, in each case in a manner that would result in a materially adverse effect on the value, ownership, or use of such Split-Ownership Brand by or to the other party in those jurisdictions in which such other party owns the Trademarks relating to such Split-Ownership Brand. For avoidance of doubt, to the extent that an exclusive license granted by a party hereunder as provided herein does not permit such party to use a Trademark for a particular purpose, such party shall not use a Trademark that is confusingly similar thereto for such purpose.

1. Section 8.8 and 8.9 of the MTA stated:

**Section 8.8** No Third Party Beneficiaries; Affiliates. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than the parties hereto and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature under or by reason of this Agreement. Without limitation to the foregoing, and for clarity, (i) references to Affiliates of a party herein does not render such Affiliates a party to this Agreement, (ii) each party hereto shall be responsible for providing to its Affiliates pursuant to separate agreements or other such arrangement any rights or benefits that such Affiliates may enjoy as a result of this Agreement and (iii) each party hereto shall be responsible for causing its Affiliates to comply with the applicable provisions of this Agreement.

**Section 8.9** Governing Law. This Agreement and all disputes or controversies arising out of or relating to this Agreement or the transactions contemplated hereby shall be governed by, and construed in accordance with, the internal Laws of the State of New York, without regard to the Laws of any other jurisdiction that might be applied because of the conflicts of laws principles of the State of New York (other than Section 5-1401 of the New York General Obligations Law).

1. Schedule B to the MTA is headed “GroceryCo Primary Brands”. Under the heading “Cheese & Dairy”, there is a list of brands, including Kraft. Similarly, under the heading “Grocery”, there is a list of brands including Kraft.
2. Schedule C is headed “SnackCo Primary Brands”. Although not directly relevant for the purposes of the appeal, we note that under the heading “Grocery & Convenient Meals”, the “Vegemite” brand was listed.
3. The SnackCo Mark Binders included a reference to the “Never Oily, Never Dry” trade mark. As noted above, that trade mark was registered in the name of KFL before the Restructure and remained registered in the name of the same company (renamed MAFL) following the Restructure.

### Applicable principles of construction

1. There is no issue between the parties as to the applicable principles of construction. Consistently with the way in which the case was ultimately presented at first instance, it is not suggested that there is any relevant distinction for present purposes between the principles of construction applicable under New York law and those applicable under Australian law. These principles are well established. It is sufficient for present purposes to refer to the following passages from the judgment of the High Court of Australia in *Mount Bruce Mining Pty Ltd v Wright Prospecting Pty Ltd* (2015) 256 CLR 104. In that case, French CJ, Nettle and Gordon JJ stated at [46]-[51]:

46 The rights and liabilities of parties under a provision of a contract are determined objectively, by reference to its text, context (the entire text of the contract as well as any contract, document or statutory provision referred to in the text of the contract) and purpose.

47 In determining the meaning of the terms of a commercial contract, it is necessary to ask what a reasonable businessperson would have understood those terms to mean. That inquiry will require consideration of the language used by the parties in the contract, the circumstances addressed by the contract and the commercial purpose or objects to be secured by the contract.

48 Ordinarily, this process of construction is possible by reference to the contract alone. Indeed, if an expression in a contract is unambiguous or susceptible of only one meaning, evidence of surrounding circumstances (events, circumstances and things external to the contract) cannot be adduced to contradict its plain meaning.

49 However, sometimes, recourse to events, circumstances and things external to the contract is necessary. It may be necessary in identifying the commercial purpose or objects of the contract where that task is facilitated by an understanding “of the genesis of the transaction, the background, the context [and] the market in which the parties are operating”. It may be necessary in determining the proper construction where there is a constructional choice. The question whether events, circumstances and things external to the contract may be resorted to, in order to identify the existence of a constructional choice, does not arise in these appeals.

50 Each of the events, circumstances and things external to the contract to which recourse may be had is objective. What may be referred to are events, circumstances and things external to the contract which are known to the parties or which assist in identifying the purpose or object of the transaction, which may include its history, background and context and the market in which the parties were operating. What is inadmissible is evidence of the parties’ statements and actions reflecting their actual intentions and expectations.

51 Other principles are relevant in the construction of commercial contracts. Unless a contrary intention is indicated in the contract, a court is entitled to approach the task of giving a commercial contract an interpretation on the assumption “that the parties … intended to produce a commercial result”. Put another way, a commercial contract should be construed so as to avoid it “making commercial nonsense or working commercial inconvenience”.

(Footnotes omitted.)

1. In the same case, Kiefel and Keane JJ stated at [108]-[110]:

108 That regard may be had to the mutual knowledge of the parties to an agreement in the process of construing it is evident from *Codelfa Construction Pty Ltd v State Rail Authority (NSW)*. Mason J, with whom Stephen and Wilson JJ agreed, accepted that there may be a need to have regard to the circumstances surrounding a commercial contract in order to construe its terms or to imply a further term. In the passages preceding what his Honour described as the “true rule” of construction, his Honour identified “mutually known facts” which may assist in understanding the meaning of a descriptive term or the “genesis” or “aim” of the transaction. His Honour had earlier referred to the judgment of Lord Wilberforce in *Prenn v Simmonds*, where it was said that “[t]he time has long passed when agreements … were isolated from the matrix of facts in which they were set and interpreted purely on internal linguistic considerations”.

109 In a passage from *DTR Nominees Pty Ltd v Mona Homes Pty Ltd*, to which Mason J referred, it was said that the object of the exercise was to show that “the attribution of a strict legal meaning would ‘make the transaction futile’”. In *Electricity Generation Corporation v Woodside Energy Ltd*, French CJ, Hayne, Crennan and Kiefel JJ explained that a commercial contract should be construed by reference to the surrounding circumstances known to the parties and the commercial purpose or objects to be secured by the contract in order to avoid a result that could not have been intended.

110 The “ambiguity” which Mason J said may need to be resolved arises when the words are “susceptible of more than one meaning”. His Honour did not say how such an ambiguity might be identified. His Honour’s reasons in *Codelfa* are directed to how an ambiguity might be resolved.

(Footnotes omitted.)

1. This is not a case where the primary judge had any particular advantage compared with the appeal court in construing the Restructure documents: see *Branir Pty Ltd v Owston Nominees (No 2) Pty Ltd* (2001) 117 FCR 424 at [28]-[29] per Allsop J (as his Honour then was); see also *Optical 88 Ltd v Optical 88 Pty Ltd* (2011) 197 FCR 67 at [33] per Cowdroy, Middleton and Jagot JJ.

