

Submissions to the Advisory Council on Intellectual Property ("ACIP") in response to its issues paper of February 2002 entitled REVIEW OF ENFORCEMENT OF TRADE MARKS (the "Issues Paper")

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1. The suggestion of introducing a two tier trade mark registration system (section 2.4 of the Issues Paper)

A two tier trade mark registration system along the lines suggested in the Issues Paper will not deliver any meaningful advantages to traders in terms of cost or speed.

As to cost, trade mark registrations granted without substantive examination will leave traders uncertain as to the extent (or even existence) of enforceable rights conferred by the registration. By increasing opportunities for dispute and increasing the unpredictability of outcomes from such disputes, the suggested "weaker" entry level trade mark system would impose additional costs upon business.

As to speed, trade mark registrations granted without substantive examination are unlikely to provide a basis for obtaining interlocutory relief from a court. In any event, accommodation of convention priority claims of up to 6 months effectively caps the speed with which any enforceable trade mark registration can be granted.

2. The business name registration system (section 4.1.1.a of the Issues Paper)

The basis for objecting to applications to register business names assessed as being confusingly similar to existing business names or company names should be removed. The interests of traders and consumers in avoiding market place confusion through similarly named businesses are served better by the registered trade marks system, the common law tort of passing off and the consumer protection provisions of the *Trade Practices Act 1974 (Cth)* ("TPA") and *Fair Trading Acts* (various States/Territories).

The business name registration system should simply provide a means for identifying people and companies who carry on business under names other than their own. Applications to register business names should be examined only as to compliance with formalities such as the payment of fees and the provision of all necessary details regarding the applicant and the applicant's business. Ideally, Australia should have a single business name register with the business name applicant initially identifying the geographical areas from which business will be carried on under the chosen name and business name registrants thereafter being obliged to update those geographical details where circumstances change. Alternatively, the business name registration could continue to operate on a State/Territory basis, although costs to traders would be reduced by homogenising, as far as possible, the State/Territory systems.

The business name application forms and the Certificate of Registration should make clear to business name applicants/registrants that registration of the business name confers no

exclusive rights in the chosen name and provides no defence to an allegation that use of the name infringes a registered trade mark or constitutes the tort of passing off or contravenes the TPA or *Fair Trading Acts*.

3. Domain names (section 4.1.1.b of the Issues Paper)

AuDA should introduce a dispute resolution policy along the lines used by ICANN in the .com domain space.

The *Trade Marks Act 1995 (Cth)* ("TMA95") need not be amended to provide for remedies specific to cybersquatting.

Sui generis legislation to deal with cybersquatting is probably not warranted at this stage.

Amending the TMA95 with a view to "strengthening" the protection afforded to "famous" marks, including the introduction of anti-dilution provisions, may assist in the attack on cybersquatting. However, those amendments will be of broader application and would shift precepts of Australian trade mark law which could not be justified solely in the context of cybersquatting where a specific dispute resolution policy for domain names would be more suitable.

4. Plant breeders' rights

The name of a new plant variety registered under the *Plant Breeders Rights Act 1994* should not be registrable as a trade mark under the TMA95.

5. Traditional expressions and indigenous people's rights (section 4.1.1.e of the Issues Paper)

"Tradition expressions" and "indigenous people's rights" of the type contemplated in the Issues Paper should not be afforded special protection in the trade mark context.

6. National icons (section 4.1.1.f of the Issues Paper)

The TMA95 should not be amended at this stage to provide protection for "national icons" as such. The TMA95 already provides a suitable framework for assessing the distinctiveness of national icons as trade marks in respect of particular goods or services (section 41) and the potential for some uses of national icons to be confusing in some circumstances (section 43).

7. Proprietorship – copyright issues (section 4.1.3 of the Issues Paper)

Many trade marks, both registered and unregistered, constitute or emanate from drawings falling within the definition of "artistic work" in section 10(1) of the *Copyright Act*. These types of marks are generally described as "device" marks. They may be a composite of shapes, patterns and/or depictions of objects (both animate and inanimate). Words may also be incorporated within a device mark and, where words are represented in a highly stylised or unusual form, they may add to the originality of the artistic work.

In many cases, the owner of a trade mark in which copyright subsists (or where copyright subsists in the original design drawing of the mark) will not own that copyright. This often

arises where graphic designers are commissioned to design logos. In many instances, neither the designer nor the commissioner will think to include in the terms of engagement the ownership or exploitation of copyright in the logo. However, this does not generally produce problems. The commissioner will become the owner of the trade mark rights in the logo in respect of particular goods or services upon using (in the relevant sense), or applying to register, the logo in respect of particular goods or services. The designer may retain ownership of the copyright but the law will readily imply a licence in the commissioner's favour to do all of the things it could reasonably be expected that the commissioner may wish to do with respect to the logo in using it for its intended purpose as a trade mark.

Generally, the separate ownership of trade mark rights and copyright in a device mark only presents difficulties when the trade mark owner does not hold an express or implied licence to reproduce the mark or otherwise perform an act that would fall within one of the exclusive rights of the copyright owner. This usually arises when a person chooses to adopt as a trade mark an existing device not yet used as a trade mark (at least in Australia) in respect of the relevant goods and services or where a designer is commissioned to produce a device mark for a specific purpose (for example use in relation to a particular line of goods only) and then the device mark is used in a manner not covered by the licence granted by the designer.

The law at present in Australia adequately deals with the potential tension between trade mark ownership and copyright ownership and no reform in this area is required.

8. Examiner's reports (section 4.2.1.a of the Issues Paper)

The Trade Marks Office seems to recognize the desirability of consistency in determinations as to the level of "inherent distinctiveness" in a given mark, allowing obviously for differing contexts according to designated goods and services. This is reflected in the following passage from a decision by Terry Williams, as the Registrar's delegate, on 16 May 2001 in the context of an application by Unilever to register the mark PHOENIX.

