A Critical Assessment of Trade Mark Distinctiveness and Descriptiveness under Australian Law

Michael Handler*

Paper presented to the 28th Annual IPSANZ Conference, Queenstown, New Zealand, 19-21 September 2014

1. Introduction

This paper will consider some of the challenges Australian courts and the Australian Trade Marks Office have faced over the last couple of years when dealing with descriptive and laudatory word marks in the context of trade mark registration and cancellation proceedings. Descriptive and laudatory word marks tend to receive less attention than more exotic subject matter (such as colour, shape and product design marks), but the majority of decisions under the ‘distinctiveness’ ground contained in s 41 of the Trade Marks Act 1995 (Cth) that have come before Australian courts over the past few years have involved such marks. An analysis of these cases, as well as opposition decisions of hearing officers of the Trade Marks Office, shows that the law is far less settled than it might appear. Indeed, this appears to have been recognised by the High Court in granting special leave in Cantarella Bros Pty Ltd v Modena Trading Pty Ltd,¹ a case involving the distinctiveness of two foreign word marks that might well involve the Court (re)considering fundamental questions as to how distinctiveness is to be assessed.

Parts 2 and 3 of the paper provide a brief overview of the distinctiveness requirement in registered trade mark law, how the two stages of distinctiveness are assessed and the complex way in which s 41 operates, and will introduce some useful terminology for understanding the statutory tests. In Parts 4 and 5 I provide a critical analysis of recent Australian cases and decisions, showing that there are a number of problems with the current approaches to dealing with descriptive and laudatory marks, in relation to assessing both inherent adaptation to distinguish and factual distinctiveness. In Part 6 I make some recommendations for legislative reform, as well as suggesting what brand owners might do to overcome some of the challenges they are likely to face in seeking to secure protection for descriptive or laudatory word marks.

---

* Associate Professor, Faculty of Law, University of New South Wales. This paper draws on chapter 4 of Robert Burrell and Michael Handler, Australian Trade Mark Law (Oxford University Press, 1st ed, 2010; 2nd ed, forthcoming 2015).

¹ See Cantarella Bros Pty Ltd v Modena Trading Pty Ltd [2013] FCA 8, revd Modena Trading Pty Ltd v Cantarella Bros Pty Ltd [2013] FCAFC 110; Cantarella Bros Pty Ltd v Modena Trading Pty Ltd [2014] HCATrans 53 (special leave application); Cantarella Bros Pty Ltd v Modena Trading Pty Ltd [2014] HCATrans 157 (hearing).
2. A brief overview of distinctiveness

Before assessing some of the recent case law on s 41 of the Trade Marks Act, it is worth briefly addressing why we have a distinctiveness test in registered trade mark law, and exactly how the Australia test functions. Even though most practitioners would be well aware of s 41 and relevant case law, the precise work that we want the distinctiveness requirement to do, and the precise reasons for why the statutory test looks the way it does, are rarely articulated. This has led to a degree of confusion in the language that is used when assessing distinctiveness, and some of the problems with the case law itself.

At a basic level, the distinctiveness requirement appears straightforward. Trade marks warrant legal protection because they assist in the efficient functioning of markets by enabling traders to indicate conveniently the origin or source of their goods or services, which allows consumers to identify those goods or services and distinguish them from those of other traders. It follows that marks that do not do this job ought not to be registered, and hence the law demands that trade marks be distinctive as to origin. The problem with this proposition is in its application: it does not provide much guidance as to the appropriate legal standards and principles that should be applied, and the interests that should be taken into account, in determining whether individual marks are distinctive and ought to be registered.²

The distinctiveness of a mark can be assessed either on the basis of its inherent ‘nature’ or ‘character’, or on the basis of whether it has been used to such an extent that it has come to be recognised as indicating the origin of the applicant’s goods or services. The first method involves looking only at the semantic content of the mark as a signifier of the specified goods or services.³ This is a challenging task because there is no easy way of drawing a clear line between marks that ought to be considered distinctive on the basis of their ‘nature’ or ‘character’ and those that should not. This is because marks can be said to exist along a continuum of distinctive character⁴. Taking word marks as an example, words that describe characteristics, qualities or the geographical origin of the specified goods or services lie at one end of the continuum. Invented words, or words whose ordinary meaning bears no connection with the specified goods or services, might be said to lie at

---

³ See Angus Lang, ‘A Case for Applying the Theoretical Semiotics in the Practice of Trade Mark Law’ (2008) 21 International Journal of the Semiotics of Law 1, 11-14. It is, of course, problematic to assume that signs can have ‘inherent’ or ‘natural’ meanings, which seems to marginalise the notion of the fluidity of language and, in particular, the idea that ‘semantically neutral’ signs may take on certain meanings (for example, as cultural identifiers and references) by being used as trade marks. However, the law of distinctiveness is (at the registration stage) only concerned with a much more limited idea of ‘meaning’, primarily because of the policy goals sought to be served.
⁴ Indeed, US trade mark law explicitly relies on such a continuum (albeit in a different context): see Abercrombie & Fitch Co v Hunting World, Inc, 537 F 2d 4 (2d Cir, 1976).
the other end. Between these two extremes lie marks whose meanings might be said to range from the slightly allusive, to the more directly suggestive, to the nearly descriptive. Determining where along the continuum of distinctive character a mark falls is difficult, but essential: at some point it must be the case that a mark will fall sufficiently far along the continuum that, by its very nature, it will be capable of doing the job of distinguishing the applicant’s goods from those of other traders, and ought to be accepted for registration on that basis alone. Such marks are examples of those I will refer to in this paper as prima facie distinctive.