### Kraft’s contention: a division of branded product lines

1. Fundamental to Kraft’s case on appeal are the propositions that the Restructure is to be understood as involving a division of *branded product lines* between the two groups (i.e. GroceryCo and SnackCo) and that the business undertaken in respect of the Kraft peanut butter product line was a business allocated to GroceryCo. We will start by examining these contentions, before turning to Kraft’s more specific construction submissions, described as the first pathway and the second pathway.
2. In support of the proposition that the Restructure is to be understood as involving a division of the existing business of Kraft Foods Inc into two groups based on *branded product lines*, Kraft submits, in summary:
3. The Restructure is to be understood in its commercial and legal context on a number of levels. At the broadest level, the Kraft conglomerate had revenues of approximately $48 billion. It was to be split into two groups. Viewed at a very high level, the North American grocery business would be spun off to Kraft shareholders. That would leave within the existing corporate structure a high growth snacks business. The transaction can be understood along territorial lines which translate into a broad product category division between groceries and snacks.
4. Looked at more closely, the Restructure involved a division of individual *branded product lines* between the two groups which, subject to limited exceptions, transcended geographical boundaries and in some cases did not match a strict *groceries v snacks* division. Thus, approximately 315 branded product lines, equating to $32 billion in revenue, were allocated to SnackCo, not all of which were snacks. And 76 branded product lines, equating to $16 billion in revenue, were allocated to GroceryCo, not all of which were groceries.
5. Viewed in reverse, while GroceryCo group was primarily identified as the North American grocery business, that business was to include continuing ownership of the Kraft brand and the licensing of that intellectual property back to companies within the SnackCo group to allow them to transition their businesses (and develop new product lines including in groceries in the future if they wished).
6. Relevantly to the present case, KFL, as a subsidiary operating outside North America, was to remain in the existing structure (i.e., SnackCo group) as part of the “high growth snacks business”. Yet its existing business included important grocery product lines, such as Vegemite and peanut butter. Under the Restructure, it was to be permitted to sell these product lines going forward. Thus, decisions had to be made about what would happen to the trade marks (and other brand-related copyright works) that had been used on these product lines prior to the Restructure.
7. Vegemite was viewed as a trade mark that could stand in its own right. It was not needed in the North American business, so it could be separated from the Kraft brand and the SnackCo group could become its absolute owner.
8. The position for the peanut butter product line was different as it had been previously sold by KFL under the Kraft brand (and under the control of the Kraft conglomerate). The solution provided under the Restructure was that KFL would be given a licence so it could use the Kraft Australian peanut butter intellectual property on peanut butter products for a transition period until it could fully operate its business without the benefit of that intellectual property.
9. Thus the essential context which underpins the Restructure, so far as relevant to issues in the appeal, is that KFL was permitted to continue to operate in Australia, including selling a peanut butter product, and to do so within the existing corporate structure (headed by SnackCo) on the fundamental premise that, as against GroceryCo, it would be the latter that would continue to own and control the use of the intellectual property in at least the Kraft brand (and, Kraft says, the related Peanut Butter Trade Dress) for the peanut butter product line subject to the licence arrangements referred to in the preceding paragraph.
10. The GroceryCo group received a significant business under the Restructure which included manufacturing operations in North America producing peanut butter as well as the Kraft Australian peanut butter intellectual property. It also received a significant body of knowhow and the recipe used to make Kraft peanut butter.
11. We note that there is no dispute between the parties that KFL (now MAFL) and the physical assets and facilities it owned in Australia in the conduct of the peanut butter business (and other businesses) became part of SnackCo in the Restructure. KFL remained a subsidiary of Kraft Foods Inc (renamed Mondelez International Inc) (SnackCo) and continued to operate the same peanut butter business following the Restructure. There is also no dispute that the Kraft trade mark was assigned to GroceryCo in the Restructure, with a licence back to SnackCo for a limited period. The dispute between the parties relates to Kraft’s contention that, relevantly, the Peanut Butter Trade Dress was also assigned to GroceryCo as part of the *Kraft peanut butter product line* that was allocated to GroceryCo, even though the Australian peanut butter business and operations conducted by KFL were allocated to SnackCo.
12. In support of that contention, Kraft submits, in summary:
13. The SDA was executed between the parent entities in the respective company groups. The primary definition of assets transferred included assets expressly provided for in any Ancillary Agreement which, in turn, included the MTA. The businesses allocated to each company group are defined both in terms of segments cross-referenced to the Kraft Foods 10-Q and by reference to product lines through cross-reference to assets allocated in the MTA.
14. The MTA is the central document for the purposes of assessing the allocation of intellectual property. It defines the businesses allocated to each corporate group under the SDA. The MTA was executed between the respective intellectual property holding companies within the two groups. The allocative function and licensing function is achieved by Articles II and III of the MTA, respectively.
15. Various registered trade marks which appear on Kraft peanut butter (save for the registered trade mark for “Never Oily, Never Dry”) and copyrights were allocated to GroceryCo under the MTA. This intellectual property was allocated to GroceryCo as an asset. The business undertaken in respect of the *Kraft peanut butter product line*, carried on primarily using that intellectual property, was a business allocated to GroceryCo.
16. In oral submissions, senior counsel for Kraft placed considerable emphasis on paragraph (f) of the definition of “GroceryCo Business” in the SDA. That paragraph referred to “any other businesses or operations conducted primarily through the use of the GroceryCo Assets”. It was submitted that: the Kraft brand was a GroceryCo Primary Brand under the MTA; it was, therefore, a GroceryCo Mark and formed part of GroceryCo Brand IP, which was allocated to GroceryCo under Article II of the MTA; as such, the Kraft brand fell within the definition of “GroceryCo Assets” in the SDA – paragraph (a) of the definition of GroceryCo Assets relevantly referred to “all other Assets that are expressly provided in this Agreement or any Ancillary Agreement [which included the MTA] as Assets to be transferred to or retained by any member of the GroceryCo Group”. It was submitted that the business undertaken in respect of the Kraft peanut butter product line was a business or operation conducted primarily through the use of a GroceryCo Asset (the Kraft brand) and therefore a GroceryCo Business.
17. In our view, Kraft’s propositions do not reflect and, indeed, are contrary to the transaction documents. As reflected in recital B of the SDA, and implemented by section 2.1, Kraft Foods Inc’s global business was divided into two mutually exclusive businesses, termed the “SnackCo Business” and the “GroceryCo Business”. Despite using the names “SnackCo” and “GroceryCo”, the SDA divided Kraft Foods Inc’s businesses using a division between snack and grocery products in the North American geographical area, but outside North America it allocated all businesses and operations (both snack and grocery) to SnackCo. This is clear from the definitions of “GroceryCo Business” and “SnackCo Business”, which referred to the market segments described in the Kraft Foods 10-Q. In relation to the GroceryCo Business, the first three paragraphs of the definition referred, in broad terms, to the following businesses and operations:
18. the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Beverages, U.S. Cheese, U.S. Convenient Meals* and *U.S. Grocery* segments;
19. the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution relating to the production, distribution, manufacture, marketing, packaging and sale of products included in the GroceryCo Business under paragraph (a) above or under one of the brands listed on Schedule 1.2(8), in each case through what is referred to in the Kraft Foods 10-Q as the *Kraft Foods Canada & N.A. Foodservice* segment; and
20. the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution in the Caribbean and Puerto Rico relating to the production, distribution, manufacture, marketing, packaging and sale of products included in the GroceryCo Business under paragraphs (a) or (b) above.
21. In relation to the SnackCo Business, the first two paragraphs of the definition referred, in broad terms, to the following businesses and operations:
22. the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Snacks*, *Kraft Foods Europe* and *Kraft Foods Developing Markets* segments (with certain exceptions); and
23. the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *Kraft Foods Canada & N.A. Foodservice* segment (but excluding the businesses and operations described in paragraph (b) of the definition of “GroceryCo Business”).
24. In light of the above, we do not accept that the Restructure was designed to divide the existing Kraft Foods Inc group into two groups based on *branded product lines*. While it is true that the MTA allocated particular brands to each of GroceryCo IPCo and SnackCo IPCo, and that the provisions of the MTA prevailed in the event of inconsistency, to treat the division as essentially based on branded product lines is contrary to the scheme of the definitions of “GroceryCo Business” and “SnackCo Business” in the SDA. It places undue emphasis on the last paragraph of each definition (paragraph (f) in the case of “GroceryCo Business” and paragraph (c) in the case of “SnackCo Business”) and pays insufficient regard to the initial paragraphs of the definitions of GroceryCo Business and SnackCo Business. Paragraph (f) of the definition of “GroceryCo Business” and paragraph (c) of the definition of “SnackCo Business” address the allocation of “any other businesses or operations” and only apply where a business has not otherwise been allocated in the paragraphs above it.
25. The contention that the division was based on branded product lines draws no support from Kraft Foods Inc’s announcement of the proposed transaction set out in [40] above.
26. Kraft’s written submissions include references to the value of the branded product lines that it submits were allocated to GroceryCo and SnackCo. Kraft refers to the product lines allocated to GroceryCo as having revenues of $16 billion, and the product lines allocated to SnackCo as having revenues of $32 billion. These figures appear to come from the press release dated 4 August 2011 announcing the proposed restructure that was in evidence, but the press release makes clear that $16 billion is the revenue of the “North American grocery business” rather than certain “branded product lines” as contended by Kraft.
27. We note that, despite the allocation of all businesses outside North America to SnackCo, the MTA, with few exceptions, divided Kraft Foods Inc’s trade mark portfolio (as distinct from “product lines”) on a worldwide basis. This meant that, after the expiry of various transitional licences, each corporate group (headed by GroceryCo and SnackCo respectively) would have exclusive custodianship of its allocated trade marks world-wide – each would therefore have full control over how its own trade marks would be presented and promoted internationally, including on websites that might be viewed from anywhere in the world. In the case of GroceryCo, it could develop new businesses outside North America, using its international trade mark portfolio, or license others to do so (once any transitional licences had expired), but it was not obliged to do so.
28. We reject Kraft’s contention that (what it describes as) the business undertaken with respect to the Kraft peanut butter product line was a business allocated to GroceryCo. As set out above, the definition of “GroceryCo Business” in the SDA included the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Beverages, U.S. Cheese, U.S. Convenient Meals* and *U.S. Grocery* segments as well as certain aspects of the businesses referred to as the *Kraft Foods Canada & N.A. Foodservice* segment. The definition of “SnackCo Business” in the SDA included the business and operations conducted by Kraft Foods Inc and its subsidiaries prior to the Distribution comprising what is referred to in the Kraft Foods 10-Q as the *U.S. Snacks*, *Kraft Foods Europe* and *Kraft Foods Developing Markets* segments (with certain exceptions) and the non-overlapping aspects of the businesses referred to as the *Kraft Foods Canada & N.A. Foodservice* segment. Those business segments are identified in the Kraft Foods 10-Q. Under Note 14 (Segment Reporting), it was explained that:

We manufacture and market packaged food products, including snacks, beverages, cheese, convenient meals and various packaged grocery products. We manage and report operating results through three geographical units: Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets. We manage the operations of Kraft Foods North America and Kraft Foods Europe by product category and we manage the operations of Kraft Foods Developing Markets by location.

1. Note 14 then reported Kraft Foods Inc’s revenue for the 3 months and 6 months ending 30 June 2012 (and the prior period) on a segment basis under the following headings:
2. Kraft Foods North America, which was further divided into the following segments: U.S. Beverages; U.S. Cheese; U.S. Convenient Meals; U.S. Grocery; U.S. Snacks; and Canada and N.A. Foodservice;
3. Kraft Foods Europe; and
4. Kraft Foods Developing Markets.
5. Note 5, which identified goodwill and intangible assets by reportable segment as at 30 June 2012 (and for the prior period as at 31 December 2011), was based on the same business segments.
6. The Kraft Foods 10-Q then reported financial and operating results on a consolidated basis and by reporting segment. A separate section was devoted to each of the reporting segments referred to in Note 14. Under the heading “Kraft Foods Developing Markets”, it was stated that in “Asia Pacific, net revenues increased due to favorable volume/mix, primarily in Australia/New Zealand …”. It is apparent from this that the Australian business operations of KFL formed part of the Kraft Foods Developing Markets geographical unit (or segment) as referred to in the Kraft Foods 10-Q. It follows that KFL’s Australian business operations, including its peanut butter business, formed part of the SnackCo Business by virtue of paragraph (a) of the definition of “SnackCo Business”. In light of these matters, it is incorrect to treat the business undertaken with respect to the Kraft peanut butter product line as a business allocated to GroceryCo (or forming part of the GroceryCo Business).
7. Consistent with this position, section 2.1 of the SDA allocated to SnackCo all “SnackCo Assets” which, by virtue of the definition of that term and Schedule 1.2(19) (as referenced in the definition) included any “facilities located outside the United States and Canada and all tangible fixed assets and equipment located at such facilities”. That description includes all facilities, fixed assets and equipment in Australia. Further, section 3.1(a)(v) of the MTA proceeds on the basis that KFL’s peanut butter products in Australia would be “SnackCo Products”. That section granted a transitional licence to SnackCo to use the Kraft GroceryCo Trademark on “SnackCo Products” in certain product categories including, relevantly, “peanut butter in Australia and New Zealand”.
8. Kraft submits that Kraft Foods Group Brands LLC (GroceryCo IPCo) received the “recipe” for Kraft peanut butter under the Restructure. That fact provides no foundation for Kraft’s contention that the Kraft peanut butter product line was a business allocated to GroceryCo. We also note that the “recipe” was only a simple list of ingredients, and did not disclose how to replicate the peanut butter products – the evidence was that, when the second appellant later decided to launch a peanut butter product in Australia, it took Sanitarium (the contracted manufacturer) more than a year to produce products that were satisfactorily close to what were, by then, Bega’s peanut butter products: see the evidence set out at Reasons, [455].
9. There was some debate in the parties’ written submissions as to whether the primary judge’s statement at [318] of the Reasons to the effect that it was clear from the Kraft Foods 10-Q that Australia formed part of the Kraft Foods Developing Markets segment was a finding of fact or merely a summary of Bega’s submissions. That statement appears in a section headed “Bega’s principal submissions about the proper construction of the MTA”. It is unnecessary to resolve this in light of the view we take, as set out above. However, based on the way in which [318] is expressed, we incline to the view that the primary judge was expressing findings of fact and not merely setting out Bega’s submissions. Regardless, for the reasons already given, it was clear from the Kraft Foods 10-Q that Australia (including the business and operations of KFL) formed part of the Kraft Foods Developing Markets segment which was allocated to SnackCo in the Restructure.