While I do not think the state of the register itself can be decisive in such a matter, a solid body of acceptances cannot be ignored, as the 1985 UK Manual has noted. It is evidence that, over time, the trade mark has been repeatedly found registrable. Wilcox J cautioned, of a similar proposition in *Ocean Spray Cranberries Inc v Registrar of Trade Marks* [2000] FCA 177, with my emphasis added:

That evidence should be disregarded, for the reasons expressed by Jacob J in *British Sugar* at 305:

"Both sides invited me to have regard to the state of the register. Some traders have registered marks consisting of or incorporating the word 'Treat'. I do not think this assists the factual inquiry one way or the other, save perhaps to confirm that this is the sort of word in which traders would like a monopoly. In particular the state of the register does not tell you what is actually happening out in the market and in any event one has no idea what the circumstances were which led the registrar to put the marks concerned on the register. It has long been held under the old Act that comparison with other marks on the register is in principle irrelevant when considering a particular mark tendered for registration, see e.g.

MADAME Trade Mark [1966] R.P.C. 541 and the same must be true under the 1994 Act. I disregard the state of the register evidence."

I add only that, although consistency in public administration is desirable, a public officer is not justified in persisting with error. Marks may, in the past, have been wrongly registered. It would be an unwarranted distraction from the task at hand to investigate, in a particular case, whether they were or not.

The last paragraph is important. Firstly, consistency in public administration *is* desirable. Secondly, there is a difference between the role of the court and that of the Trade Marks Office in such matters. It is the responsibility of an administrator to take reasonable steps to understand, consider and assess the pattern of his/her own agency in dealing with past matters, where these are directly relevant. It is only if the decision-maker is satisfied that a current matter can be distinguished from past decisions, for whatever reason, that an established pattern can be varied in good conscience.

9. Non-word or logo marks (eg: shapes, colours, etc) (section 4.2.1.b of the Issues Paper)

For the purposes of these submissions, the term "non-conventional signs" will be used to described signs that do not consist of words or two dimensional graphic designs or a combination of words and such designs.

The successful marketing of a product or service may be enhanced by the use of non-conventional signs. Thus, the definition of a sign in the TMA95 created a great deal of excitement amongst marketers and their advisers. However, that excitement must be tempered by the definition of a trade mark under section 17 of the TMA95 (and the interpretation of that definition by Australian courts) and the requirements of section 41 of the TMA95. The concept of distinctiveness is one of the founding pillars of Australian trade mark law. The degree to which a word (for example) will be regarded as being inherently adapted to distinguish a trader's goods or services will primarily rest on the likelihood of competing traders wishing to use the same word without improper motive. Thus, a word mark (to pursue this example) will not be regarded as being "inherently distinctive" if it is (amongst other things) descriptive of a characteristic or purpose of the particular goods or services or if it is laudatory or a common surname. Whilst the same distinctiveness threshold applies to all types of signs, non-conventional signs naturally face additional hurdles because they commonly perform non-trade mark functions. Through extensive and exclusive use over time, the colour pink (for example) might become distinctive of the origin (or origin of quality) of insulation bats. Until the colour pink has acquired the requisite level of distinctiveness through use, it is properly not regarded as being capable of distinguishing one trader's insulation bats from a competitor's insulation bats. Insulation bats will need to be one colour or another. Pink may or may not be a popular colour, but initially its function will be principally aesthetic. Likewise, the shape of a barbecue or a piece of confectionery will not necessarily communicate a message as to any relevant trade connection. The barbecue or confectionery shape may have great appeal to consumers such that the first user of the shape begins to derive super-normal profits. However, that appeal may stem from the aesthetic pull of the shape itself regardless of any assurances as to a common origin of quality in the product. Thus product shapes can become fashionable and other traders may wish to

reproduce those shapes to meet particular consumer desires. It does not necessarily follow that the traders copying the product shapes will create confusion in the market. Typically, the products will be distinguishable by a trade mark comprising a word or logo. Here the word or logo has an intrinsic advantage over the non-conventional sign. The word or logo is clearly separate from the trader's product or service being acquired. It is easier to say that another trader would only choose the same word or logo for the improper purpose of riding off the first trader's reputation.

There are two other practical factors differentiating words and logos on the one hand and non-conventional signs on the other hand. First, having regard to the concept of "deceptive similarity", there are much fewer options for traders in using shapes, colours and other non-conventional signs when compared with the vast realm of language. Secondly, the shapes and colours of products and their packaging can be monopolised under the registered designs system. These two factors coalesce to raise the spectre of a new anti-competitive force if the registrability of non-conventional signs is "freed up" in the manner suggested by some focus groups canvassed by ACIP.

10. Restricted searching by class (section 4.2.1.c of the Issues Paper)

The restricted cross-class searching regime introduced by IP Australia in July 2000 has seriously compromised the integrity of the Register of Trade Marks. By introducing a high level of uncertainty as to the validity of trade mark registrations, IP Australia has increased the costs of both enforcing and defending trade mark claims.

IP Australia should revert to searching across all classes containing goods or services that are similar/closely related to the goods/services of the application under examination to ensure that all potentially conflicting marks are taken into consideration by the Examiner.

The absence of a preliminary review by IP Australia in relation to the suitability of statements of goods and services also creates uncertainty and cost. The harmful results that may flow from allowing incorrectly classified applications to remain on foot for a lengthy period of time are well summarised on page 19 of the Issues Paper.

11. Incorrect nomination of classes (section 4.2.1.e of the Issues Paper)

As noted above, trade mark applications should be subject to preliminary examination to determine whether the applicant has nominated classes correctly to ensure, as far as possible, integrity of the Trade Marks Office database for searching.