The second method comes into play for marks that are located at such a point on the continuum that it cannot be said that because of their ‘inherent’ nature alone they will be able to do the abovementioned job. Such marks might, however, do this job because they have been used to such an extent that they have come to be recognised by consumers as indicating the origin of that trader’s goods or services. For this reason, non-prima facie distinctive marks can still be accepted for registration on the basis of factual distinctiveness, or acquired distinctiveness.

A further difficulty is determining what policy factors underpin the distinctiveness requirement, and what role these factors ought to play in framing the applicable legal tests. It might be argued that one role of the requirement should be to preserve the interests of present and future traders in a market by attempting to ensure that individual entities do not obtain undue control over particular signs with desirable semiotic qualities. Concerns about the impact of overly liberal registration standards on the language/signs left available to other traders have been raised by the judiciary and commentators for over a century, and remain equally valid today. If such competition concerns are to be taken into account, they would seem to support a restrictive interpretation of the ‘inherent nature’ part of the distinctiveness test that recognises that non-prima facie distinctive marks can still be registered on the basis of factual distinctiveness. On the other hand, it could be argued that the focus of the distinctiveness enquiry should be more (or wholly) on whether consumers of a trader’s goods and services would understand the mark when used in relation to those goods and services to indicate trade origin. This view tends to be supported by commentators who consider that trade mark law should be designed to facilitate registration and

---

3 This can also perhaps be seen as safeguarding a trader’s (and society’s) interest in free expression in commerce: Pierre Leval, ‘Trademark: Champion of Free Speech’ (2004) 27 Columbia Journal of Law & the Arts 187.

6 See UK decisions such as Eastman Photographic Materials Co Ltd’s Application (1898) 15 RPC 476 (HL); In re Joseph Crosfield & Sons Ltd’s Application (1909) 26 RPC 837 (CA) and Registrar of Trade Marks v W & G Du Cros Ltd (1913) 30 RPC 660 (HL) and Australian decisions such as Eclipse Sleep Products Inc v Registrar of Trade Marks (1957) 99 CLR 300 and Clark Equipment Co v Registrar of Trade Marks (1964) 111 CLR 511 (‘Clark Equipment’). For recent commentary, see Jennifer Davis, ‘Protecting the Common: Delineating a Public Domain in Trade Mark Law’ in Graeme Dinwoodie and Mark Janis (eds), Trademark Law and Theory: A Handbook of Contemporary Research (Edward Elgar, 2008).

7 For example, as can be seen in the importance attached to this issue by the ECJ (as it then was) in interpreting European Trade Mark Law in decisions such as Joined Cases C-108/97 and C-109/97, Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber and Attenberger [1999] ECR I-2779 and Case C-191/01 P, OHIM v Wm Wrigley Jr Co [2003] ECR I-12447.
that trade mark monopolies are unlikely to distort competition in the marketplace.\textsuperscript{8} If a solely consumer-based understanding of the distinctiveness test were to be prioritised, this would logically seem to favour a less restrictive approach towards the legal tests for trade mark distinctiveness. Importantly, if both the interests of consumers and competing traders in a market are to be taken into account, this raises questions as to how such interests are to be given effect (in particular, at what stages of the distinctiveness enquiry), as well as how the relationship between the interests is to be ordered and managed. In many jurisdictions there remains something of a tension between these policy factors, and Australia is no exception.

In addition to the problems inherent in designing a satisfactory test of distinctiveness, in Australia the problem is compounded by the fact that s 41 of the Trade Marks Act, the key provision dealing with distinctiveness, is obscurely worded and presents a number of difficulties of interpretation. Unfortunately, this is true both of this provision as originally enacted and after its recent redrafting.

3. **Section 41, the ‘distinctive character’ continuum and the two-step process**

In short, s 41 contemplates that a mark may be accepted for registration on the basis of prima facie distinctiveness or a showing of factual distinctiveness. The provision relies on language and concepts derived from previous UK and Australian Acts, but is differently structured from the distinctiveness provisions under former legislation.\textsuperscript{9} Thus, while cases on distinctiveness decided under old Acts are often highly instructive, the different legislative context in which those decisions were made must always be taken into account.

Section 41 was repealed and re-enacted by the Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth). Championed by IP Australia, this reform was designed to ensure that the ‘presumption of registrability’, said to be reflected in s 33 of the Trade Marks Act, applied unequivocally to s 41,\textsuperscript{10} something discussed further in Part 5 below. The Office’s view is that the new version of s 41 applies only to applications for registration made on or after 15 April 2013.\textsuperscript{11} It therefore remains important to understand the operation of the former s 41, since this will apply in relation to opposition proceedings and, presumably, cancellation proceedings where the application


\textsuperscript{9} Cf. Trade Marks Act 1955 (Cth) ss 24-26 and Trade Marks Act 1938 (UK) ss 9-10, which set up different tests for registration (in the former Parts A and B of the Register).

\textsuperscript{10} Explanatory Memorandum, Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Cth) 145-6.