### The allocation of trade marks under the MTA

1. We now turn to deal specifically with Kraft’s construction submissions based on the allocation of trade marks under MTA, described as the first pathway and the second pathway. We will deal with each in turn.
2. Kraft’s first pathway relies on the conceptual proposition that the parties have allocated and licensed any and all trade dress to follow the allocation and licensing of the primary brand which the trade dress accompanies. In support of this pathway, Kraft submits, in summary, as follows:
3. The principal means by which trade marks are allocated under the MTA is through the concept of “primary brands”. The MTA divides the branded product lines of the Kraft conglomerate into two mutually exclusive groups of primary brands.
4. Schedule B to the MTA lists the GroceryCo Primary Brands. Schedule C lists the SnackCo Primary Brands. “Kraft” is listed as a primary brand of GroceryCo.
5. Section 2.1(a)(i) of the MTA provides that GroceryCo IPCo shall own all “GroceryCo Brand IP”. That term is defined to mean “collectively, the GroceryCo Marks (**and the goodwill associated therewith**), the GroceryCo Brand-Related Copyrights and the GroceryCo Domain Names” (emphasis added). Section 2.1(b)(i) mirrors section 2.1(a)(i), but deals with ownership of “SnackCo Brand IP”.
6. “GroceryCo Marks” is defined to mean:

… any of the Trademarks owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) are GroceryCo Primary Brands or (ii) primarily relate to or are primarily used in the GroceryCo Business. The “GroceryCo Marks” include all of the Trademarks listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein).

1. “Trademarks” is defined to mean:

… trademarks, service marks, trade names and other indications of origin or similar rights **and all related Trade Dress, in each case, whether registered or unregistered**, including all registrations and all applications to register any of the foregoing.

(Emphasis added.)

1. “Trade Dress” is defined as the rights in registered or unregistered characteristics of visual appearance of product packaging that (i) serve as a source identifier, and (ii) are used on packaging “**in combination with a licensed GroceryCo Primary Brand** or a licensed SnackCo Primary Brand, as the case may be” (emphasis added).
2. Reading the definitions of “Trademarks” and “Trade Dress” in combination, where trade dress has been used in combination with a licensed GroceryCo Primary Brand or SnackCo Primary Brand (as the case may be), it is “related Trade Dress” in the case of that primary brand, such that the relevant “characteristics of visual appearance” are treated as part of the Trademark for the primary brand.
3. The MTA also refers to “Sub-Brands” in contradistinction to “Primary Brands”. The former are defined in a way which indicates that they operate in a secondary manner on a product, emphasising some further distinguishing feature of the product beyond the Primary Brand.
4. Reverting to the definition of “GroceryCo Brand IP”, it includes the GroceryCo Marks “and the goodwill associated therewith”. That is, a goodwill is conceived of as related to the trade marks applied to a given product line.
5. The Peanut Butter Trade Dress falls within the definition of “Trade Dress” under the MTA as the primary judge found (Reasons, [327]). The evidence is clear that the Peanut Butter Trade Dress served as a shorthand means for consumers to identify Kraft peanut butter, and as such served as a source identifier (Reasons, [294]-[299]). At the time of the Restructure, the Peanut Butter Trade Dress was used in combination with the Kraft mark, which was a GroceryCo Primary Brand. The effect of the relevant definitions is as follows.
6. First, Kraft peanut butter is conceived of under the MTA as a separate branded product line that carries the Kraft mark, a GroceryCo Primary Brand; and the Peanut Butter Trade Dress is conceived of as the trade dress that accompanies that GroceryCo Primary Brand.
7. Secondly, ownership of each of the Kraft mark (as a GroceryCo Primary Brand), the Peanut Butter Trade Dress (as the associated trade dress) and the associated goodwill, is allocated to GroceryCo IPCo under section 2.1(a)(i) of the MTA. These things were transferred together with a suite of other registered trade marks appearing on the packaging and Brand-Related Copyrights. The latter provided the rights required to reproduce all of the product packaging, advertising, promotional material, website and other content in the branded product line that was Kraft peanut butter.
8. Thirdly, the licence of the Kraft GroceryCo Trademark, as referred to in section 3.1(a)(v), expressly included the right to use the Kraft brand in Australia in relation to peanut butter. The licence included not just the Kraft brand but also the Peanut Butter Trade Dress and a suite of other registered trade marks as were transferred together with Brand-Related Copyrights. The latter was licensed back to SnackCo IPCo pursuant to section 3.1(k).
9. This transfer and licence-back arrangement provided the licensee at the relevant time with a stand-alone licence that enabled it to exploit the Kraft Australian peanut butter intellectual property during the transitional period. This conclusion is reinforced by section 3.1(m) of the MTA, which indicates that where a specific trade mark is licensed, such as the Kraft brand, the licence would also include the trade dress used in connection with that trade mark on product packaging immediately prior to the Distribution Date. The reference to “owned” is a reference to ownership as contemplated by section 2.1.
10. It follows that the Peanut Butter Trade Dress fell within the scope of a Licensed Trademark as that term was understood in the MTA.
11. To the extent that Kraft’s first pathway is premised on the contention that the Restructure documents divided the Kraft Foods Inc group into two global groups based on branded product lines, we refer to our reasons, above, for rejecting that proposition.
12. Putting that aspect of the first pathway to one side, this pathway relies on the words “all related Trade Dress” in the definition of “Trademarks” in the MTA, and the use of the word “Trademarks” in the definition of “GroceryCo Marks”. Kraft submitted that: the related Trade Dress (here, the Peanut Butter Trade Dress) in effect formed part of, or was bundled together with, the Kraft trade mark by virtue of the words “all related Trade Dress” in the definition of Trademarks; in turn, the Kraft trade mark (including the Peanut Butter Trade Dress), being a GroceryCo Primary Brand, fell within the definition of “GroceryCo Marks” and thus “GroceryCo Brand IP”, and was allocated to GroceryCo IPCo under section 2.1(a)(i) of the MTA.
13. It is convenient now to outline Bega’s construction. That construction is to the effect that where trade dress itself satisfies the definition of a Trademark, the allocation provisions of the MTA should be applied directly to the trade dress as a Trademark. Bega submits that the Peanut Butter Trade Dress itself fell within the definition of “Trademarks”, which were relevantly defined as meaning “trademarks … and other indications of origin … whether registered or unregistered”. As noted above, it is common ground between the parties to the present matter that the Peanut Butter Trade Dress operated as an unregistered trade mark. Bega next submits that the Peanut Butter Trade Dress did not fall within the definition of “GroceryCo Marks” because it did not satisfy at least one of the three requirements of that definition. It was not: (a) listed in Schedule B as a GroceryCo Primary Brand; (b) a trade mark that primarily related to or was primarily used in the GroceryCo Business – the peanut butter business in Australia was instead a SnackCo Business; or (c) a trade mark that was listed in the GroceryCo Mark Binders. Bega submits that the Peanut Butter Trade Dress *did* fall within the definition of “SnackCo Marks”. It satisfied the second element of that definition, as it primarily related to or was primarily used in the SnackCo Business. It follows, Bega submits, that the Peanut Butter Trade Dress constituted “SnackCo Brand IP” and was allocated to SnackCo IPCo under section 2.1(b)(i) of the MTA.
14. For the reasons that follow, and with respect to the contrary opinion of the primary judge, we do not consider that Kraft’s construction of the MTA is correct. We largely agree with Bega’s construction, but would express our conclusion differently.
15. The principal operative clause of the MTA is section 2.1. Within that section, paragraph (a)(i) states, in summary, that GroceryCo IPCo is the sole and exclusive owner of the GroceryCo Brand IP and SnackCo IPCo agrees to assign to GroceryCo IPCo all right, title and interest of SnackCo IPCo in and to the GroceryCo Brand IP. Likewise, paragraph (b)(i) states, in summary, that SnackCo IPCo is the sole and exclusive owner of the SnackCo Brand IP and GroceryCo IPCo agrees to assign to SnackCo IPCo all right, title and interest of GroceryCo IPCo in and to the SnackCo Brand IP.
16. GroceryCo Brand IP is defined as, collectively, the GroceryCo Marks (and the goodwill associated therewith), the GroceryCo Brand-Related Copyright and the GroceryCo Domain Names. SnackCo Brand IP has a corresponding definition. Kraft’s argument is focussed on the GroceryCo Marks and the goodwill associated therewith. The following discussion focusses on the GroceryCo series of definitions in the MTA (as Kraft’s argument was based on those definitions), but it should not be overlooked that there are a series of parallel SnackCo definitions (set out earlier) which must be construed harmoniously with the GroceryCo definitions.
17. It is helpful to reproduce the definition of GroceryCo Marks:

“GroceryCo Marks” means any of the Trademarks owned by Kraft Foods Inc. or any of its direct or indirect Subsidiaries immediately prior to the Distribution that (i) are GroceryCo Primary Brands or (ii) primarily relate to or are primarily used in the GroceryCo Business. The “GroceryCo Marks” include all of the Trademarks listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein).