12. Disclaiming non-distinctive elements of a trade mark (section 4.2.2 of the Issues Paper)

Subsection 32(2) of the TMA95 empowers the Registrar to accept a trade mark application subject to condition or limitations. Whilst this allows the Registrar to require a disclaimer as a condition of registration, the Registrar's practice under the TMA95 has been not to impose disclaimers.

The capability of a mark to distinguish a trader's goods or services from another trader's goods or services is a separate issue from the need for a disclaimer. A mark as a whole must be capable of distinguishing the trader's goods or services. The significance of a non-distinctive element to a mark may be quite pronounced. It may be that additional matter distinctive in

nature gives the mark the capability of distinguishing the trader's goods or services from those of another person. However, in view of the prominence of the non-distinctive element in the registered mark, the use of that element as a trade mark may infringe the registered mark in the absence of the appropriate disclaimer. This can be so even when allowance is made for the non-distinctive nature of the disclaimed matter.

The responsible Minister should direct the Registrar, in deciding whether a trade mark (the "Owner's Mark") shall be registered, to require as a condition that the owner disclaim any right to the exclusive use of any part (the "Disclaimed Part") of the Owner's Mark that is:

- (a) non-distinctive; and
- (b) of such significance to the Owner's Mark as to make the Owner's Mark substantially identical with, or deceptively similar to, a mark comprised only of the Disclaimed Part.

The Registrar can retain his current discretion as to the form of the disclaimer. The most common form of endorsement is likely to be in the following terms.

"Registration shall give no right to the exclusive use of the [#particular word, device, letter, etc]".

Where the applicant's particular representation of a non-distinctive word, device, letter, etc. gives the mark sufficient distinctiveness, the following form of endorsement would be suitable:

"Registration shall give no right to the exclusive use of the [# particular word, device, letter, etc.] except as represented in the mark".

Assuming that this recommendation is implemented in relation to acceptances of trade mark applications from 1 January 2003, there will remain numerous trade mark registrations born of applications accepted between 1 January 1996 and 1 January 2003 which, had they been accepted outside this period, would have been subject to a disclaimer. Whilst it is open to persons aggrieved by the absence of a disclaimer in relation to a mark accepted for registration within this seven year hiatus to seek the entry of the disclaimer by court order, it would be preferable to empower and direct the Registrar to deal with the issue on receiving notice from an aggrieved person. The following might be a suitable procedure.

1. A person aggrieved by the absence of a disclaimer could apply to the Registrar for the entry of the disclaimer.
2. The Registrar would notify the registered owner of the affected mark and any person recorded as having a claimed interest in the mark.
3. The registered owner or other interested party could object to the entry of the disclaimer in which case opposition proceedings would commence and be conducted in the customary manner.
4. The Registrar's decision could be subject to the usual avenue of appeal.

This approach has the attraction of calling into question the absence of a disclaimer from existing registrations only in circumstances where the scope of the registration is actually in

issue. Adopting a vetting program at renewal stage (for example) has the distinct advantage that most registrations being renewed would need to be re-examined in circumstances where:

- (a) only a small fraction may ever become contentious; and
- (b) those that do become contentious may do so well in advance of the next renewal date.

13. Board of Review (section 4.3 of the Issues Paper)

A Board of Review comprising three Hearing Officers is unlikely to improve the trade mark system. It would merely introduce another administrative layer which may ultimately prove frustrating where the appeal to the Federal Court is heard de novo in any event.

14. Opposition proceedings – costs (section 4.4.1 of the Issues Paper)

The costs which can be awarded to the successful party in an opposition proceeding should bear a closer relationship to the amount of work necessarily performed by that party in the proceeding. The current scale of costs should be reviewed accordingly.

Hearing Officers should be directed to apply cost penalties against opponents who retain untenable grounds of opposition in a Notice of Opposition beyond the period for serving evidence in support of the opposition.

It may not be practical to involve Hearing Officers in opposition proceedings from an early stage to prevent any unnecessary incurring of costs.

15. Opposition proceedings – extensions of time (section 4.4.2 of the Issues Paper)

The efficient operation of the trade mark system would probably be enhanced by the Trade Marks Office raising the threshold for parties to opposition proceedings obtaining extensions of time to serve evidence. Beyond that, there seems little advantage in trying to impose on trade mark opposition proceedings the procedural style applicable to trade mark matters before the Federal Court.

16. Opposition proceedings – "contrary to law" (section 4.4.3 of the Issues Paper)

An opponent should have the opportunity of trying to satisfy a Hearing Officer that fair and normal use of the applicant's mark in respect of the goods/services covered by the application would be contrary to law. Some of the bases upon which such a claim might be made will involve concepts familiar to Hearing Officers and others will be completely alien to them. Having regard to the onus borne by the opponent, it is reasonable that an opponent will have greater prospects of succeeding on the "contrary to law" ground where:

- (a) the evidence of the opponent is not contradicted; or
- (b) there is conflicting evidence, but the ground is based on a trade mark related claim such as passing off.

There will generally be less scope for the "contrary to law" ground to be raised on examination because the Examiner will not have the benefit of evidence filed by an opponent. Nevertheless, there will be circumstances where an Examiner may properly be satisfied that fair and normal use of the applicant's mark in respect of the goods/services covered by the application would be contrary to law. The position stated above accords roughly with the status quo which should be maintained.

17. Proof of use (section 4.6 of the Issues Paper)

The efficiency of the trade mark system may be enhanced by the automatic culling of unused trade marks at the renewal stage, rather than relying upon persons aggrieved by unused trade marks bringing removal proceedings. A trade mark owner could be required to support an application to renew a registration with a statutory declaration attesting to the use of the mark in the preceding three year period and the renewal could be allowed in relation to those types of goods/services in respect of which the mark was used within the three year period. The amount and nature of the trade mark use could be the same as would be required by a registered trade mark owner in removal proceedings under section 92 of the TMA95 (assuming that a prima facie case of non-use had been made out). Similar requirements to establish use on renewal operate in the USA and a number of other countries.