\textsuperscript{11} Clearlight Investments Pty Lid v Sandvik Mining and Construction Oy [2013] ATMO 50, [15].
The following, detailed analysis of the operation of s 41, while intended primarily for those unfamiliar with the operation of the provision, introduces language and concepts that are not commonly referred to in the case law and decisions on the topic, and which will be used throughout the paper.

The relevant subsections of the former (ie, pre-15 April 2013) s 41 provided:

(2) An application for the registration of a trade mark must be rejected if the trade mark is not capable of distinguishing the applicant’s goods or services in respect of which the trade mark is sought to be registered (designated goods or services) from the goods or services of other persons.

(3) In deciding the question whether or not a trade mark is capable of distinguishing the designated goods or services from the goods or services of other persons, the Registrar must first take into account the extent to which the trade mark is inherently adapted to distinguish the designated goods or services from the goods or services of other persons.

(4) Then, if the Registrar is still unable to decide the question, the following provisions apply.

(5) If the Registrar finds that the trade mark is to some extent inherently adapted to distinguish the designated goods or services from the goods or services of other persons but is unable to decide, on that basis alone, that the trade mark is capable of so distinguishing the designated goods or services:

(a) the Registrar is to consider whether, because of the combined effect of the following:
   (i) the extent to which the trade mark is inherently adapted to distinguish the designated goods or services;
   (ii) the use, or intended use, of the trade mark by the applicant;
   (iii) any other circumstances;
the trade mark does or will distinguish the designated goods or services as being those of the applicant; and
(b) if the Registrar is then satisfied that the trade mark does or will so distinguish the designated goods or services—the trade mark is taken to be capable of distinguishing the applicant’s goods or services from the goods or services of other persons; and
(c) if the Registrar is not satisfied that the trade mark does or will so distinguish the designated goods or services—the trade mark is taken not to be capable of distinguishing the applicant’s goods or services from the goods or services of other persons.

12 See Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd [2010] FCA 1367, [49] in support of the view that the former s 41 would apply in cancellation proceedings involving marks applied for before 15 April 2013.
If the Registrar finds that the trade mark is not to any extent 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 of 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.

The current s 41 relevantly provides:

(1) An application for the registration of a trade mark must be rejected if the trade mark is not capable of distinguishing the applicant’s goods or services in respect of which the trade mark is sought to be registered (the designated goods or services) from the goods or services of other persons.

(2) A trade mark is taken not to be capable of distinguishing the designated goods or services from the goods or services of other persons only if either subsection (3) or (4) applies to the trade mark.

(3) This subsection applies to a trade mark if:
   (a) the trade mark is not to any extent inherently adapted to distinguish the designated goods or services from the goods or services of other persons; and
   (b) the applicant has not used the trade mark before the filing date in respect of the application to such an extent that the trade mark does in fact distinguish the designated goods or services as being those of the applicant.

(4) This subsection applies to a trade mark if:
   (a) the trade mark is, to some extent, but not sufficiently, inherently adapted to distinguish the designated goods or services from the goods or services of other persons; and
   (b) the trade mark does not and will not distinguish the designated goods or services as being those of the applicant having regard to the combined effect of the following:
      (i) the extent to which the trade mark is inherently adapted to distinguish the goods or services from the goods or services of other persons;
      (ii) the use, or intended use, of the trade mark by the applicant;
      (iii) any other circumstances.

The current subsection (1) is the same as the former subsection (2). The differences between the two versions of s 41 relate only to the remaining subsections. However, while the current s 41(2)-
(4) is structured differently from the former s 41(3)-(6), and requires decision-makers to ask a newly framed set of questions, the two versions of s 41 are remarkably similar in terms of their practical operation.

Both the current s 41(1) and the former s 41(2) set out the actual ground of rejection: that the application for registration must be rejected if the mark is not capable of distinguishing the applicant’s goods or services from those of other traders (that is, that it is not distinctive). The remaining subsections set out a code, or a two-step process, by which the enquiry is to be undertaken.\(^\text{13}\)

\((a)\) **The first step: locating marks on the continuum**

Under both versions of s 41, the first step in this process is to identify where along the continuum of distinctive character the mark falls, and to classify the mark in one of three ways. The first possibility is that the mark is *not to any extent inherently adapted* to distinguish the applicant’s goods and services from those of other traders. Note 1 to the current s 41(4)/former 41(6), which has no legislative force but has been said to reflect the ‘trend of judicial authority’ under former legislation,\(^\text{14}\) states that:

> Trade marks that are not inherently adapted to distinguish goods or services are mostly trade marks that consist wholly of a sign that is ordinarily used to indicate:
> 
> \(\text{(a)}\) the kind, quality, quantity, intended purpose, value, geographical origin, or some other characteristic, of goods or services; or
> 
> \(\text{(b)}\) the time of production of goods or of the rendering of services.

For shorthand, in this paper I will call marks that are ‘not to any extent inherently adapted’ to distinguish the applicant’s goods and services ‘NTAEIA’ marks. The second possibility is that the mark has some degree of inherent adaptation to distinguish the applicant’s goods and services, but is *not sufficiently inherently adapted* for it to be considered to be capable of distinguishing on that basis alone. These are marks that are in the ‘problematic’ part of the continuum of distinctive character but, because they have some degree of inherent adaptation to distinguish, are not quite in the realm of generic or entirely descriptive marks. I call these ‘not sufficiently inherently adapted’ marks ‘NSIA’ marks. The third possibility is that the mark is inherently adapted to distinguish the applicant’s goods or services to such an extent that it is capable of distinguishing the applicant’s goods or services on that basis alone—that is, the mark is prima facie distinctive, falling in the unproblematic area of the continuum.


