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Mr Owen J Malone,
Chairman,
Advisory Council on Intellectual Property,
PO Box 200,
Woden ACT 2606

Dear Mr Malone,

Thank you for your kind invitation to comment by your letter of 7 March 2002.

I wish to make a comment on a narrow area but one, which I consider useful to clarify. The issue relates to the extent to which a shape mark may take a functional form and still provide the statutory protection.

I attach a schedule containing my comment for convenience.

Thanking you once again for the opportunity to comment.

Yours sincerely

Dimitri Eliades

SCHEDULE

Issues Paper Reference

Under the heading “*Non-word or logo marks (eg: sounds, colours, shapes, etc* (4.2.1.b of the Issues Paper), the general comment is made that the “new types” of signs highlighted in the *Trade Marks Act 1995* are being subjected to a preliminary assessment as to whether they can even be trade marks, before undergoing the ‘capable of distinguishing’ test.

Issue

With respect to “shape” marks, there would appear to be a “break”, imposed by the Australian Courts, in the logical conclusion that registration of a shape, which performs a functional purpose, or even further, is indistinguishable from the shape of the item or product, creates a perpetual monopoly in the manufacture of that product.

The Act

As we know, the registration of a shape mark is accommodated by the introduction in the 1995 *Trade Marks Act* of an expanded definition of ‘trade mark’. A ‘trade mark’ is defined to mean:

“...a sign used or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person.”¹

Further, a ‘sign’ is defined to include:

¹ s.17 of the *Trade Marks Act 1995*

“the following or any combination of the following, namely, any letter word, name, signature, numeral, device, brand heading, label, ticket, aspect of packaging, **shape**, colour, sound or scent.”² (emphasis added)

The often utilised infringement provision 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 the goods or services in respect of which the trade mark is registered.”³

It appears that there have been only two Australian cases since the enactment of the *Trade Marks Act 1995* which have concerned the infringement of a ‘shape’ mark: *The Coca-Cola case*⁴ and the *Philips case*⁵.

A careful analysis of these cases is warranted, not only because the application of s. 120 to ‘shape’ marks is ‘conceptually difficult’⁶, but because I believe that understanding the interpretation by the courts of the provisions relating to shape marks, is necessary in order to determine the validity of these marks.

The decisions address two fundamental issues in particular:

- the distinction of the ‘mark’ in question from the goods themselves;
- whether a permanent monopoly for a product can be obtained by the registration as a shape mark of a representation of one of its functional features.

² s.6 of the *Trade Marks Act 1995*.

³ s. 120(1) of the *Trade Marks Act 1995*.

⁴ *Coca-Cola Co v All-Fect Distributors Ltd (t/a Millers Distributing Co)* (1998) 43 IPR 47 (18 December 1998), and on appeal to the Full Court of the Federal Court reported at (1999) 47 IPR 481 (10 December 1999).

⁵ *Koninklijke Philips Electronics NV v Remington Products Australia Pty Limited* [1999] FCA 816 (18 June 1999) and on appeal to the Full Court of the Federal Court [2000] FCA 876 (30 June 2000) and on application for special leave to the High Court S175/2000 (6 April 2001).

⁶ ‘*Patents, Trade Marks & Related Rights*’ Lahore, Butterworths, at [56,247].

Coca-Cola case

Coca-Cola had within its marks portfolio in Australia a registered mark for “the contour bottle mark”, which was a two dimensional drawing of a distinctive bottle in which Coca-Cola has been traditionally sold.

The respondent distributed ‘cola bottle confectionary,’ which was a cola flavoured gelatine confectionary with a slightly distorted shape of a Coca-Cola bottle with the word ‘COLA’ inscribed on it.

At first instance Merkel J found that the shape mark was not infringed. His Honour recalled the precedent that *“the word ‘mark’is apt only to describe something which distinguishes goods rather than goods themselves..... The distinction between a mark and a thing which is marked is supported by authority.”*⁷

Although Merkel J found authority to support the proposition that the mark must be depicted and described as something apart from the goods, he warned the precedents did not involve the 1995 Act. His Honour found that the distinction was less obvious after the 1995 Act. At page 62 he states:

“It can generally be accepted that the application or use of the shape of the contour bottle as a trade mark is to be distinguished from a product having the shape of the bottle which, as such, is not applied or used as a trade mark. Although Re Coca-Cola Trade Marks makes that point, the issue arising in the present case in respect of infringement relates to whether the alleged infringing product involves use of a mark as a trade mark (ie a badge of origin), as well as, as a product. If it does, then I see no reason why a three dimensional product cannot involve use of a mark which is deceptively similar to, and thereby infringe, a two dimensional mark. With devices (to which I have referred) and products in the shape of the devices becoming more common as badges of origin, the two dimensional/three dimensional distinction sought to be drawn by the respondent, whilst helpful as a distinction in some cases, is not a valid basis for concluding that a three dimensional product cannot result in infringement of a two dimensional mark.”