We recognise that this imposes a burden on trade mark owners and the Office, and that there may be concerns about a proliferation of last minute protective use exercises spawning declarations which may or may not disclose use which would ultimately suffice to defend any non-use removal proceedings. However, the Register is increasingly cluttered by registrations for wide specifications of goods or services which are not being used for some or all of those goods/services. Under section 120(2) of the TMA95, owners now have the benefit of infringement remedies in relation to use beyond the goods/services of their registration. Having owners restrict their registrations back to the goods/services of real interest if after 10 years they have not made wider use does not seem harsh. It is not reasonable to leave others to go to the time and cost of using section 92 to restrict them. Owners can always re-file if they remain interested in a wider specification.

18. Non-use provisions (section 4.6.1 of the Issues Paper)

The provisions of the TMA95 dealing with "non-use" removal proceedings are generally working well in practice. As to the amount of the fee payable on filing a non-use removal application, the focus should be on balancing the fee against the administrative cost of the proceeding to IP Australia rather than to discourage frivolous proceedings. Nevertheless, the current fee of \$150 does appear remarkably low.

19. Action against counterfeiting (section 4.7.2 of the Issues Paper)

It is our experience that there are obstacles to taking cost effective and efficacious action against counterfeiters. Infringement actions are expensive in the context of respondents who are difficult to catch and who are dealing in small volumes of infringing product at any one time. Discovery and other processes will not usually produce any reliable information about the real level of infringement. The difficulty in proving damage will lead to low recoveries which in turn does not discourage repeat infringement. Federal police will rarely get involved and, again, the small penalties that are handed down under the offence provisions only reinforce their impression that it is not a high priority.

There is an urgent need to reconsider the range of rights and remedies that trade mark owners need in order to effectively combat widespread infringement and counterfeiting in particular. All options should be considered including better resources to Federal, State and Local Government agencies and actively encouraging them to take action against counterfeiting. At the same time, there needs to be modernised and streamlined civil court-endorsed powers of seizure to keep up with the pace of counterfeiters. A more effective remedy regime also needs to be provided which might include the ability to award punitive damages in appropriate counterfeiting cases and to grant injunctions where there are contraventions of the offence provisions in the Trade Marks Act so that re-offenders have to face a real prospect of contempt and jail.

Finally in this regard, consideration should be given to making it easier for trade mark owners to trace the source of counterfeit goods without having to go through unsatisfactory processes of discovery, subpoenas or the like. If this information is available to Customs officials or other parties, the ability to get this information quickly and relatively cheaply (subject to there being appropriate checks and balances) can assist a trade mark owner to deal with the counterfeiting problem at its source.

20. Parallel importation of goods (section 4.7.3 of the Issues Paper)

Contrary to the recommendation of the Intellectual Property and Competition Review Committee, the assignment provisions of the TMA95 should not be amended for the purpose of attempting to negate assignments designed to prevent parallel importation by splitting trade mark ownership geographically. The law presently provides for an assignment to be challenged where effective control over the mark has not passed from assignor to assignee, despite whatever may have been stated in any instrument of assignment. Further, the law presently provides for a challenge to a registration which has been assigned, but the mark continues to be used in the relevant sense by the assignor and not the assignee.

21. Proposed amendments to the Copyright Act (section 4.7.4 of the Issues Paper)

It is inappropriate for trade mark law regarding parallel importation of goods to be amended through the Copyright Act.

22. The court system (section 4.7.5 of the Issues Paper)

Further specialisation of IP judges is highly desirable. It would bring greater certainty to the law thereby significantly reducing business costs.

There is unlikely to be sufficient expertise within the Federal Magistrates' court to justify the referral of trade mark matters into that jurisdiction.

23. Association of trade marks (section 4.8.2 of the Issues Paper)

The re-introduction of "association" provisions cannot be justified on the basis of the protection of purchasers of trade marks. It is perfectly reasonable to expect purchasers to conduct a search for any similar marks which may impact upon the price the purchaser is willing to pay for the mark or marks being assigned.

The proper justification for the re-introduction of association provisions would be from the perspective of consumer protection. At present, the separate ownership of deceptively similar marks across similar or closely related goods/services can expose one or more of the registrations to cancellation under section 88 of the TMA95. Whilst it might be desirable to have the public interest in this regard policed by IP Australia, it should not be a high priority.

24. Well-known marks/dilution (section 4.8.3 of the Issues Paper)

There is no doubt that in particular fact situations it is not currently clear that our law will enable the owner of a well-known trade mark to prevent others from taking a free ride on the fame of that mark and/or from damaging or diluting its distinctiveness or value. Section 120(3) was inserted into TMA95 in order to reflect the requirement of TRIPS for such a provision in relation to well-known trade marks without any real understanding at the time as to whether and how it would extend the range of existing protections provided under Australian law. The position still remains uncertain.

Having said this, there is no consensus as to what uses appropriate anti-dilution provisions should look to prevent and what checks and balances need to be allowed to avoid a wide range of appropriate non-infringing uses from becoming actionable. Legislation in the United States in this area has proven controversial and no consensus has emerged from international debate and discussion in this area. To introduce anti-dilution provisions with a view to addressing specific fact situations of concern to the owners of well-known trade marks before a coherent and balanced position has been articulated on the more general "philosophical" issues would in our view be a mistake. This is not to say that "now is not the time"; in an age where brands are very valuable commercial assets it is imperative to accelerate the discussion of how best to protect them against some of the forms of damage which go by the name "dilution". However, this should not be done by means of a knee-jerk reaction to specific instances. Legislation in this area will involve a fundamental shift in the balance between the rights of owners and others and the extent of that shift, the reasons for it, the checks and balances to protect free speech and the like must all be properly considered. In the meantime, establishing a register of well-known or famous marks as suggested in the Issues Paper would be premature.