\(^{14}\) *Ocean Spray Cranberries Inc v Registrar of Trade Marks* [2000] FCA 177, [30].
Under the former s 41(3)-(4), the first step required the examiner to see if it could decide the question of whether or not the mark was capable of distinguishing, taking into account only the mark’s degree of inherent adaptation to distinguish. In order for the ground of rejection in the former s 41(2) not to apply, this required the examiner to come to a conclusion that the mark was prima facie distinctive. The effect of the ‘presumption of registrability’ in s 33 was that this conclusion had to be reached unless the decision maker was satisfied on the balance of probabilities that the mark was not prima facie distinctive. If the decision maker was unable to reach this conclusion, it was then required to consider either s 41(5) (for NSIA marks) or s 41(6) (for NTAEIA marks) to determine whether or not the mark was capable of distinguishing. Under the current s 41, the first step is framed in more negative terms. Section 41(2) operates as a deeming provision: a mark is to be taken not to be capable of distinguishing only if it is an NSIA mark (see s 41(4)(a)) or an NTAEIA mark (see s 41(3)(a)). This requires the examiner to ask first whether, on the balance of probabilities, the mark is an NTAEIA mark or an NSIA mark. If not (meaning that it is, by exclusion, a prima facie distinctive mark), the mark is not caught by s 41(2), and cannot be rejected under s 41(1).

In short, because the first step under both versions of s 41 requires the classification of the mark on the continuum of distinctive character, and because the ‘presumption of registrability’ applies equally in both cases, there is no practical difference between the two approaches. Both are designed to identify prima facie distinctive marks, which pass the s 41 hurdle, or NSIA/NTEAIA marks, for which an assessment of acquired distinctiveness is needed.

(b) The second step (if necessary): factual distinctiveness

The second step in the distinctiveness enquiry applies if it has been decided that the mark is either NSIA or NTAEIA. In essence, this step looks to whether or not such marks are capable of distinguishing as a result of factual distinctiveness.

For NSIA marks, the examiner was required under the former s 41(5)(a), and is required

---


16 The test is similar in effect to that under the Trade Marks Act 1955 (Cth) for registration of distinctive marks in either Part A or B of the Register (see ss 24(1) and 25(1), as informed by s 26(1) and (2)(a)). A key difference is that under the current Act a mark does not need to be classified in a particular way (for example, a name represented in a special manner, an invented word, a word not having direct reference to the character or quality of the goods or services, etc) to be registrable without evidence of factual distinctiveness: cf. Trade Marks Act 1955 (Cth) s 24(1)(a)-(d) for registration in the former Part A. Having said this, and as was reaffirmed by the Full Federal Court in Modena Trading Pty Ltd v Cantarella Bros Pty Ltd [2013] FCAFC 110, [59]-[60], the sorts of marks that formerly fell within s 24(1)(a)-(d) would be considered to be prima facie distinctive under s 41 of the current Act. Thus, cases decided under the former Act, as well as similarly-worded Anglo-Australian provisions going back to the Patents, Designs and Trade Marks Act 1883 (UK), remain instructive.
under the current s 41(4)(b), to look to the combined effect of three factors:

1. how far along the continuum does the mark fall (for example, is it borderline prima facie distinctive? is it almost entirely lacking in inherent adaptation to distinguish?);

2. the applicant or a predecessor in title’s use of the mark, including post-filing date, or the intended use of the mark; and

3. any other circumstances.

Under the former s 41(5)(a) the examiner was required ultimately to consider whether, as at the filing date, the mark did or would distinguish the specified goods or services as being those of the applicant—that is, whether the mark had acquired distinctiveness, or whether it would become factually distinctive. If the examiner was so satisfied, the mark was to be ‘taken to be capable of distinguishing’ for the purposes of s 41(2). If the examiner was not so satisfied, the converse applied, and the application had to be rejected. The effect of the current s 41(4)(b) is that the examiner has to be satisfied as to the opposite of this. That is, it now has to be satisfied that, as at the filing date, the mark has not acquired distinctiveness, or that it will not become factually distinctive, for the mark to be taken not to be capable of distinguishing for the purposes of s 41(2), and thus for the application to be rejected under s 41(1).

For NTAEIA marks, the applicant needed under the former s 41(6)(a), and needs under the current s 41(3)(b), to put forward evidence to show that because of the extent of its or a predecessor in title’s pre-filing-date use, the mark had acquired distinctiveness by the filing date. Under the former law, if the applicant was able to establish this to the examiner’s satisfaction, the mark was to be taken to be capable of distinguishing for the purposes of 41(2); if not, the application had to be rejected. Under the current law, again, the examiner needs to be satisfied as to the opposite of this. It is only if the examiner is satisfied, on the balance of probabilities, that the mark had not acquired distinctiveness by the filing date that the mark is to be taken not to be capable of distinguishing for the purposes of s 41(2), meaning that the ground of rejection in (1) applies.