⁷ *Re Coca-Cola Trade Marks* (1986) 6 IPR 275.

Although conceptually satisfied that there could be infringement, Merkel J found there was no infringement as the cola bottle confectionary, as such, did not indicate or connote origin of the goods.

The full court reversed this decision. The court said that the appropriate test was whether the 'sign' used indicated origin of the goods in the user of the sign. The full court asked whether the respondent had used the shape of the confectionary to indicate its origin and considered the features of the coke bottle were used by the confectionary as a mark.

The full court stressed that this difficult issue need only arise in cases where the mark was undistinguishable from the product.

The *Philips* case was such a case.

Philips Case

Philips owned two registered trade marks, registered under the *Trade Marks Act 1955* registered in class 8 for shaving apparatus. These were respectively two and three dimensional representations of the shaving surface of the triple headed shaver. Philips also had applied for registration in class 8 under the *Trade Marks Act 1995* as a shape of "a shaving unit consisting of a substantially equilateral triangularly shaped housing containing three circular shaving heads."

Philips was the only triple headed rotary shavers in Australia between 1956 and 1997. In June 1997, Remington imported and sold a triple head rotary shaver. Philips sought orders including permanent injunctions and declarations that Remington infringed their trade marks. Remington cross-claimed seeking a declaration that the subject of the application for a shape mark was not registrable.

At first instance before Lehane J, determined that the Philips trade marks were not considered to be infringed. On appeal to the full court of the Federal Court the trial judge's decision was upheld unanimously.

Lehane J determined that a mark registered as a 'shape' under the 1995 Act could be infringed by the shape of three-dimensional product provided the product's shape was used as a trade mark.

Philips failed before Lehane J because it failed to show that Remington was using the shape of the triple-head as a trade mark. Rather, he decided that Remington had only emphasised the triple head to identify what sort of a shaver it was, but did not use the shape *as a trade mark*. This was a defensible use under s. 122(1)(b) of the Act as a use in good faith to indicate quality and kind of the goods.⁸

It is helpful for the purpose of this comment to note that Lehane J undertook an examination of the history of the insertion of 'shape' in the definition set out earlier.

⁸ Lahore at [56,251]

It is understood that the 1995 Act not only was a result of the Minister's directive to streamline this area of law but also was prompted by Australian obligations under general international agreement of trade related aspects of intellectual property rights (TRIPS). Noteworthy, the *Trade Marks Act 1994* was enacted but did not come into effect until submissions were received, resulting in the repeal of the 1994 Act and the enactment of the 1995 Act.

Relevant to the issue here, the 1994 Act provided:

"39 An application for the registration of a trade mark in respect of goods must be rejected if the trade mark consists wholly or principally of:

(a) the shape, or some other characteristic, possessed, because of their nature, by the goods; or

(b) a shape, or some other characteristic, that the goods must have if a particular technical result is to be obtained."

The *1995 Act* contains no such provision: it deals with the problem in a rather different way, particularly, perhaps, in s 41(6):

"(6) If the Registrar finds that the trade mark is not inherently adapted to distinguish the designated goods or services from the goods or services of other persons, the following provisions apply:

(a) if the applicant establishes that, because the extent to which the applicant has used the trade mark before the filing date in respect of the application, it does distinguish the designated goods or services as being those of the applicant - the trade mark is taken to be capable of distinguishing the designated goods or services from the goods or services of other persons;

*(b) in any other case - the trade mark is taken not to be capable of distinguishing the designated goods or services from the goods or services of other persons."*⁹

After considering the Explanatory Memorandum for the Act, the second reading speech and the Ministerial comments on release, Lehane J concluded:

*"One clear impression left by that history is that it was not thought that the inclusion of "shape" in the definition of "sign" would effect a radical change in trade mark law."*¹⁰

⁹ Lehane J judgement at paragraphs 21 and 21.

¹⁰ Lehane J judgement at paragraph 26.

The relevance of this perspective will become clear in the interpretations considered below by the Full Federal Court and the High Court.

Like the trial judge, the full court determined that Remington's marketing emphasis was on the shape as a quality of the product not as to trade origin. It is noteworthy, that no consumer evidence was called by Philips with regard to whether the shaving head indicated in Remington the shaver's origin.