25. The effect of subsection 88(2)(c) of the TMA95 (section 4.8.5 of the Issues Paper)

The wording of subsection 88(2)(c) of the TMA95 does not require clarification. Its drafting reflects the fact that paragraph (a) of the subsection deals with rectification on the ground that the trade mark could have been opposed under sections 43, 44 or 60 of the TMA95.

26. Interpretation of section 60 of the TMA95

Hearing Officers are generally of the view that the issue of deceptive similarity in subparagraph (a) of section 60 should be treated as a threshold test before considering the reputation in the other mark under subparagraph (b). The issue appears not to have been squarely addressed by the courts. It is true that subparagraph (a) of section 60 refers to the deceptive similarity of marks and that deceptive similarity is the term used also in sections 44 and 120 and is defined for the purposes in the Act in section 10. However, the definition in section 10 does not provide a context in which two marks can be assessed for deceptive similarity. It is fundamental tenet of trade mark law that the test for deceptive similarity of marks must be considered in light of the goods or service in respect of which the marks are

used or are assumed to be used. For example, some goods may typically be ordered verbally whilst others may typically be selected visually. Further, the distinctiveness of marks and the prospect of confusion between the two marks may be influenced by the nature and value of the goods (as between an item of confectionery and a piece of furniture) or by the people who customarily deal with the goods (the general population or some specialist category such as medical practitioners).

Section 44 provides a specific framework for considering deceptive similarity by introducing the issue of goods/services which are of the same description or closely related. The first issue under section 44 is the comparison of the goods/services. As a matter of policy, this is something that should be determinable without regard to the marks involved. For example, applying the conventional tests, beer and wine or computer programs and computer programming services are either of the same description/closely related or they are not regardless of the marks used. Once there is a finding of goods/services being of the same description/closely related, a comparison could be made as to the respective marks allowing for fair and normal use of both marks in respect of the relevant goods/services. The proximity of different types of goods is a continuous spectrum within which the test for goods/services of the same description/closely related is a threshold. Once over that threshold, there is still a range of levels of "closeness" ranging from exactly the same goods/services (or goods/services of the same kind) to goods/services of the same description/closely related. The closer the goods/services, then the further apart the marks will need to be to avoid a finding of deceptive similarity.

In any event, in the final analysis of section 44 the comparison is between fair and normal use of the applicant's mark in respect of the goods/services covered by the application, and fair and normal (again notional) use of the earlier mark in respect of the goods or services covered by the earlier registration/application. The courts have talked about rolling the two issues under section 44 into one single consideration, although this must only lead to the position that suggested above, once you accept that the comparison of goods/services is something that can be considered in isolation from the marks. Otherwise, there is the risk of section 44 objections arising in relation to completely unrelated goods/services because the applicant's mark is, for example, identical to an extremely distinctive mark with an earlier priority date.

At the other end, section 120 also provides the framework for assessing the deceptive similarity of the marks by referring to the goods or services in respect of which the alleged infringer uses his trade mark and the registration allegedly infringed is of course a registration covering particular goods or services. Even the extended forms of infringement are still in the context of the goods or services registered and the goods or service in respect of which the alleged infringer uses its trade mark.

The test of deceptive similarity in subparagraph (a) of section 60 takes its context from subparagraph (b). Section 60 should not be read down by some artificial assessment of deceptive similarity as a threshold without a framework as to the goods or services to be considered. Section 10 simply says that the degree resemblance must be such that there is a likelihood of confusion. Section 60 simply provides a different framework from sections 44 and 120 as to how the level of resemblance is assessed. Fair and normal (notional) use of the applicant's mark in respect of the goods or services covered by the application is to be considered against the mark in which the reputation resides as used. If the reputation in the opponent's (or other person's) trade mark is such that fair and normal use of the applicant's mark in respect of the goods or services covered by the application is likely to cause

confusion then those marks obviously resemble each other sufficiently for the purposes of section 10.

The only alternative construction that seems to make any sense would be to treat subparagraph (a) of section 60 as a threshold issue of deceptive similarity and the comparison is between fair and normal (notional) use of the applicant's mark in respect of the goods or services covered by the application and fair and normal use (notional) of the mark claimed by the opponent to enjoy the reputation and again the context for considering use of the opponent's (or other person's) trade mark is in respect of the goods or services covered by the application. Thus, for example, where an applicant seeks to register SEEKO in respect of musical instruments and opposition is lodged by the owner of the SEIKO watch brand, the threshold issue of deceptive similarity under subparagraph (a) of section 60 would be between fair and normal use of SEEKO and Seiko in respect of musical instruments. If in the notional context those marks are considered deceptively similar when used in respect of musical instruments, then you move to subparagraph (b) and look at the reputation in Seiko arising from massive use in respect of watches (and related brand leveraging practices in the industry etc) and consider whether fair and normal use of SEEKO in respect of musical instruments is likely to cause confusion.

Even where the test of deceptive similarity in subparagraph (a) of section 60 takes its context from subparagraph (b), a further issue arises from the use of that term. There may be situations where the mark whose registration is being sought is not deceptively similar to the opponent's mark in the technical sense contemplated but its use in the face of the reputation enjoyed by the opponent's mark will still be likely to deceive or cause confusion. Further, it may be that the opponent has two marks which enjoy reputations, neither of which is deceptively similar to the applicant's mark, but the applicant's mark may be a hybrid of the opponent's two marks. Thus, use of the mark by the applicant would be likely to deceive or cause confusion, but the opponent cannot point to one particular mark as being deceptively similar to the mark whose registration is being sought.