(c) Summation

Despite its recent repeal and re-enactment, the current version of s 41 is likely to operate in an almost identical way to the former version. The difference between the former s 41(5)–(6) and the
current s 41(3)-(4) relates only to the application of the ‘presumption of registrability’. I discuss this in more detail in Part 5 below; for now, it is enough to note that the difference between the former and the new standard ought to be of very minor practical significance.

A more significant point is that s 41 remains an extraordinarily complex and difficult to navigate provision, even for those familiar with Australian trade mark law. It also relies on a tripartite classification structure—that is, requiring an assessment of whether the mark is NTAEIA, NSIA or prima facie distinctive—the precise rationale for which is not clear, and which is not reflected in the distinctiveness provisions in other jurisdictions, such as the EU and New Zealand.21 The distinction required to be drawn between NSIA and NTAEIA marks also means that s 41 can operate strangely in proceedings to cancel the registration of a mark on the ground of lack of distinctiveness. I return to these issues in Part 6.

4. Determining where marks fall on the continuum of distinctive character: general principles, the potential impact of Cantarella, and an assessment of recent Australian court cases and Office decisions

In this Part I will consider five issues relating to the ‘first step’ of the distinctiveness enquiry raised by both the Cantarella litigation and other recent cases and Office decisions. Even though the Cantarella litigation is discussed in some detail, rather than seeking to make a prediction as to the outcome of the case I will instead focus on some of the issues thrown up by this and other cases and decisions, to shed light on some of the difficulties involved in interpreting and applying s 41.

(a) The current test and the issues at stake in Cantarella

To reiterate, the first step in considering s 41 (in either its former or current guise) is to determine where along the continuum of distinctive character the mark falls. This involves an assessment of the extent of the mark’s inherent adaptation to distinguish the applicant’s goods or services.

Exactly how this assessment is to be made is currently under consideration by the High Court in Cantarella. For the time being, the key Australian authority on assessing inherent adaptation to distinguish remains Clark Equipment Co v Registrar of Trade Marks,22 where Kitto J (sitting alone) was required to consider whether MICHIGAN for heavy earth-moving machines was ‘adapted to distinguish’ the applicant’s goods under the 1955 Act. This consideration of the mark’s ‘adaptation to distinguish’, in turn, involved an assessment of the extent to which the mark was ‘inherently adapted so to distinguish’ the applicant’s goods, as well as whether it did so distinguish as a result

21 The EU and New Zealand tests for distinctiveness have their own idiosyncrasies, however, as discussed in Rob Batty’s paper at this conference.
22 (1964) 111 CLR 511.
of the applicant’s use. Referring to earlier House of Lords authority, Kitto J held that ‘adaptation to distinguish’, but here referring only to inherent adaptation to distinguish, is to:

be tested by reference to the likelihood that other persons, trading in goods of the relevant kind and being actuated only by proper motives—in the exercise, that is to say, of the common right of the public to make honest use of words forming part of the common heritage, for the sake of the signification which they ordinarily possess—will think of the word and want to use it in connexion with similar goods in any manner which would infringe a registered trade mark granted in respect of it.

As a geographically descriptive word that other traders in similar goods would wish to use to describe the provenance of their goods, MICHIGAN was held not to be inherently adapted to distinguish to any extent. A year later, in FH Faulding & Co Ltd v Imperial Chemical Industries of Australia and New Zealand Ltd, Kitto J (with whom Barwick CJ and Windeyer J agreed) rephrased the test quoted above, saying that:

the question to be asked in order to test whether a word is adapted to distinguish one trader’s goods from the goods of all others is whether the word is one which other traders are likely, in the ordinary course of their businesses and without any improper motive, to desire to use upon or in connexion with their goods.

Notwithstanding this restatement, Kitto J’s formulation in Clark Equipment of the principles for determining inherent adaptation to distinguish has been more commonly referred to by the Federal Court and Office in cases and decisions under the 1995 Act.

The issue that has come to be at the heart of the Cantarella litigation is whether a first step in the application of the distinctiveness test, as articulated in Clark Equipment, involves a consideration of the ‘ordinary signification’ of the mark. More specifically, it is whether, if the mark is considered to have no ‘ordinary signification’ to consumers of the specified goods or services, it can be considered to be prima facie distinctive, in effect answering the question of whether or not there is any likelihood of other traders thinking of the word and wanting to use it in connection with their own goods or services.

The key facts of the case are that Cantarella registered two word marks, both for coffee: ORO, with a registration date of 24 March 2000, and ‘Cinque Stelle’, with a registration date of 6 June