1. Kraft’s submissions rely on the breadth of the definition of Trademarks in the MTA, but fail to have regard to the necessary conditions or qualifications stated in the definition of GroceryCo Marks. As noted above, the word Trademarks is defined to mean trademarks, service marks, trade names and other indications of origin or similar rights and all related Trade Dress, in each case, whether registered or unregistered. The word Trade Dress is defined as the rights in registered or unregistered characteristics of visual appearance of product packaging that: (i) serve as a source identifier; and (ii) are used on packaging in combination with a licensed GroceryCo Primary Brand or a licensed SnackCo Primary Brand, as the case may be. It can be accepted that both definitions are broad and are capable of including the Peanut Butter Trade Dress. However, it is necessary to have regard to the whole of the definition of GroceryCo Marks.
2. It can be seen that the definition of GroceryCo Marks stipulates a number of conditions or qualifications for a mark to satisfy the definition. The first condition is that the mark must be a Trademark as defined. The second condition is that the mark must be owned by Kraft Foods Inc or any of its direct or indirect Subsidiaries immediately prior to the Distribution. The third condition is that the mark must: (i) be a GroceryCo Primary Brand; or (ii) primarily relate to or be primarily used in the GroceryCo Business. Kraft’s argument is focussed on that third condition. The fourth element of the definition is what might be described as an express inclusion and exclusion clause. That element stipulates that the GroceryCo Marks include all of the Trademarks listed in the GroceryCo Mark Binders (other than any SnackCo Primary Brand listed inadvertently therein) and exclude all of the Trademarks that are listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein). Nothing turns on that element in the present case.
3. Looking more closely at the third condition in the definition of GroceryCo Marks, it can be seen that the definition identifies Trademarks (as defined) which meet one of two descriptions. Those Trademarks either *are* a GroceryCo Primary Brand or *they primarily relate to or are primarily used in* the GroceryCo Business. The two descriptions use different verbs, in our view deliberately. The first description refers to Trademarks that are a GroceryCo Primary Brand, which in turn is defined as the brands used in the GroceryCo Business that are listed on Schedule B to the MTA. Schedule B contains a list of brands under various product categories being Cheese and Dairy, Coffee, Grocery, Refreshment Beverages and Salty Snacks. The brand “Kraft” is included under Cheese and Dairy and under Grocery. Thus, relevantly for present purposes, the word “Kraft” is a GroceryCo Primary Brand. The second description refers to Trademarks (as defined) that *primarily relate to or are primarily used in* the GroceryCo Business. The application of that part of the definition requires consideration of how a Trademark (as defined) has been primarily used.
4. Kraft’s argument requires the expression GroceryCo Primary Brand to be construed by reference to the definition of Trademarks, such that GroceryCo Primary Brand means the brands listed in Schedule B and all related Trade Dress. In our view, Kraft’s construction does not accord with the grammatical structure of the definition of GroceryCo Marks and inverts the logic of the definition. The grammatical structure of the definition is to commence with the broadly defined concept of a Trademark, to which narrowing conditions are applied. Relevantly, there are two such conditions. The first is that the Trademark is a GroceryCo Primary Brand. The second is that the Trademark primarily relates to or is primarily used in the GroceryCo Business. The first condition is readily applied by reference to the list of brands in Schedule B to the MTA. Such brands fall within the definition of Trademarks. There is nothing in the definition of GroceryCo Primary Brand that suggests that what is encompassed by that definition is “related Trade Dress”. The definition refers to Trademarks that *are* a GroceryCo Primary Brand; it does not refer to Trademarks that relate to, are associated with or are used in connection with a GroceryCo Primary Brand. In contrast, the second condition is much broader in scope. It applies to any Trademark, as defined, which primarily relates to or is primarily used in the GroceryCo Business. Under that condition, it is necessary to ask whether any type of Trademark as defined, including relevantly the Peanut Butter Trade Dress, primarily relates to or is primarily used in the GroceryCo Business. For the reasons explained earlier, the answer to that question is no. The Australian peanut butter business conducted by KFL was part of what became the SnackCo Business, and the Peanut Butter Trade Dress therefore answered the description of a Trademark that primarily related to or was primarily used in the SnackCo Business. It therefore fell within the corresponding definition of SnackCo Marks.
5. In our view, Kraft’s construction should also be rejected having regard to contextual considerations. Kraft’s construction is apt to create conflicts in the application of the reciprocal allocation provisions of the MTA. This point may be illustrated by the Kraft Vegemite product, but it is also a problem in the circumstances of the present case. In the case of the Kraft Vegemite product (which was a KFL product), the “Kraft” brand was allocated to GroceryCo as a GroceryCo Primary Brand (under Schedule B to the MTA), and the “Vegemite” brand was allocated to SnackCo as a SnackCo Primary Brand (under Schedule C to the MTA). Assuming the product was sold with a particular trade dress, that trade dress related to both the Kraft brand and to the Vegemite brand. On Kraft’s construction, the trade dress would fall within *both* the definition of “GroceryCo Marks”, on the basis that that definition refers to “Trademarks” and that word picks up all Trade Dress related to a GroceryCo Primary Brand (the Kraft brand), *and* the definition of “SnackCo Marks”, on the basis that that definition refers to “Trademarks” and that word picks up all Trade Dress related to a SnackCo Primary Brand (the Vegemite brand). The construction we favour avoids this problem: each of the “Kraft” and “Vegemite” brands is allocated as a Primary Brand to GroceryCo and SnackCo respectively, while the Vegemite trade dress, being a Trademark as defined, is allocated according to whether it primarily related to or was primarily used in the GroceryCo Business or the SnackCo Business.
6. A similar problem arises on the facts of the present case. As noted above, the “Never Oily, Never Dry” trade mark was listed in the SnackCo Mark Binders. It therefore fell within the fourth element of the definition of “SnackCo Marks” (“all of the Trademarks listed in the SnackCo Mark Binders (other than any GroceryCo Primary Brand listed inadvertently therein)”). The “Never Oily, Never Dry” trade mark was applied in conjunction with the Peanut Butter Trade Dress – the words “Never Oily, Never Dry” appeared immediately beneath the words “Peanut Butter” in each of the examples depicted in the Introduction to these reasons. Accordingly, on Kraft’s construction, the Peanut Butter Trade Dress fell within, not only the definition of “GroceryCo Marks”, but also the definition of “SnackCo Marks”, on the basis that that definition uses the word “Trademarks” and that word picks up all Trade Dress related to a trade mark listed in the SnackCo Mark Binders. Thus, on Kraft’s construction, the Peanut Butter Trade Dress would be allocated *both* to GroceryCo IPCo under section 2.1(a)(i) and to SnackCo IPCo under section 2.1(b)(i). Similar to the Vegemite trade dress, this problem does not arise on our preferred construction.
7. A further contextual consideration is the terms of the licences granted under Article III of the MTA. Relevantly, section 3.1(a) states that GroceryCo IPCo grants SnackCo IPCo a 10 year licence to use within specified jurisdictions the Kraft GroceryCo Trademark in connection with the production, manufacturing, advertising, promotion, marketing, distribution and sale of specified SnackCo Products. The section specified that, amongst other products and jurisdictions, the licence applied to peanut butter in Australia and New Zealand. As noted earlier, the clause provides a clear indication that the Kraft peanut butter product was classified as a SnackCo Product. Significantly, though, Kraft GroceryCo Trademark was defined as, relevantly, the Trademarks “KRAFT” and “KRAFT FOODS” and the Kraft Hexagon Logo. In our view, the definition comprised the marks Kraft, Kraft Foods and the Kraft Hexagon Logo. The use of the word Trademarks in the definition did not operate to extend the definition to all trade dress related to those marks; the word Trademark merely identified those marks as comprising Trademarks as defined. The effect of section 3.1(a) was, therefore, to license to SnackCo the use of those brands for a 10 year period in connection with the products specified and in the jurisdiction specified. The licence did not extend to trade dress, providing further support for the conclusion (if any was needed) that trade dress primarily used in relation to SnackCo Products was not assigned to GroceryCo.
8. In our view, the construction we favour also better reflects the commercial purpose or objects of the SDA and MTA. That construction effectively allocates trade marks, service marks, trade names and other indications of origin that were not specifically considered and allocated by the parties as a Primary Brand, or included in the GroceryCo Mark Binders or the SnackCo Mark Binders, to the business (SnackCo/GroceryCo) to which the Trademark primarily related or in which the Trademark was primarily used. This approach reflects the basis of division of the Kraft Foods Inc group outlined in [184]-[189] above.
9. Kraft submits that: the Kraft mark is the GroceryCo Primary Brand on the product under the MTA; the Peanut Butter Trade Dress was associated by ultimate consumers with the Kraft brand; and it made perfect commercial sense to allocate the Peanut Butter Trade Dress with the Kraft brand because to do otherwise would result in deception and confusion which has, in fact, occurred though continued use of that indicia not associated with the owner of the Kraft brand. While we accept that an argument can be made for such an approach to allocation, for the reasons expressed in the preceding paragraphs we consider the commercial purpose or object of the agreements tend the other way. Further, the allocation of the “Never Oily, Never Dry” trade mark to SnackCo tends against Kraft’s submission. A decision was made to allocate that registered trade mark to SnackCo IPCo, by it being listed in the SnackCo Mark Binders. This does not sit easily with Kraft’s conception of the allocation of assets between GroceryCo and SnackCo.
10. Kraft also relies on the words “and the goodwill associated therewith” in the definition of “GroceryCo Brand IP”. However, these words relate to the “GroceryCo Marks”, and therefore do not take the matter any further, as the very issue in contention is whether or not the Peanut Butter Trade Dress falls within the meaning of “GroceryCo Marks”. Insofar as Kraft relies on section 3.1(m) of the MTA, we do not consider this section to take the matter any further. It is expressed to be “[f]or clarity” and states that references to a specific GroceryCo Mark that is a Licensed Trademark shall include (among other things) Trade Dress “owned by a GroceryCo Entity” as of the Distribution Date. However, for the reasons discussed above, in our view the Peanut Butter Trade Dress was not owned by a GroceryCo Entity as of the Distribution Date (whether by virtue of the allocation provision in section 2.1(a)(i) or otherwise).
11. In argument, reference was also made to “GroceryCo Brand-Related Copyrights”, which is included within the definition of the “GroceryCo Brand IP”. As already seen, under section 2.1(a)(i) of the MTA, “GroceryCo Brand-Related Copyrights” is allocated to GroceryCo. “GroceryCo Brand-Related Copyrights” is defined to mean (relevantly) any of the copyrights owned by Kraft Foods Inc (or any subsidiary) immediately prior to the Distribution in any product packaging, advertising and promotional material and website and other content that relates specifically to products that are primarily branded with GroceryCo Marks. It was argued that product packaging includes the Peanut Butter Trade Dress and that, immediately prior to the Restructure, the Australian peanut butter product was primarily branded with the brand “Kraft”, which is a GroceryCo Mark. Thus, it was argued that the Peanut Butter Trade Dress was allocated to GroceryCo by application of that definition. In our view, the preferable construction is that the definition of “GroceryCo Brand-Related Copyrights” does not address product packaging that is operating as an indication of origin and hence constitutes Trade Dress and a Trademark under the MTA. Where product packaging is a Trademark as defined, the rights are allocated by the more specific provision addressing “Trademarks”, which will apply when there is inconsistency with the general provision. The definition of “GroceryCo Brand-Related Copyrights” addresses an incidental, brand-related category of copyright, including advertising and promotional material, and “other content”.
12. We now turn to consider Kraft’s second pathway. This relies upon the operation of section 2.1(a)(iii), which provides that all Trade Dress used for GroceryCo Products and adopted by SnackCo IPCo or any of its Affiliates prior to the Distribution Date with respect to any of the GroceryCo Marks licensed under the MTA is owned by GroceryCo IPCo and to be included in the GroceryCo Marks licensed to SnackCo IPCo under the MTA. Kraft submits that this section is significant because it provides for both allocation and then a deemed licence back. Kraft submits that the Peanut Butter Trade Dress falls within this section.
13. In connection with the second pathway, Kraft submits that: “GroceryCo Products” was defined as products produced, manufactured, advertised, promoted, marketed, distributed or sold in connection with the GroceryCo Business; the definition of GroceryCo Primary Brands meant “the brands used in the GroceryCo Business that are listed on Schedule B hereto”; Schedule B identified the Kraft mark in relation to the cheese and grocery categories; the latter encompassed peanut butter; Kraft peanut butter was therefore a brand used in connection with the GroceryCo Business and the product was, for that reason, a GroceryCo Product; this is also consistent with the SDA, which defined “GroceryCo Assets” as including assets that were transferred under the MTA; the MTA transferred the Kraft trade marks and Brand-Related Copyrights as assets; the business defined by the SDA included a business conducted primarily using these assets and therefore included the Kraft peanut butter product line as part of the GroceryCo Business so transferred; in these circumstances, the Court should find that the Peanut Butter Trade Dress was also GroceryCo Trade Dress within the meaning of section 2.1(a)(iii) of the MTA.
14. In our view, Kraft’s arguments in connection with the second pathway, like the first pathway, invert the structure and logic of the definitions used in the MTA.
15. Section 2.1(a)(iii) applies to Trade Dress that satisfies two conditions. The first is that the Trade Dress is used for GroceryCo Products. The second is that the Trade Dress has been adopted by SnackCo IPCo or any of its Affiliates prior to the Distribution Date with respect to any of the GroceryCo Marks. The Peanut Butter Trade Dress does not satisfy the first condition because it was not used for GroceryCo Products. As set out earlier, GroceryCo Products is defined in the MTA as products produced, manufactured, advertised, promoted, marketed, distributed or sold in connection with the GroceryCo Business. For the reasons set out above, we reject the proposition that the Australian peanut butter business was a GroceryCo Business. It follows that the Australian peanut butter products were not “GroceryCo Products” and that the Peanut Butter Trade Dress was not used for GroceryCo Products. Accordingly, section 2.1(a)(iii) did not apply.
16. For these reasons, we conclude that, on its true construction, the MTA did not allocate the rights in relation to the Peanut Butter Trade Dress to Kraft Foods Group Brands LLC (GroceryCo IPCo). It follows that we reject the aspect of ground 1 concerned with the proper construction of the MTA, and we uphold the related ground of contention.