If the opponent cannot succeed under section 60 of the TMA95, he or she may consider rectification proceedings under section 88. However, in this instance, the opponent would be relying upon paragraph 88 (2)(c) which is then subject to paragraph 89 (1)(c). Thus, when proceeding on the basis of rectification a concept akin to "blameworthy conduct" is introduced. Under subsection 89 (1) of the TMA95, the court may decide not to grant an application for rectification made on the ground referred to in paragraph 88 (2)(c) if the registered owner of the trade mark satisfies the court that the ground relied on by the applicant has not arisen through any act or fault of the registered owner.

Section 60 of the TMA95 should be amended to read as follows:

The registration of a trade mark in respect of particular goods or services may be opposed on the ground that:

- (a) a trade mark or trade marks that, before the priority date for the registration of the first-mentioned trade mark in respect of those goods or services, had acquired a reputation or reputations in Australia; and
- (b) because of the reputation or reputations of that other trade mark or trade marks, the use of the first mentioned trade mark at its priority date would be likely to deceive or cause confusion.

27. Subsection 120(2) of the TMA95 – the Defence to "second tier" infringement

The interpretation of the defence under subsection 120(2) has so far eluded serious judicial attention. It is unclear from the wording of the provision whether use of the respondent's (ie. the alleged infringer's) mark is compared with:

- (a) notional use of the registered mark in a fair and normal manner (a body of case law surrounds this concept); or
- (b) the actual use or lack of use of the registered mark.

Support for both of these conflicting interpretations can be found in passages made in judgments under the TMA95 and in judgments regarding the old "part B defence" under the *Trade Marks Act 1955* ("TMA55") from which the defence under subsection 120(2) appears to have drawn inspiration.

The former construction of subsection 120(2) as importing fair and normal use of the registered mark in a notional sense is more consistent with the precepts of trade mark law and statutory construction and can be favoured logically on policy grounds. Subsection 120(1), the "first tier" infringement provision, clearly does not have regard for actual use or non-use of the registered mark. Subsection 120(3), the "third tier" infringement provision, clearly does have such regard but it is expressed to do so. Subsection 120(2) is silent on the issue.

The drafting of subsection 120(2) involves looking at the respondent's previous/current manner of use and assessing the likelihood of future confusion. This suggests that there must be a given point of reference for comparing the competing activities that might give rise to the confusion. This is only achieved by assuming notional fair and normal use of the registered mark into the future. This interpretation also avoids the undesirable and uncertain situation of having non-infringing conduct become infringing conduct by reason of some change in the way the registered owner uses his mark.

On the construction of subsection 120(2) which considered most likely above, the defence will apply only on few occasions. Nevertheless, it is conceivable that a Court would still favour the defence in circumstances where the nature of the mark itself makes confusion unlikely.

The uncertainty surrounding the interpretation of the defence under subsection 120(2) imposes a substantial cost on business. The defence should be clarified by the amendment of section 120(2).

28. Assignment of a Mark Whose Registration is being Sought

Subsection 106 (1) is open to two conflicting interpretations. On the one hand, it is arguable that the effect of subsection 106 (1) is that a mark whose registration is being sought is capable of assignment with or without the goodwill of the relevant business, whether or not the mark actually becomes registered. On this interpretation, the common law rule against the assignment of an unregistered mark without the goodwill of the relevant business could simply be avoided by filing an application to register the mark and assigning the mark under section 106. There appears to be no intention on the part of the legislature to overturn the common law rule. There are sound policy reasons for its retention. The rule should not be overturned without proper consideration of the policy implications.

The other interpretation of section 106 in this regard is that it simply permits the assignee of the benefit of a trade mark application to prosecute the application in the assignee's own name, rather than to permit the assignment of the unregistered trade mark itself. On this interpretation, if the application proceeds to registration, the mark will be registered in the name of the assignee and the assignment would be effective whether made with or without the goodwill of the relevant business. If, however, the application does not proceed to registration, there would be no effective assignment unless the mark is assigned as part of the goodwill of the relevant business. Subsection 21 (1) of the TMA95 supports this interpretation by providing that a registered trade mark is personal property. The fact that section 21 covers only registered marks suggests that unregistered marks, whether the subject of an application for registration or not, remain non-proprietary in nature (and thus incapable of assignment without the goodwill of the relevant business) under the TMA95.

Section 106 of the TMA95 should be amended to make it clear that the assignment of a mark whose registration is being sought will be ineffective where the application does not proceed to registration and the assignee has not taken an assignment of the goodwill of the business in which the mark is used.

29. Competing Assignments

The effect of subsection 22 (1) the TMA95 is to protect the interest of an unregistered assignee against the purported subsequent assignment of the same mark. Subsection 22 (1) appears to overturn the general law priority rules in protecting the interest of an unregistered assignee of a mark, even where the legal owner of the mark purports to sell the mark to a third person for valuable consideration without the third person having notice of the earlier assignment and where the third person is first to request recordal of the assignment. The protection which subsection 22 (2) purports to confer upon a person who deals with the registered owner of a mark as a purchaser in good faith for value and without notice of any fraud on the part of the owner is illusory. Subsection 22 (2) refers back to the protection afforded under subsection 22 (1), but subsection 22 (1) protects the initial unregistered assignee's interest and not the interest of the subsequent purchaser who records his or her interest on the Register.

The reference to "rights vested in another person" in subsection 22(1) of the TMA95 should be amended to read "rights vested in another person and appearing in the Register".

Establishing clear priority rules will also create greater certainty for those looking to take a security interest in a trade mark.