24 Registrar of Trade Marks v W & G Du Cros Ltd (1913) 30 RPC 660, 671-2 (Lord Parker).
25 Clark Equipment (1964) 111 CLR 511, 514. While a number of previous High Court decisions had applied W & G Du Cros, this was the first occasion on which the principles were articulated in this form.
26 (1965) 112 CLR 537, 555.
27 See Modena Trading Pty Ltd v Cantarella Bros Pty Ltd [2013] FCAFC 110, [67] and the cases cited therein.
2001. ‘Oro’ is the Italian word for ‘gold’ and ‘cinque stelle’ is Italian for ‘five stars’. In February 2011 Cantarella commenced infringement proceedings against Modena Trading in relation to the latter’s use of the terms ‘Oro’ and ‘Cinque Stelle’ on the packaging of its coffee. Modena Trading cross-claimed, arguing that the registration of Cantarella’s marks should be cancelled under s 88(1) on the ground that they should not have been registered because they lacked distinctiveness under s 41, assessed as at March 2000 and June 2001 respectively. Modena Trading argued that the two marks were not prima facie distinctive because other coffee providers would want to use the words ‘oro’ and ‘cinque stelle’ in relation to their coffee (demonstrated by the fact numerous coffee traders had in fact used ‘oro’ on their packaging since 2000), and that since Italian is widely understood in Australia the terms would be understood as purely laudatory. Because Cantarella had not made extensive use of either ORO or ‘Cinque Stelle’ by the filing dates of the marks, little turned on whether the marks fell to be considered as either NSIA or NTAEIA: Cantarella did not seek to argue that its marks, if held not to be prima facie distinctive, should not be cancelled on the basis of factual distinctiveness.

At trial, Emmett J held both marks to be prima facie distinctive. Citing Faulding but not Clark Equipment, his Honour considered that

the question is whether the particular words that are intended to constitute the trade mark are sufficiently well understood in Australia. That does not depend upon whether a particular language is well-known in Australia. Specifically, the question is not whether Italian is understood by many persons in Australia, but whether Cinque Stelle and Oro are commonly understood in Australia as meaning five stars and gold respectively.28

His Honour was ‘not persuaded that any more than a very small minority of English-speaking people in Australia would understand the allusions made by Cinque Stelle and Oro’.29 The Full Federal Court allowed Modena Trading’s appeal, rejecting Emmett J’s test of whether the words were ‘commonly understood’ or ‘generally understood’ in Australia by ‘ordinary English speaking persons’. Rather, the Full Court held, applying Clark Equipment, that the test should focus on the interests of traders in the market who might wish to take advantage of language in the ‘common heritage’. For the Court, ‘heritage’ in this case:

included that of traders in coffee products sourced from Italy. Such traders may well be Italian or local importers. They may be local distributors who have in mind the large Italian speaking population in Australia as well as other Australians who, when it comes to coffee, want something with an Italian look.

28 Cantarella Bros Pty Ltd v Modena Trading Pty Ltd [2013] FCA 8, [113].
29 Ibid [117].
Taking into account the laudatory meanings of ‘oro’ and ‘cinque stelle’ when translated from Italian to English, the fact that in Australia coffee is commonly associated with Italy, the number of people in Australia who speak or have some knowledge of Italian, and that both ‘oro’ and ‘cinque stelle’ had been used by other traders in Australia ‘as words descriptive of the quality of the coffee products … for a significant period of time extending well before Cantarella’s registration of its marks and afterwards’, 31 the Full Court found the two marks to lack any inherent adaptation to distinguish (that is, to be NTAEIA marks).

The Cantarella appeal to the High Court raises difficult questions not only about the weight to be given to the ‘ordinary signification’ of the mark in the test for inherent adaptation to distinguish 32 but also about how the meaning of a sign is to be determined for the purposes of the distinctiveness inquiry. This latter question (which has importance beyond cases involving foreign words which, when translated into English, have laudatory or descriptive meanings) is particularly challenging. This is because there is no straightforward way of assessing ‘signification’. For example, is it enough for a word to be assessed by reference to English dictionary definitions, or whether a majority of the buying public in Australia would understand the work to have a particular meaning in relation to the specified goods or services? Or is signification determined by looking to a range of factors, including the nature of the traders in the market for the specified goods or services, the composition of the buying public for those specified goods or services, and the knowledge base of those consumers—an approach that might give more weight to the fact that a term is understood to have a descriptive meaning amongst only a relatively small group, and which might involve de-emphasising dictionary definitions or evidence that the word is not ‘commonly’ or ‘generally’ understood? Staying with foreign marks, what should a decision-maker do when confronted with the following marks for ‘cheese’? What are the significations of these marks, and how is that assessment to be made?

30 Modena Trading Pty Ltd v Cantarella Bros Pty Ltd [2013] FCAFC 110, [85].
31 Ibid [92]-[94], [97].
32 Modena Trading has sought to argue before the High Court that the parenthetical statement in Clark Equipment (‘the common right of the public to make honest use of words forming part of the common heritage, for the sake of the signification which they ordinarily possess’) is mere surplusage, and that the test is as expressed in Faulding, which looks only to the likelihood of other traders desiring to use the word in question in the course of their business. For the Full Federal Court’s consideration of the relationship between Clark Equipment and Faulding, see Modena Trading Pty Ltd v Cantarella Bros Pty Ltd [2013] FCAFC 110, [63]-[69].
33 ‘Cheese’ in simplified Chinese.
34 ‘Cheese’ in Arabic.
35 ‘Cheese’ in Greek.
Equally, is it possible to draw a distinction between foreign words (descriptive in translation) that cannot be said to be commonly understood by Australian consumers, and highly unusual, descriptive English language words, including geographical locations, that would not be commonly understood or recognised as such by the purchasers of the specified goods or services? These are some of the issues the High Court might need to grapple with.