## The position regarding the Peanut Butter Trade Dress between the Restructure (October 2012) and the SPA (July 2017)

1. This issue is raised by grounds 3 and 4 of the amended notice of appeal. By these grounds, Kraft contends that:
2. having found at [322], [337] and [338] that the terms of the MTA purported to assign goodwill generated through use of the Peanut Butter Trade Dress from Kraft Foods Global Brands LLC (SnackCo IPCo) to Kraft Foods Group Brands LLC (GroceryCo IPCo), the primary judge erred in finding at [183]-[184] that the assignment was ineffective (ground 3); and
3. the primary judge erred in finding that the goodwill generated by the use of the Peanut Butter Trade Dress in the period after October 2012 on Kraft peanut butter inured to the benefit of KFL/MAFL (ground 4).
4. It follows from our conclusions in relation to the grounds considered above that we reject these grounds. We have concluded that the primary judge was correct to conclude that, as a matter of Australian law, an unregistered trade mark may only be assigned with an assignment of the goodwill of the business (see [128] above). We have also concluded that, on the proper construction of the MTA, the agreement did not allocate the rights in relation to the Peanut Butter Trade Dress to Kraft Foods Group Brands LLC (GroceryCo IPCo). It follows that the rights in relation to the Peanut Butter Trade Dress remained with MAFL following the Restructure (October 2012) and until the closing of the SPA (July 2017).

## The effect of the SPA (July 2017)

1. This issue is raised by ground 6 of the amended notice of appeal, by which Kraft contends that the primary judge erred in finding that goodwill in the Peanut Butter Trade Dress was acquired by Bega. This issue can be dealt with relatively briefly, as its resolution is largely, if not wholly, consequential upon the issues considered above.
2. Kraft’s submissions can be summarised as follows:
3. A central part of the case advanced by Bega was that it acquired from MAFL the rights in respect of a “peanut butter products business” as at the closing date of 4 July 2017. However, there was no such business in a discrete sense. The manufacture and sale of Kraft peanut butter by MAFL post October 2012 was done pursuant to the licence granted by the MTA (as submitted by Kraft in relation to the issues considered above) and as part of an integrated operation within the Mondelez corporate group.
4. Insofar as the Kraft peanut butter product line was concerned, the business acquired in 2017 was in transition. It involved the manufacture and sale of Kraft peanut butter under licence, and not as of right. Bega could not secure the essential elements to conduct business in respect of the Kraft peanut butter product line as an outright owner as MAFL did not have them to assign.
5. The acquisition of the factory was beside the point: see *Re McGregor Trade Mark* [1979] RPC 36 at 52-53. Many product lines were produced there, some under licence, some as outright owner. Acquiring the factory did not give Bega rights in respect of the indicia used to attract custom to particular branded products.
6. The primary judge erred in his consideration of Issue 14 ([383]-[398]) by: first, conflating the assignment of the Business Goodwill (which did occur) with an assignment of the Product Goodwill (which Kraft says could not occur in relation to the Kraft peanut butter product line); secondly, failing to rule on and uphold Kraft’s key argument on how the SPA did deal with the Kraft peanut butter intellectual property including the Kraft name and logo (i.e. that Bega acquired the permission to sell Kraft peanut butter for a fixed period through the acquisition of the licence enjoyed by MAFL; the SPA and associated agreements referred to this licence as one of the “Transferred IP Licences” which, in turn, carried with it the attendant obligations to discontinue use of a Licensed Trademark after 31 December 2017); thirdly, construing the SPA to include goodwill in the Peanut Butter Trade Dress as Dedicated IP Rights when that term was not applicable – specifically, it was limited to a case where a Mondelez company was the legal or beneficial owner of the unregistered rights and used them exclusively in the Joey business; it thus excluded a case where the rights were held under licence (in which event the transmission mechanism was under the Transferred IP Licences).
7. In our view, these submissions should be rejected. For the reasons given above, the rights in relation to the Peanut Butter Trade Dress were held by KFL/MAFL at all relevant times up until the closing of the SPA. Once it is accepted that MAFL held the rights in relation to the Peanut Butter Trade Dress immediately before the closing of the SPA, it follows that those rights (comprised in the goodwill of the business) were assigned by MAFL to Bega under the SPA in the manner identified by the primary judge.
8. The subject of the sale and purchase in the SPA was the “Joey Business”, which included the business of developing, manufacturing, marketing, selling and distributing spreads including peanut butter as conducted by the Mondelez Global LLC group in Australia and New Zealand from time to time. This was effected by the sale and purchase of “Transferred Assets”, which included all manner of contracts, intellectual property rights, plant, machinery, property and, importantly, goodwill, in return for consideration which included the allocation of a substantial component for goodwill. While the rights in relation to the Peanut Butter Trade Dress formed part of the “Transferred Assets” under the SPA (because they fell within the definition of “Dedicated IP Rights” as being unregistered rights in get-up or trade dress owned legally or beneficially by MAFL and used prior to Closing exclusively in the “Joey Business” in Australia), under Australian law those rights, as an unregistered trade mark, were actually assigned by way of the transfer of all of the assets (including the goodwill) of the peanut butter business. Accordingly, the primary judge correctly concluded that it was the transfer of all of the assets that comprised the peanut butter business in Australia that constituted the assignment of the rights in relation to the Peanut Butter Trade Dress from MAFL to Bega.
9. The fact that under the SPA Bega acquired only part of the various businesses conducted by MAFL does not make the part that was transferred any less of a business in itself (or a number of businesses).
10. For these reasons, we reject ground 6.