The following extracts from the decision of Burchett J of the full court are illuminative. Speaking on whether the 1995 Act introduced a radical change to trade mark law by introducing shape marks which were also functional, his Honour said at [15] of the reasons:

*"The trial judge discussed (at 558-560) the question whether the 1995 Act has changed all that. It is unnecessary to repeat the various conflicting indications of legislative intention detailed in that discussion. I think it is important to note, as his Honour does at 560, that the legislative background leaves a clear impression the inclusion of the word "shape" in the definition of "sign" was not understood to involve the effecting of a radical change in trade mark law. It seems to me that this is the reason there is so little assistance to be gained from ministerial statements or explanations. The amendment was simply not seen as important. Nor was the deletion of the provision made by s 39 of the repealed Trade Marks Act 1994. **No change being contemplated to the nature of trade mark use, it followed that neither a shape "possessed, because of their nature, by the goods" nor a shape "that the goods must have if a particular technical result is to be obtained" (the categories of shape identified in s.39) could distinguish the goods of one trade source from the similar goods of another; and therefore such a shape could not function as a trade mark.** Indeed, it is hard to imagine how such a shape of the goods themselves could benothing other than part of the use of the commodity itself. Section 39 was omitted from the Trade Marks Act 1995*http://www.austlii.edu.au/au/legis/cth/consol_act/tma1995121/ *because it was unnecessary. "(emphasis added)*

Understandably, one asks: "Well, how can a shape mark which has a role in the technical result be registered?"

His Honour Burchett J, believed it could:¹¹

“It does not follow that a shape can never be registered as a trade mark if it is the shape of the whole or a part of the relevant goods, so long as the goods remain distinct from the mark. Some special shape of a container for a liquid may, subject to the matters already discussed, be used as a trade mark, just as the shape of a medallion attached to goods might be so used. A shape may be applied, as has been said, in relation to goods, perhaps by moulding or impressing, so that it becomes a feature of their shape, though it may be irrelevant to their function.

The full court’s position, and the current law in Australia from this decision, can be summarised as follows:

1. A shape, which is a functional part of the inherent form of goods, is necessarily a shape which other traders might legitimately wish to use;
2. it follows that such a shape cannot distinguish the goods of one trader ;
3. that because the fundamental purpose of a trade mark is to distinguish the products of one trader from those of another, such a shape cannot be regarded as within the definition of a trade mark.

The court in *Philips* distinguished the *Coca-Cola* case by saying that in that case the shape was moulded onto the confectionary. The court went on to say that the mark may be stamped into the product or moulded on it such as in the case of a liquid which may be sold in a container so formed as to constitute at once both container and mark.

But, the court said, in none of these cases was the mark devoid of a separate identity from that of the goods. ¹²

¹¹ At [16]

¹² at [12].

The end result, in my opinion, is that the full court has inserted a “break” in the logical conclusion that a registered shape which is inextricably linked to its function may amount to a perpetual monopoly to make the product.

Why is this so? I believe the answer is hinted in the opening line of the full court reasons:

“A fundamental issue of trade mark law is involved in this appeal. Under the new Trade Marks Act 1995 (Cth), can a permanent monopoly for a product be obtained by the registration as a mark of a representation of one of its vital features? “

In the application by Philips for leave to appeal to the High Court, Queens Counsel appearing for Philips, submitted that the full court was imposing questions of the validity of the trade mark instead of questions of infringement. This however did not sway the High Court, as they noted with interest that in other countries where the *Philips v Remington* litigation had been dealt with, Remington had successfully challenged the registration of the shape in answer to the infringement proceedings.

The High Court seems to have been concerned that granting special leave would be a waste of time if ultimately the registration would be expunged, along the lines the full court had indicated.¹³

It was argued by *Philips*, that the working party had felt that there should be a ‘break’ by reference to functionality, and as the break (s.39 of the 1994 Act), was not inserted into the 1995 Act, it was important to impute a ‘break’ was not intended.

¹³ Note although there was a cross-claim by Remington in relation to the application for a shape mark under the 1995 Act, his Honour did not adjudicate on the issue because to do so

To this his Honour Kirby J responded:

“It may not be such a bad social consequence that the Full Federal Court has inserted a break, if it is viable and consistent with the language of the legislation.”¹⁴

It was submitted for Remington that nowhere in the world had it been held that by registration of a trade mark for a shape one was able to get a perpetual monopoly for the manufacture of the product of that shape.

On the issue of whether the 1995 Act introduced a radical change to trade mark law his Honour said:

“But there is a point is there not, in the proposition that had it been intended to pick up such a large consequence, one would have expected perhaps a clearer provision in the TRIPS agreement, a clearer provision in the legislation and at least a sentence from the Minister pointing that this radical change was being introduced into the Act?”

It would appear that the present state of the law, (with particular attention to what appear to be policy formulations), casts doubt on the validity of a trade mark registration for a shape which is a functional part of the inherent form of goods.

Of course, I have considered these issues in a vacuum reviewing only the competing products and the law. If there is a body of consumer evidence that the offending products by their shape are marketed to indicate the origin of the product, it may make a difference, but ultimately the concern that a perpetual monopoly is created appears to be a telling consideration.

would take the matter out of the hands of the Registrar whose valuable comments would otherwise not be available to the court.

¹⁴ High Court transcript of proceedings 6 April 2001 at page 5.

Question

The Issues Paper notes:

“Clearly, the Legislature intended that the new kinds of marks should be registrable as trade marks.”

Did the Government intend that there should be a “break” by reference to functionality? Is it something the Government should clarify, as such owners may understandably assume that they have an enforceable right?

Dimitri Eliades

29 April 2002