More fundamentally, the case seems to raise an even larger tension within the law of distinctiveness. This is whether the distinctiveness test has a trade regulation function, which prioritises the need to keep certain signs free for use by existing and future competitors in a market, or whether its function is to facilitate the registration of signs that would be understood by consumers as operating as badges of origin rather than mere product descriptors. The ‘negative’ *Clark Equipment* test, quoted above, seems to suggest the former function. But what is often overlooked in *Clark Equipment* is that Kitto J also held that the overarching question in assessing adaptation to distinguish is whether the mark ‘is such that by its use the applicant is likely to attain his object of thereby distinguishing his goods from the goods of others’.

This statement could be interpreted as also setting up a general ‘positive’ test that prioritises consumer understandings of the term and whether, if applied to the specified goods or services, the term would immediately do the job of distinguishing the trader’s goods or services from those of others.

In many cases, the negative and the positive tests will lead to the same result: a mark that other traders would desire to use is one that would not be recognised as serving an origin-indicating function. However, this is not always the case. Consumers might arguably immediately recognise as a trade mark (for example, because of a misspelling or an unusual syntactical juxtaposition of otherwise descriptive words, or in the case of a person’s name) a sign that is similar to a sign that other traders would legitimately wish to use for the sake of its ordinary signification. They might do so because the trader is the only provider of the goods or services, for example because it has a temporary monopoly, granted by another statute, over the provision of goods under that name.

---

36 ‘Cheese’ in Spanish.
37 In the latter group of cases, Australian courts and the Trade Marks Office will routinely treat such marks as lacking any inherent adaptation to distinguish. See, eg, *Eutectic Corporation v Registrar of Trade Marks* (1980) 32 ALR 211 (NSWSC) (EUTECTIC, a word referring to a type of alloy with a particular melting point and also meaning ‘of a nature to melt easily’ held to be entirely descriptive of the applicant’s specified goods); and for recent Office decisions see, eg, *Institute for Inner Studies Inc* [2010] ATMO 6 (PRANIC HEALING for energy healing services held to be NTAEIA, with ‘prana’ being a Sanskrit word referring to life-giving force); *Himalaya Global Holdings Ltd* [2012] ATMO 19 (SOLIGA FOREST HONEY for honey held to be NTAEIA, where ‘Soliga’ is the name of a tribe of people in Southern India who produce honey); *Harbin Brewing Co Ltd* [2012] ATMO 48 (‘Harbin’ (lightly stylised) for beer held to be NTAEIA).
38 *Clark Equipment* (1964) 111 CLR 511, 513.
40 Cf. *SFR Holdings Inc* [2013] ATMO 77 (‘SEADWARF Paspalum SDX-1’ held to be NTAEIA, where ‘Seadwarf’ is the trade reference for variety ‘SDX-1’ of the ‘Paspalum’ genus of grass); *Buchanan Turf Supplies Pty Ltd* [2014] ATMO 26 (SIR WALTER held to be NTAEIA where this was the name of a variety of grass). In both cases the hearing officers rejected the argument that because the applicants were the owners of Plant Breeder’s Rights in the SDX-1
even greater tension arises if consumers are constructed as being aware of modern branding practices, such that they would be likely to recognise when even a highly descriptive sign is being used as an indication of source with little or no prior exposure to it.\textsuperscript{41} Indeed, this raises a question about whether there is in fact something circular about asking whether consumers would understand whether or not a mark indicates trade origin. This is because consumer responses to this question will, in part, be shaped by the sort of marks the law allows to be registered: if the law permits traders to monopolise descriptive/laudatory terms and common names, this is likely to impact on the sort of signs that consumers would be prepared to accept would function as trade marks.\textsuperscript{42}

Attempting to resolve the tension between the consumer-oriented and competitor-focused approaches to assessing prima facie distinctiveness has proven to be difficult in the EU.\textsuperscript{43} If the High Court has concerns that the Full Federal Court in \textit{Cantarella} downplayed the fact that a large number of Australian coffee consumers would not understand the terms ‘oro’ and ‘cinque stelle’ as having a descriptive ordinary signification, then it might be required to engage with some of the challenges identified above. One potential way of reconciling the tension is to acknowledge that a ‘positive’ test that focuses on consumer perception is a useful adjunct to a test that looks to the needs of other traders, but one that cannot supplant the ‘negative’ test. The Australian trade mark registration system has always operated, in part, to regulate traders’ conduct, and it would run counter to this history if this regulatory function were to be displaced. It must also be remembered that if a mark is classified as non-prima facie distinctive it is always open to applicants to demonstrate that their marks have acquired distinctiveness.