## Whether Bega breached certain obligations in the MTA

1. This issue is raised by ground 1 of the amended notice of appeal, by which Kraft contends that the primary judge erred in that he failed to find that Bega had breached sections 3.5, 3.10 and 3.11 of the MTA. Kraft’s submissions that Bega breached those obligations are predicated on the rights in relation to the Peanut Butter Trade Dress having been allocated to GroceryCo IPCo under the MTA and then licensed to SnackCo IPCo under section 3.1(a) of the MTA. Having concluded above that, on the true construction of the MTA, the agreement did not allocate the rights in relation to the Peanut Butter Trade Dress to GroceryCo IPCo under section 2.1(a) and did not grant a licence to use the Peanut Butter Trade Dress to SnackCo IPCo under section 3.1(a), it follows that Bega did not breach sections 3.5, 3.10 and 3.11 of the MTA by continuing to use the Peanut Butter Trade Dress following the expiry of the licence (assuming that it was effectively bound by those obligations). It is therefore unnecessary to examine the issue of whether or not Bega was effectively bound by those obligations in the MTA. It follows that we reject ground 1 of the amended notice of appeal.

## Whether Bega or Kraft engaged in passing off and misleading or deceptive conduct in relation to the Peanut Butter Trade Dress

1. This issue is raised by grounds 5 and 10 of the amended notice of appeal, by which Kraft contends that:
2. the primary judge erred in failing to find that Bega had engaged in passing off and misleading and deceptive conduct contrary to ss 18 and 29 of the Australian Consumer Law (ground 5); and
3. the primary judge erred at [475]-[477] in finding that: the second appellant had engaged in misleading and deceptive conduct in contravention of ss 18, 29(1)(g) and 29(1)(h) of the Australian Consumer Law; Kraft Foods Group Brands LLC was a person who was involved in each of the second appellant’s contraventions of the Australian Consumer Law; and the second appellant had committed the tort of passing off (ground 10).
4. To the extent that Kraft’s submissions in relation to these grounds depend on it having established that the rights in relation to the Peanut Butter Trade Dress were held by the first appellant (GroceryCo IPCo), it follows from our conclusions above that these submissions are rejected.
5. In the alternative, Kraft submits that it can succeed in an action for misleading or deceptive conduct under the Australian Consumer Law without establishing ownership of goodwill generated by the Peanut Butter Trade Dress. Kraft submits that it advanced an alternative case at trial that through Bega’s use of the Peanut Butter Trade Dress, Bega breached s 18 of the Australian Consumer Law (regardless of the operation of the MTA and property law), as the Peanut Butter Trade Dress conveyed an association with the Kraft brand.
6. Kraft submits that: the findings made by the primary judge overwhelmingly indicate that consumers perceived an association between the Peanut Butter Trade Dress and the Kraft brand; the primary judge correctly stated at [358] that “at all material times from the 1990s until mid-2017 consumers formed an association between the Kraft trade mark and the [Peanut Butter Trade Dress]”; Kraft need only show goodwill at June 2017 – goodwill created after the Restructure would be sufficient for these purposes; the primary judge should have found that the conduct of Bega in utilising the Peanut Butter Trade Dress on its peanut butter product misled or deceived consumers into believing there was an association with the owner of the Kraft brand, that is, the appellants; there was and is no such association. Kraft makes the following additional points:
7. First, demonstration of its entitlement to goodwill under the MTA or otherwise is not an element required to be proved by Kraft in order to make out its case under the Australian Consumer Law. Kraft is also not required to establish any reputation or any exclusive right, merely that consumers are misled into believing an association: see *Woodtree Pty Ltd v Zheng* (2007) 164 FCR 369 at [34], quoted with approval in *Homart Pharmaceuticals Pty Ltd v Careline Australia Pty Ltd* (2018) 264 FCR 422 at [8]; *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd* (2007) 159 FCR 397 at [97] and [99]; *Kosciuszko Thredbo Pty Ltd v ThredboNet Marketing Pty Ltd* (2014) 223 FCR 517 at [27]-[29].
8. Secondly, notwithstanding the challenge made in this appeal in relation to goodwill, even if it be the case that Bega had a right to use the Peanut Butter Trade Dress, this gave it no right to mislead the public. Goodwill is negative in character and gives no positive right to use: see *JT International* at [36]-[40].
9. Thirdly, the finding that Bega represented the truth of the position by using the Peanut Butter Trade Dress (Reasons, [360]) does not grapple with the pleaded misrepresentation. There was no truth to the position that the product Bega placed into the market place in the Peanut Butter Trade Dress was associated with the Kraft brand or the owner of that brand, namely the appellants.
10. Fourthly, the suggestion that consumer confusion arose by reason of erroneous assumption is not sustainable (Reasons, [361]). Bega itself chose the aspects of the packaging that it would utilise and is therefore responsible for any misrepresentation it conveys. The fact that an ordinary reasonable consumer might reasonably believe an association between Kraft and Bega existed was unremarkable and plain on the findings made (Reasons, [156]). The authorities referred to at [361] of the Reasons, namely *State Government Insurance Corporation v Government Insurance Office of New South Wales* (1991) 28 FCR 511 at 562 and *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191 (***Puxu***) at 203-204, did not have application.
11. Fifthly, the use by Bega of the Peanut Butter Trade Dress to draw an association with the Kraft brand means that, if an adverse event with Bega peanut butter occurred, it would erroneously reflect on the appellants and the Kraft brand. Section 18 of the Australian Consumer Law can and should provide an independent remedy regardless of the more complex findings on goodwill.
12. In our view, no error is shown in the primary judge’s conclusion that Kraft had not established that Bega engaged in misleading or deceptive conduct, or conduct that was likely to mislead or deceive, in contravention of the provisions of the Australian Consumer Law, by its use of the Peanut Butter Trade Dress. Our reasons are as follows.
13. The applicable principles are well known. The central question is whether the impugned conduct, viewed as a whole, has a sufficient tendency to lead a person exposed to the conduct into error (that is, to form an erroneous assumption or conclusion about some fact or matter): *Puxu* at 198 per Gibbs CJ; *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177 (***Taco Bell***) at 200; *Campomar Sociedad, Limitada v Nike International Ltd* (2000) 202 CLR 45 (***Campomar***) at [98]; *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2013) 250 CLR 640 at [39] per French CJ, Crennan, Bell and Keane JJ; *Campbell v Backoffice Investments Pty Ltd* (2009) 238 CLR 304 at [25] per French CJ. It is not sufficient if the conduct merely causes confusion: *Puxu* at 198 per Gibbs CJ and 209-210 per Mason J; *Taco Bell* at 202 per Deane and Fitzgerald JJ; *Campomar* at [106]. As explained by the High Court in *Campomar*, where the impugned conduct is directed to the public generally (or some relevant section of the public), the Court must consider the likely characteristics of the persons who comprise the relevant class of persons to whom the conduct is directed and consider the likely effect of the conduct on ordinary or reasonable members of the class, disregarding reactions that might be regarded as extreme or fanciful (at [101]-[105]). In *Google Inc v Australian Competition and Consumer Commission* (2013) 249 CLR 435, French CJ, Crennan and Kiefel JJ confirmed that, in assessing the effect of conduct on a class of persons such as consumers who may range from the gullible to the astute, the Court must consider whether the “ordinary” or “reasonable” members of that class would be misled or deceived (at [7]).
14. The commercial circumstances of this case are not uncommon. It is often the case that a business, which has for a long time produced and sold a product under a particular corporate brand, is sold to another entity and the primary corporate brand used on the product is changed. The contention advanced by Kraft is that reasonable consumers who were aware of the product under its original brand and who then see the product under its new brand would be misled into believing (erroneously) that the new brand is “associated” with the original brand. We reject the contention at a number of levels.
15. First, the alleged erroneous assumption for which Kraft contends requires examination. Kraft’s contention begs the question: what is the nature of the association between Kraft and Bega that consumers would assume by reason of the change in primary brands? In circumstances where the Kraft brand has been removed from the peanut butter product and replaced by the Bega brand, in our view the most likely assumption that would be formed by consumers is that Bega had taken over the peanut butter business formerly conducted by Kraft. That assumption would be correct. In the period shortly before the sale and acquisition, MAFL stopped using the Kraft brand and instead used the words “The Good Nut”. Following Bega’s acquisition, it commenced using its own brand (Bega) together with “The Good Nut” and the Peanut Butter Trade Dress. Subsequently, the words “The Good Nut” were phased out, and the only brand appearing on the products was “Bega”. Also, in late 2017, Bega ran a series of advertisements on radio and TV that communicated, in effect, that Kraft peanut butter was now Bega peanut butter. The facts of the case do not establish a basis for believing that consumers would be likely to form any assumption about the change in primary brands other than the true position. Even if there were a possibility that some reasonable consumers would be confused about the change in brands, conduct that merely causes confusion is not misleading or deceptive.
16. Secondly, even if we were wrong about the assumptions likely to be made by consumers, it is necessary to consider why and how such an assumption would be likely to arise and whether Bega’s conduct could be considered to have caused the erroneous assumption: see *Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd* (1978) 140 CLR 216 at 228 per Stephen J, cited in *Campomar* at [98]. On the basis of the conclusions set out earlier in these reasons, immediately before the sale to Bega, MAFL held the rights in relation to the Peanut Butter Trade Dress. It was entitled to transfer, and did transfer, these to Bega. Bega was, therefore, prima facie at least, entitled to apply the Peanut Butter Trade Dress to the peanut butter products that it manufactured and sold. It applied its own brand (Bega) to the peanut butter products it manufactured and sold, and did not apply the Kraft brand. And Bega conducted an advertising campaign to inform consumers of the change from Kraft to Bega. Bega’s trading conduct involved the use of trade marks and trade dress that it was lawfully entitled to use. It did not use the Kraft brand. Far from seeking to convey a trade association (such as a joint venture, partnership or licence with Kraft), Bega’s trading conduct, including advertising, disavowed such an association. The only association that Bega, by its conduct, conveyed was the correct one: it had acquired the peanut butter business. Bega’s conduct could not be regarded as the cause of any erroneous assumption, even if a reasonable consumer were likely to form such an assumption. The cause of any such assumption would be attributable to the fact that MAFL had traded for a long time under the Kraft brand and consumers making an assumption based on certain preconceptions, rather than Bega’s conduct.
17. We therefore reject grounds 5 and 10 of the amended notice of appeal.

