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Practice Group:
Intellectual Property

The Great Bottle Battle – Coke vs Pepsi

Australian Intellectual Property Alert

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Federal Court of Australia Decision in *The Coca-Cola Company v PepsiCo Inc & Ors (No 2)* [2014] FCA 1287

On 28 November 2014, the Federal Court of Australia (Court) dismissed claims of trade mark infringement, misleading or deceptive conduct and passing off made by The Coca-Cola Company (Coke) against PepsiCo Inc, PepsiCo Australia Holdings Pty Ltd, and Schweppes Australia Pty Ltd, the manufacturer and distributor of PepsiCo Inc's products in Australia (collectively referred to as Pepsi).

Coke's action arose out of Pepsi's release of the glass 'Carolina Bottle', which Coke alleged infringed the rights and reputation of its iconic glass 'Contour Bottle', or its outline or silhouette.

The Facts

Coke's glass bottle known as the Contour Bottle is well-known and Coke has sold its beverages in a variety of styles of the glass Contour Bottle in Australia since 1937.

In August 2007, Pepsi released a glass bottle of its own in Australia, known as the Carolina Bottle which led to Coke initiating this proceeding in October 2010. Coke's Contour Bottle and Pepsi's Carolina Bottle are depicted below.

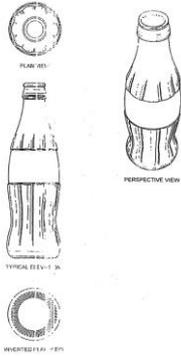


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The Claims

Coke alleged that the Carolina Bottle infringed four of Coke's Australian registered trade marks for its iconic Contour Bottle and that Pepsi had engaged in misleading or deceptive conduct and committed the tort of passing off.

The four registered trade marks, which were the basis of Coke's trade mark infringement allegations against Pepsi, are set out below:

Australian trade mark no. 63697	Australian trade mark no.767355	Australian trade mark no. 1160893	Australian trade mark no. 1160894
			

(Coke Marks)

Significantly, Coke framed its trade mark infringement case both on the basis that Pepsi used the whole bottle shape of the Carolina Bottle as a trade mark or specifically used the outline or silhouette of the Carolina Bottle as a trade mark.

In addition to the claims of trade mark infringement, Coke alleged that Pepsi had:

- engaged in misleading and deceptive conduct, as Coke's business and goods have become widely and favorably known and identified in the minds of consumers throughout Australia by reference to the Contour Bottle and the Coke Marks, and that members of the public in Australia expect to be dealing with Coke, or persons authorised or approved by or otherwise associated with it, when they are offered Pepsi beverages for sale in the Carolina Bottle
- passed off its Pepsi beverages as products of, or licensed by Coke, through the use of the Carolina Bottle.

The Findings

The Court rejected each of Coke's claims against Pepsi. In his judgment, Justice Besanko made the following key findings.

Trade Marks – Use of Marks

With respect to the allegations of trade mark infringement, his Honour considered the context in which Coke's beverages in the Contour Bottle and Pepsi's beverages in the Carolina Bottle are offered for sale and concluded that the overall shape of the Carolina Bottle was being used by Pepsi as a trade mark, as opposed to the outline or silhouette as suggested in the alternative by Coke.

Justice Besanko held that the outline or silhouette of the Carolina Bottle was not sufficient to indicate to the consumer a connection in the course of trade between the

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beverage and Pepsi, even though Coke had put forward expert evidence that this aspect of the Carolina Bottle may be seen by the consumer when the product is presented in a refrigerator for sale. Despite this finding, his Honour did conclude that the outline or silhouette of the Carolina Bottle was an element of the overall shape of the Carolina Bottle.

Trade Marks – Deceptive Similarity

In determining deceptive similarity, his Honour addressed Australian trade mark no. 63697 and Australian trade mark no. 767355 (Detailed Marks) together, and considered trade mark numbers 1160893 and 1160894 (Outline Marks) separately. Justice Besanko held that the Detailed Marks were both accurately described as having the features identified by the Full Court in *Coca-Cola v All-Fect Distributors Ltd* (1999) 96 FCR 107, which were that:

- the sides of the bottle are curved, rather than flat
- there is fluting on the top and lower portions of the bottle and no fluting in the central section
- the top and lower portions of the bottle have the same number of flutes
- the bottle has a flat base and a banded neck.

There were some differences between the Detailed Marks, with Australian trade mark no. 767355 having more clearly shown fluting and scalloping when compared to Australian trade mark no. 63697.

In comparing the Carolina Bottle to the Detailed Marks, Justice Besanko found that the differences were significant. The Carolina Bottle lacks the flutes or a clear belt band as featured in the Detailed Marks, while, uniquely, the Carolina Bottle has a horizontal wave pattern. Coke submitted that despite these differences, the Carolina Bottle was deceptively similar to the Detailed Marks as the outline or silhouette of the Carolina Bottle was an essential feature, but this was also rejected by the Court, in particular with respect to the more Detailed Marks.

With respect to the Outline Marks, the outline or silhouette of the Contour Bottle was the only or essential feature of the Outline Marks. When the Outline Marks were compared to the Carolina Bottle, Justice Besanko identified a number of distinctive features on the Carolina Bottle that were not featured in the Outline Marks.

As a result, his Honour held that the Carolina Bottle was not deceptively similar to any of the Coke Marks.

Misleading or Deceptive Conduct/Passing Off

Similarly, the Court dismissed Coke's allegations that Pepsi had engaged in misleading or deceptive conduct and that its sale of Pepsi in the Carolina Bottle amounted to passing off. In particular, Coke was unable to convince the Court that it had sufficient reputation at the relevant time (in February 2009, when the Carolina Bottle was reintroduced into the Australian market on a larger scale) in the mere outline or silhouette of the Contour Bottle. His Honour found that Coke had the requisite reputation in the overall shape and detailing of the Contour Bottle well before February 2009.

Therefore, the differences between the overall shapes of the Contour Bottle and the Carolina Bottle and the other elements that would influence the purchasing decisions of consumers such as brand names, device marks or logos lead Justice Besanko to conclude that there was no possibility of deception.

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Similar Allegations Made Internationally

The decision of Justice Besanko follows the dismissal of similar claims made by Coke against Pepsi in New Zealand (*Coca-Cola Co v Frucor Soft Drinks Limited* (2013) 104 IPR 432; [2013] NZHC 3282) and Germany (LG Hamburg 315 O 310/11). Both decisions are currently the subject of appeal.

Lessons to Learn

Shape trade marks can be valuable business assets, but applicants must be careful to file representations that depict exactly how the shape is intended to be applied or portrayed in actual use.

Shape trade marks are usually filed in circumstances where a shape has become synonymous with a party and the shape is not the subject of a registered design either because the design has expired, or no design application was filed prior to the commercial release of the design.

It is important that a party files an accurate representation of a shape mark which depicts the essential features of the trade mark. If the shape mark representation does not clearly depict the essential features of the trade mark then it may be difficult to prove a trade mark infringement claim.

A strong shape mark includes features that are non-descriptive and non-functional. In *Global Brand Marketing Inc v YD Pty Ltd* (2008) 76 IPR 161; [2008] FCA 605, Justice Sundberg suggested that these features make a shape "more arresting of appearance and more attractive, thus providing a means of distinguishing the goods from those of others".

Any brand owners wishing to protect the distinctive shapes of their products as a trade mark, or have their existing shape trade mark portfolio reviewed to determine if their protection is adequate, should contact Chris Round, Partner.

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