30. Assignment of a Mark Subject to a Licence

Case law and the TMA95 leave unclear the position as to rights of a licensee of a mark that is assigned. It is arguable that a licensee has "vested rights" for the purposes of section 22 of the TMA95 and that the effect of that section is to render any assignment subject to those rights. On the other hand, it is arguable that section 22 is concerned with rights of ownership and the phrase "subject to rights vested" should be read in the context of "absolute owner". On that construction, section 22 plays no part in determining whether the assignment of a registered mark is subject to the interest of any licensee. Alternatively, some licensed rights and not others may be "vested" and not others. For example, a court might choose to distinguish between a bare licence and an exclusive licence.

The TMA95 should be amended to clarify the law regarding the assignment of a mark the subject of a licence. A Working Party should be established to review the competing policy considerations, to invite and review submissions from trade mark owners and licensees, and to make recommendations for specific amendments to the TMA95. The transferability of trade mark licences is complicated by the typical need for a licensor to exercise control over the quality of the licensee's branded goods or services. This will be a factor in whether a court will order specific performance of the grant of the licence.

One option would be to amend the TMA95 to make it clear that the question of whether an assignee of a trade mark will take subject to a licence granted by the assignor turns solely (or principally) on the issue of knowledge of the assignee. That knowledge may take the form of actual knowledge, constructive knowledge from an interest recorded on the Register, or an expectation that the assignee ought reasonably to have known about the granting of the licence (it should have been obvious if even minimal enquiries had been made).

Again, establishing clear priority rules will also create greater certainty for those looking to take a security interest in a trade mark.

31. Applications to Limit Trade Mark Registrations Geographically on the Grounds of Non-Use

Under section 102 of the TMA95, a trade mark registration cannot be geographically restricted, save by a person entitled to register a substantially identical or deceptively similar mark in the area to be excluded from the earlier registration.

For example, X might open a small restaurant in Subiaco, a suburb of Perth. X applies for registration of the mark OMEGA in respect of restaurant services. Five years down the track, Y wishes to establish a restaurant in the Melbourne suburb of Ringwood. Y wishes to call his restaurant OMEGA. Y makes enquiries and finds X's trade mark registration for OMEGA in respect of restaurant services. For the past five years, X has made no use of OMEGA other than operating his small Subiaco restaurant. The only use of OMEGA has been on the front of the restaurant and on menus and other materials within the restaurant. X has not otherwise advertised the restaurant or in any way promoted the mark.

Y cannot cut back X's registration to exclude Victoria, or even greater Melbourne, unless Y can establish that he may gain a registration for OMEGA in that territory. To do that, Y would need to use the mark for a period of some years and seek to justify his entry on the Register under subsection 44 (3) (honest concurrent use or other circumstances). However, as soon as Y starts using the mark, he will be liable to an infringement action from X should X become aware. Y is left in the ridiculous position of being an infringer for the first, say, two years and in the third year he will in effect convert from being an infringer to an honest concurrent user. If Y's conduct comes to the attention of X before Y can justify his registration on honest concurrent use, X can then recover damages or an account of profits and can obtain an appropriate injunction.

The only argument available to Y would be to rely upon "other circumstances" under subsection 44 (3). There is little authority that would assist Y in this case.

It is interesting to note that section 102 is along the same lines as subsections 23 (3) and (3A) of the TMA55. Under the TMA55, subsections 23 (3) and (3A) made express reference to the second person gaining his registration under section 34 of the TMA55 which dealt with

honest concurrent use and other special circumstances. Section 102 of the TMA95 does not make reference to subsection 44 (3) although this appears not to add a new dimension to section 102.

The result of section 102 is that traders can maintain Australia wide registration for marks in respect of goods and services where use of the mark is made only in relation to goods or services dealt with or provided in an isolated geographical location.

As an aside, under regulation 8 (2) made under the TMA55, the applicant's statement of use covering services was required to specify the intended geographical spread of those services (although admissions of a geographical limitation on intention to use were rare). With the abolition of statements of use, the TMA95 contains no comparable provision.

The TMA95 should be amended to provide the Registrar with a discretion to allow the geographical limitation of trade mark registrations on the ground of non-use in circumstances where the applicant for limitation of the registration cannot justify registration of his or her substantially identical or deceptively similar mark in the geographical area taken away from the earlier registration.

32. Trade Mark Applications by Partnerships

Section 27 of the TMA95, coupled with the definition of "person" allows an unincorporated body of persons to apply to register a trade mark. Under Trade Marks Office practice, where a partnership is to be the owner of the mark the name given for the applicant can be either a list of the partners or the partnership name. Again, the address can be either the addresses of the partners or the partnership address.

Partnerships seeking registration of a trade mark are therefore faced with three choices as to the name of the owner of the mark.

- (a) The name can be the partnership name. In this case, the reality is that the partners own the mark and not the partnership name which is not a legal entity. The issue then arises as to whether the owner is to be treated as the partners at the time the application was filed or the partners from time to time trading in partnership under the partnership name. If the former interpretation is correct, there may be an obligation upon the partners to record, in effect, an assignment of the mark with the Trade Marks Office each time a new partner is admitted or a partner retires, albeit that the name of the owner remains as the partnership name. If the latter interpretation is correct, there appears to be no such obligation because the appearance of the partnership name on the Register is accurate in reflecting the owner as the partners from time to time trading under that partnership name.
- (b) Registration of the mark can be sought in the name of the individual partners under section 28 (joint ownership). The difficulty in applying in the name of the various partners is that the name of the owners will appear out-dated as time goes by and partners come and go. With each "new partnership" would come the need to record the assignment of the mark (eg A, B, C & D to A, B, C, D & E or A, B, C & D to A, B & C).

- (c) To establish a company or other legal entity to hold the mark in trust for the partners from time to time.