## Whether Bega engaged in misleading or deceptive conduct in relation to the television and radio advertising

1. This issue is raised by ground 7 of the amended notice of appeal. Kraft contends that the primary judge erred in failing to find that the conduct of Bega in publishing the Bega Radio Advertisement, the First Bega Television Advertisement and the Second Bega Television Advertisement (defined in the Reasons at [399]) (the **Bega Advertisements**) was contrary to s 18 of the Australian Consumer Law. Kraft relies only on the first to fourth alleged representations that were pleaded in the third further amended statement of claim. Those alleged representations were as follows:
2. The first representation was that “Kraft peanut butter is now Bega peanut butter”.
3. The second representation was that “Kraft peanut butter is being replaced by Bega peanut butter”.
4. The third representation was that “peanut butter labelled with the Kraft Brand is no longer available for purchase or will cease to be available for purchase”.
5. The fourth representation was that “the Kraft Brand has ceased to exist or is ceasing to exist in relation to peanut butter”.
6. Kraft’s submissions can be summarised as follows:
7. A central question is whether the Bega Advertisements conveyed the first to fourth representations, by representing that Kraft peanut butter has been replaced and a Kraft peanut butter product would no longer exist and that the Kraft brand would no longer exist in relation to peanut butter.
8. The contention made by Bega, which was accepted by the primary judge at [430]-[445], was that the only representations conveyed related to composition of the underlying product and, in those circumstances, any such representations were either not made or true. This approach took too limited a view and failed to countenance the possibility that an advertisement can convey more than one message: see *CPA Australia Ltd v Dunn* (2007) 74 IPR 495; [2007] FCA 1966 at [28].
9. Each representation naturally conveyed a permanent state of affairs in respect to Kraft peanut butter. Contrary to [436] of the Reasons, the relevant proposition is not made true simply because the Bega Advertisements aired before the appellants had reintroduced Kraft peanut butter to the market. Kraft peanut butter was not replaced and did not cease to exist in the peanut butter market, any more so than a brand ceases to exist in a particular market whenever the particular branded product is temporarily out of stock.
10. In our view, no error is shown in the primary judge’s rejection of Kraft’s case based on the first to fourth alleged representations.
11. In relation to the first and second representations, as the primary judge found at [435], each of those representations was correct – the product that consumers knew as Kraft peanut butter had become Bega peanut butter. This follows from the fact that Bega had purchased MAFL’s peanut butter business and was producing an identical peanut butter product, subject only to changes to the product label.
12. In relation to the third representation, as the primary judge found at [436], assuming the representation was made, it was a correct statement at the time (November 2017). Further, contrary to Kraft’s submission, there was nothing in the Bega Advertisements that conveyed a permanent state of affairs. Accordingly, the fact that the Kraft brand could be, and indeed subsequently was, used again for peanut butter did not render the third representation incorrect.
13. In relation to the fourth representation, as the primary judge found at [437], the representation was not conveyed by the advertisements. In any event, as the primary judge found, at the relevant time (November 2017) any such perceived representation was true. Indeed, the Kraft brand was not used again for peanut butter until late April 2018.
14. We therefore reject ground 7.

## Whether Kraft engaged in misleading or deceptive conduct in relation to the Press Release and the slogan “Loved since 1935”

1. This issue is raised by grounds 8 and 9 of the amended notice of appeal. By these grounds, Kraft contends that the primary judge erred in finding at [468] and [469] that the conduct of the second appellant in issuing the Press Release and in displaying the slogan “Loved since 1935” on the front label of its peanut butter products contravened s 18 of the Australian Consumer Law. This issue is also raised by ground of contention 8.
2. The primary judge dealt with these matters under Issue 15. His Honour upheld Bega’s contentions in relation to the Press Release (see [94] above) and the slogan “Loved since 1935”.
3. Kraft’s submissions in relation to the Press Release can be summarised as follows:
4. The second appellant issued the Press Release in October 2017 prior to release of its peanut butter. The Press Release conveyed the truth of the state of affairs, namely, that Kraft branded peanut butter would be back on supermarket shelves. This subsequently occurred in April 2018.
5. The Press Release did not convey to any ordinary reasonable consumer the place of manufacture or any other quality of the product save that it would have the Kraft brand: see *Bodum v DKSH Australia Pty Ltd* (2011) 280 ALR 639 at [218]. A trade mark owner is entitled to change the composition of a branded product and to have that product produced at a different factory: see *Re GE Trade Mark* at 454; *Re McGregor Trade Mark* at 52-53; *Dental Manufacturing Co Ltd v C de Trey & Co* [1912] 3 KB 76 at 88. A trade mark acts as a badge of origin, not a badge of consistency: see Burrell and Handler, *Australian Trade Mark Law* (Oxford University Press, 2nd ed, 2016).
6. The primary judge erred at [468] in finding that the Press Release conveyed a representation that the product that the appellants produce will be the very same product produced formerly under licence (i.e. identical in every single respect). This representation was not made.
7. The primary judge further erred in finding at [468] that the Press Release conveyed that there was an association with Bega. A reference by the appellants to a registered trade mark owned by the appellants does not convey any such association.
8. The appellants represented nothing but the factual position. The Kraft Australian peanut butter intellectual property was transferred to them. They had also secured the recipe for Kraft peanut butter and were entitled and able to produce a product with the same sensory profile (i.e. taste) as that previously made under licence by KFL. There would be no discernible difference to the product previously sold insofar as the consumer was concerned. There was no evidence that the peanut butter produced at the Port Melbourne factory had any difference in taste. The place of manufacture was inconsequential.
9. The primary judge’s finding that the appellants had sought to attach themselves to a product that they had “never had anything to do with” ([468]) is wrong for the reasons set out above in describing the circumstances of the Restructure. Bega itself admitted that the product sold prior to 2017 was sold pursuant to a licence to use the Kraft brand (albeit there was a dispute as to the scope of that licence). This alone is sufficient to contradict the finding that the appellants had no connection to that product. The primary judge should have found that the Press Release was not misleading and deceptive, either because no such representations were conveyed or, alternatively, any such representation conveyed was true.
10. In our view, no error has been shown in the primary judge’s conclusions in relation to the Press Release. In the context provided by the Press Release, the products that were represented to be “back on … shelves” were the products that consumers had previously bought by reference to the “Kraft” trade mark (prior to July 2017). The Press Release therefore conveyed that the peanut butter products that the second appellant would be launching in early 2018 would be the same products that had been sold until about June 2017 under the Kraft brand. The primary judge correctly found at [468] that this was likely to mislead or deceive because, whatever new product Kraft had been able to develop, it could not say that it was the same as the product that was sold until about June 2017 under the Kraft brand, and that Bega was continuing to manufacture and sell. The primary judge also correctly found at [469] that the Press Release represented that Bega’s products were not the same products that consumers had previously bought by reference to the “Kraft” trade mark (prior to July 2017), when in fact they were.
11. Kraft’s submissions in relation to the use of the slogan “Loved since 1935” on the label of Kraft peanut butter can be summarised as follows:
12. The slogan appeared on the peanut butter products depicted in the Reasons at [7]. The slogan conveyed, at most, a reference to the longevity of the Kraft brand, which has been used on peanut butter since 1935. There is no dispute the appellants received the exclusive right to the Kraft brand. The slogan simply indicated that this peanut butter was associated with the owner of the Kraft brand, a brand that had been used on peanut butter since 1935.
13. The primary judge erred in finding at [468]-[469] that the slogan falsely conveyed a reference to Bega and its product. Consumers would not have considered the slogan to be indicating that Kraft peanut butter, produced in April 2019, was from Bega or identical to Bega peanut butter.
14. Otherwise, the same contextual considerations as discussed in relation to the Press Release apply. To the extent they did so, the appellants were entitled to take the benefit of any legacy value in respect of the Kraft brand in circumstances where they acquired the Kraft brand in the Restructure. The primary judge should have found that the slogan was not misleading or deceptive.
15. In our view, no error is shown in the primary judge’s conclusions in relation to the slogan “Loved since 1935”. While it is possible that for some consumers the words “Loved since 1935” conveyed merely that the trade mark “Kraft” had been used since 1935 (as Kraft submits), for many consumers the words, in their context on the peanut butter jars bearing the Peanut Butter Trade Dress, conveyed that the peanut butter products that the second appellant launched in about April 2018 were the same products that had been sold until about June 2017 under the Kraft brand, and that was likely to mislead or deceive for the same reasons as set out above.
16. We therefore reject grounds 8 and 9. In light of this conclusion, it is unnecessary to deal with ground of contention 8.