All the above options are unattractive. However, on balance the "least worst option" may be for TMA95 to be amended to provide expressly that where a trade mark is registered in the name under which a partnership trades, the registered owner of the mark will be the partners from time to time trading under that partnership name. In other words, the Act would deem an application in a partnership name to be one by the current partners and avoid the need for assignments with every partnership change by effectively deeming them to have happened. If partners wanted to agree a contrary position they could still register the mark in one or more of their individual names or in a service company's name.

33. The Relationship Between the TMA95 and Part V of the Trade Practices Act

The TMA95 or the TPA should be amended to expressly clarify that in some circumstances the use of a validly registered trade mark in respect of goods/services covered by the registration will not contravene sections 52 or 53 of the TPA. The present position can be summarised as follows.

- The TMA95 addresses specifically the grounds upon which a registered mark can be removed on the basis that its use is likely to deceive or cause confusion (and confusion arguably involves a lower threshold than "likely to mislead").
- In varying ways and to varying degrees the TMA95 (and its predecessor) by its express provisions, established and sanctioned a system the operation of which involved a measure of likely deception or confusion (including the granting of a discretion to a Court to refuse in certain circumstances the cancellation of a registered trade mark the use of which would be likely to deceive or cause confusion). For example, a certain level of deception is arguably inherent in assigning a mark without goodwill.
- The TMA95 expressly preserves and gives priority to the common law tort of passing off (subject to qualifications that are immaterial to the present case), but is silent on the issue of the TPA.

Situations which are expressly countenanced by TMA95 and its operation should not put a trade mark owner at risk of contravening the TPA.

34. Discretions of the Registrar

The TMA95 employs the terms "must not" and "may not" in a variety of situations which cast doubt upon whether the term "may not reject" leaves the Registrar with a discretion. The expression "may not reject" appears to have been employed in situations where no discretion is reposed in the Registrar and so it would be clearer if the word "must" were used instead of "may". For example, subsection 33 (4) provides that the Registrar may not reject an application without giving the applicant the opportunity of being heard. Presumably that is mandatory and not discretionary. Similarly, subsection 44 (4) provides that where an applicant can establish prior continuous use the Registrar may not reject the application because of the existence of the other trade mark. Again, it seems likely that the Registrar is

not supposed to have a discretion in this regard. However, in many other provisions the term "must not" is used to make it clear that there is no discretion reposed in the Registrar.

The drafting of the TMA95 should be revised to make clear the areas in which the Registrar has discretionary powers.

35. Acceptance of trade mark applications without regard for full Convention priority period

At present, a trade mark application can be fully accepted by the Registrar within six months of its filing date. It is also possible for a conflicting trade mark application to be filed at any time before the end of that six month period claiming an earlier priority date from a corresponding overseas application under the Paris Convention. The Trade Marks Office's current practice is:

- (a) not to register a trade mark until at least 7 ½ months after its priority date;
- (b) to expedite examination of applications which claim convention priority;
- (c) not to limit searches regarding convention claim applications to registrations and applications pre-dating the convention priority date; and
- (d) to revoke acceptance of an application in the case where it is detected on examination of a conflicting convention application claiming an earlier priority date.

However, there remains the possibility that an application will proceed to registration before a conflicting convention application, claiming an earlier priority date, has been examined. This could result in the registration becoming vulnerable to cancellation. Even if the conflicting convention application is revealed prior to registration of the "later" application, the revocation of acceptance of the "later" application may cause considerable inconvenience to its applicant.

In order to avoid (or at least minimise the likelihood of) this scenario, it is suggested that a provisional Notice of Acceptance, stating the possibility of revocation based on prior convention applications, be issued in circumstances where an application is accepted within eight months of its priority date. A "full" Notice of Acceptance could then be issued at the eight month mark (assuming no conflicting applications claiming an earlier priority date have been filed). This will allow at least two months for examination of convention applications claiming an earlier priority date to be conducted and, if necessary, for those applications to be cited against the provisionally accepted application. If for some reason examination does not take place within two months, the standard opposition period before registration of the accepted application will allow a further three months for examination of the convention application and, if necessary, revocation of acceptance of the other application.

36. Treatment of common given names

Unlike the position with common surnames, the Registrar's current practice on examination is to regard common given names as being inherently adapted to distinguish the designated goods or services from the goods or services of other persons. The distinction drawn between

common surnames and common given names seems artificial and illogical. In 1999, Tina Turner registered the trade mark TINA in respect of "entertainment services in the nature of musical performances". No evidence of use was required to monopolise the word TINA in respect of these services, the Registrar taking the policy position that no other person would wish to use TINA in respect of entertainment services in the nature of musical performances without improper motive. Whilst the Registrar may not be fan of Tina Arena or any other entertainer with Tina as a first name, the inappropriateness of the monopoly purportedly granted to Tina Turner should have been obvious. Tina Arena (for example) will infringe the TINA registration if she promotes her concerts under or by reference to her given name. She is unlikely to be saved by the "use of own name" defence because that would apply only to Tina Arena as such. Perhaps Tina Arena should seek registration of TINA under the honest concurrent or prior continue use provisions. This is a ridiculous outcome and is mirrored in numerous instances. For example, the Registrar's current policy is to treat MARIA'S as being inherently distinctive of pizzeria services and SAM'S as being inherently distinctive of pies.

In many fields of commercial endeavour, surnames are far more common as badges of origin than given names. From professional services to manufacturing and construction enterprises, surnames tend to be common features of firm and company names. However, in many fields of commercial endeavour such as music, hairdressing, specialist retailing and restaurants (to name a few) given names appear to be on an equal footing with surnames in terms of attraction as brands.

The Registrar should be directed to adopt a policy in relation to common given names which properly addresses the degree to which the name is inherently adapted to distinguish the designated goods or services.

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