## Whether Bega engaged in trade mark infringement in relation to the shippers

1. This issue is raised by grounds 1, 3, 4 and 5 of the amended notice of cross-appeal (see [113] above) and by Kraft’s notice of contention in relation to the cross-appeal (see [114] above). The primary judge considered Kraft’s claims based on the shippers under Issue 18, as summarised in [101]-[108] above.
2. Ground 1 of the amended notice of cross-appeal relates to section 3.5 of the MTA. In this regard, Bega first submits that the licensed use of the “Kraft” trade mark on the labels for the peanut butter products had ceased by the time of Bega’s acquisition, such that, for the purposes of section 3.5, the licence had “expired” in a practical sense. Bega then submits that section 3.5(a) permitted the run-out use of the shippers as these constituted “packaging materials” within the meaning of section 3.5(a), and that the primary judge erred by concluding (at [514]) that section 3.5(a) did not assist Bega because it was expressly limited to the sale of finished goods bearing the Licensed Trademark.
3. In our view, the primary judge was correct to conclude that the relevant part of section 3.5(a) was limited to the sale of finished goods bearing the Licensed Trademark. The second sentence of section 3.5(a) (set out at [168] above) stated that during the 12 month period following termination or expiration of the licence, the licensee would have the right: (i) “to sell any finished goods bearing the Licensed Trademark held as inventory …”; and (ii) “to produce products bearing such Licensed Trademark to the extent necessary to exhaust all packaging materials … and in connection therewith to use such packaging materials and sell such products as finished goods”. Both (i) and (ii) operate only where there are finished goods bearing the Licensed Trademark, which was not the case here. As described above, the relevant products bore the words “The Good Nut”; they did not bear the Kraft brand.
4. Bega also relies on section 3.5(b) of the MTA. Bega submits that having the Kraft hexagon logo trade mark appear only on the shipper packaging was consistent with, and within the terms of, section 3.5(b), and that the primary judge erred in not so concluding. In our view, the primary judge was correct to conclude that section 3.5(b) was “beside the point” (Reasons, [515]). The second sentence of section 3.5(b) provided that the “Licensee may announce such transition of a product name on the product packaging and shall be permitted to reasonably reduce the prominence of the logos of the Licensed Trademarks as they appear on such packaging in furtherance of such transition”. We do not consider that the placement of products bearing the words “The Good Nut” in Kraft shippers could be regarded as “announcing a transition”.
5. Grounds 3, 4 and 5 of Bega’s amended notice of cross-appeal concern the primary judge’s findings at [516] and [518]. For ease of reference, we set out those paragraphs again:

516 As for Bega’s submission that it did not use the mark – the supermarkets did – I accept Kraft’s submission that a mark which has been applied to goods by a manufacturer is relevantly “used” by the manufacturer at the time when the products are offered for sale or sold by a retailer. See *E & J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 at 162 – 164, [42] and [46].

…

518 It follows that Bega used the Kraft hexagon logo on shippers in relation to the “Good Nut” peanut butter product without the permission of the first applicant. Such conduct constitutes trade mark infringement under s 120(1) of the Trade Marks Act.

1. Bega submits, in summary, that the primary judge erred in finding that when products contained in Kraft shippers were offered for sale or sold by supermarkets, this involved *use* of that trade mark by Bega. Bega submits that *E&J Gallo Winery v Lion Nathan Australia Pty Ltd* (2010) 241 CLR 144 (***E & J Gallo***), relied on by the primary judge, was a decision addressing removal of a registered trade mark for non-use. Bega submits that the concept of “use” in the context of infringement is different and that, for the purposes of s 120(1) of the *Trade Marks Act*, the issue is whether an upstream supplier of goods is to be directly (or vicariously) liable for the use by another person of a trade mark in Australia. Bega submits that the relevant policy issues concern the liability of a person who is not (most) directly involved in the relevant infringing act.
2. Kraft’s response is two-fold:
3. First, Kraft submits that Bega used the Kraft trade marks (i.e. both the “Kraft” trade mark and the Kraft hexagon logo trade mark) when Bega supplied the relevant products to the supermarkets in the shippers bearing the Kraft hexagon logo. If and to the extent that the primary judge did not (implicitly) make a finding to this effect, Kraft contends (in its notice of contention) that his Honour should have so found.
4. Secondly, Kraft submits that Bega used the Kraft trade marks when the supermarkets offered the relevant products for sale to consumers in shippers bearing the Kraft hexagon logo. In regard to this second proposition, Kraft relies in particular on *E & J Gallo* at [45]-[47]. In that passage, French CJ, Gummow, Crennan and Bell JJ approved a passage in the judgment of Windeyer J in *Estex Clothing Manufacturers Pty Ltd v Ellis and Goldstein Ltd* (1966) 116 CLR 254 at 266-267.
5. In response to Kraft’s first point, Bega submits that, when Bega supplied the peanut butter products to supermarkets in shippers bearing the Kraft hexagon logo, Bega did not use the Kraft hexagon logo trade mark (or the “Kraft” trade mark) “as a trade mark” within the meaning of s 120(1) of the *Trade Marks Act*. Bega submits that the relevant purchase was made by the supermarket chains *from Bega* without knowledge that the external boxes had the word “Kraft” printed on them. Bega relies on Mr Broad’s evidence at trial to show that supermarket chains placed their orders electronically by reference to product codes, and so were unaware of the Kraft trade marks in placing orders. Bega further submits that, even if the supermarket chains’ receipt of the boxes is construed to still be part of the relevant purchase of the goods, *those specialist consumers* (i.e. the supermarket chains) would not have understood the word “Kraft” to be acting as a badge of origin in all the circumstances; they would instead have understood that the products had been purchased from Bega and would have observed that the peanut butter jars were not labelled with the Kraft trade marks.
6. In our view, for the reasons that follow, Kraft’s first response (see (a) above) should be accepted.
7. Section 120(1) of the *Trade Marks Act*  provides:

A person infringes a registered trade mark if the person uses as a trade mark a sign that is substantially identical with, or deceptively similar to, the trade mark in relation to goods or services in respect of which the trade mark is registered.

(Notes omitted.)

1. Section 7(4) of the *Trade Marks Act* provides that “use of a trade mark in relation to goods means use of the trade mark upon, or in physical or other relation to, the goods (including second-hand goods)”. It follows that, as the primary judge stated at [496], a trade mark does not need to appear on the goods themselves to be used in relation to those goods.
2. The issue is whether, when Bega supplied peanut butter products to supermarkets in shippers bearing the Kraft hexagon logo, Bega used the Kraft hexagon logo trade mark (or the “Kraft” trade mark) “as a trade mark”. In *E & J Gallo* at [43], French CJ, Gummow, Crennan and Bell JJ quoted with approval the following passage from the judgment of the Full Court of this Court (Black CJ, Sundberg and Finkelstein JJ) in *Coca-Cola Co v All-Fect Distributors Ltd* (1999) 96 FCR 107 at [19]:

Use “as a trade mark” is use of the mark as a “badge of origin” in the sense that it indicates a connection in the course of trade between goods and the person who applies the mark to the goods … That is the concept embodied in the definition of “trade mark” in s 17 – a sign used to distinguish goods dealt with in the course of trade by a person from goods so dealt with by someone else.

1. In our view, the Kraft hexagon logo was used “as a trade mark” in relation to the relevant goods because it appeared on the shippers (i.e. the boxes, before the perforated section was removed) containing the products and thus operated as a ‘badge of origin’ in the sense described in the above passage. The Kraft hexagon logo was the only designation on the shippers containing the relevant peanut butter products. It was the only marking on the outside of the shippers that indicated the origin of the goods. Further, the Kraft hexagon logo was prominently displayed on the shippers. When shippers bearing the Kraft hexagon logo (and containing the relevant peanut butter products) arrived at supermarkets, the Kraft hexagon logo (objectively viewed) designated to the receiver of those goods their trade origin. Whether the goods were purchased by reference to product codes and not by reference to the Kraft hexagon logo is not to the point. The Kraft hexagon logo nevertheless acted as a ‘badge of origin’ for the reasons set out above. The fact that the supermarkets purchased the goods from Bega and may be described as specialist consumers is also not to the point. The Kraft hexagon logo (objectively viewed) nevertheless designated the trade origin of the goods.
2. Thus, Bega’s conduct constituted use of the Kraft hexagon logo trade mark (and the “Kraft” trade mark) “as a trade mark”. If and to the extent that the primary judge did not make a finding to this effect, we would make such a finding.
3. We therefore uphold Kraft’s notice of contention in relation to the cross-appeal. As a result, it is unnecessary to consider grounds 3, 4 and 5 in the amended notice of cross-appeal. It follows that the cross-appeal is to be dismissed. We note for completeness that no change is required to the form of the relevant declaration made by the primary judge (declaration 6).

# CONCLUSION

1. For the reasons set out above, we conclude that both the appeal and the cross-appeal should be dismissed. In each case, there is no apparent reason why costs should not follow the event. We will therefore make orders that the appeal be dismissed with costs and the cross-appeal be dismissed with costs.

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| I certify that the preceding two hundred and seventy (270) numbered paragraphs are a true copy of the Reasons for Judgment herein of the Honourable Justices Foster, Moshinsky and O’Bryan. |

Associate:

Dated: 14 April 2020