\begin{footnotes}
\item[41] ETHICAL NUTRIENTS, Estée Lauder’s SENSUOUS, and CUB’s PURE BLONDE are three recent highly descriptive brands that spring to mind in this regard. In part, such recognition is likely to occur because consumers’ first exposure to such signs is likely to be in a manner that immediately draws attention to their trade mark significance—for example, the words ‘Pure Blonde’ will be presented on a beer label, or a tap in a pub, or in marketing material, in exactly the place where the brand would be expected to appear.
\item[43] There, the ECJ (as it then was) held that while the test of whether a mark is ‘devoid of distinctive character’ should be determined by reference to a consumer-oriented test of whether the sign is capable of identifying trade origin, the test of whether a mark is ‘descriptive’ (for example, of certain qualities, characteristics or geographical origin) is to be assessed by reference to the needs of other traders to use the sign to refer to the properties of their goods or services, notwithstanding the overlap between the ‘devoid of distinctive character’ and ‘descriptiveness’ grounds of rejection. See generally Michael Handler, ‘The Distinctive Problem of European Trade Mark Law’ [2005] \textit{European Intellectual Property Review} 306 and Case C-383/99 P, \textit{Procter & Gamble Co v OHIM} [2001] ECR I-6251 (BABY DRY prima facie distinctive for nappies); Case C-191/01 P, \textit{OHIM v Wm Wrigley Jr Co} [2003] ECR I-12447; (DOUBLEMINT descriptive of chewing gum); Case C-329/02 P, \textit{SAT.1 SatellitenFernsehen GmbH v OHIM} [2004] ECR I-8317 (SAT.2 prima facie distinctive for satellite broadcasting services).
\end{footnotes}
(b) Applying Clark Equipment to assess the extent of a mark’s ‘inherent adaptation to distinguish’

In the Cantarella litigation the first instance judge held the marks in question to be prima facie distinctive, while the Full Court held that not only were the marks not prima facie distinctive, they were not to any extent inherently adapted to distinguish Cantarella’s goods. This is interesting because it raises a more general question as to how the courts are going about assessing the extent of a mark’s inherent adaptation to distinguish. In turn, this raises the issue of the precise relationship between the statutory test under s 41 and the case law used in assessing distinctiveness.

As explained above, applying s 41 first involves assessing the extent, if any, of a mark’s inherent adaptation to distinguish, to arrive at one of three conclusions: (A) the mark is inherently adapted to such an extent that it is prima facie distinctive; (B) the mark is inherently adapted to some extent, but not enough for it to be prima facie distinctive; or (C) the mark is not to any extent inherently adapted. The difficulty is that Kitto J’s test for ‘inherent adaptation to distinguish’ in Clark Equipment does not easily map on to the tripartite structure of s 41. There is a danger of the test being used to ask the binary question ‘is the mark inherently adapted to distinguish?’ (sometimes expressed as ‘does the mark have an inherent capacity to distinguish?’ or ‘is the mark ‘inherently distinctive?’). The problem is that this will not necessarily provide a complete answer to the first step under s 41.

To explain, Clark Equipment sets up a test of the likelihood of traders engaging in a particular way. If it can be said that there is no or, at best, a negligible likelihood or possibility that other providers of the specified goods or services might wish to use the applicant’s sign for the sake of its ordinary signification in relation to such goods or services, that will mean that the mark is not only inherently adapted to distinguish, but is inherently adapted to such an extent that it is distinctive on that basis alone—that is, that the mark is prima facie distinctive.\(^{44}\) But if the Clark Equipment test cannot be answered in this way, this does not necessarily mean that the mark lacks inherent adaptation to distinguish (contrary to the approach that appears to have been taken in at least one recent case\(^ {45}\)). If there is a likelihood that other traders might wish to use the sign, the next issue is to look to the degree of likelihood. As Kitto J acknowledged, the more descriptive the sign, the greater the likelihood that a competitor would wish to use it and the less inherently apt it will be to distinguish the applicant’s goods\(^ {46}\)—an implicit recognition of the continuum of distinctive character. This assessment of the degree of likelihood will dictate whether the non prima facie

\(^{44}\) On the application of the test in this manner, see, eg, Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks [2002] FCAFC 273, [147] (Stone J); Time Warner Entertainment Co, LP v Stepsam Investments Pty Ltd [2003] FCA 1502, [33].

\(^{45}\) See Agapitos v Habibi [2014] WASC 47, [39]-[40].

\(^{46}\) Clark Equipment (1964) 111 CLR 511, 515.
distinctive mark has a slight degree of inherent adaptation to distinguish (ie, it is an NSIA mark) or none at all (ie, it is an NTAEIA mark), which will impact on the sort of evidence of factual distinctiveness that the applicant will need to provide to ensure that the application is not rejected. An exemplary approach to assessing the extent of a mark’s inherent adaptation to distinguish was taken by Kenny J in her 2010 decision in *Sports Warehouse Inc v Fry Consulting Pty Ltd*.47

It is vital to appreciate that the *Clark Equipment* test does not purport to set up bright line rules for determining when a mark will be prima facie distinctive as distinct from being an NSIA mark, or when it will have the slight degree of inherent adaptation to distinguish such that it falls to be considered as an NSIA mark rather than an NTAEIA mark. The test forces tribunals to make hard, often speculative, decisions about the conduct of traders in particular markets in assessing the likelihood that they would wish to use particular signs. The ‘tripartite’ classification method used in s 41 also raises the prospect that borderline cases will arise at two separate junctures—a problem to which I return when considering how s 41 could be usefully reformed.

However, the most important point for present purposes is that *Clark Equipment* has to be applied carefully to ensure that the question of the extent of a mark’s inherent adaptation is not marginalised. There is a danger of it being applied in a manner that pushes decision-makers into a finding that the mark is either prima facie distinctive or to no extent inherently adapted to distinguish. This is a false dichotomy. One way of avoiding this is for decision-makers to avoid the imprecise use of terms such as ‘inherently distinctive’ and ‘inherent capacity to distinguish’. This is because such terms are not always used in the same way in the case law and commentary on s 41; they can sometimes be used in a manner that glosses over the precise questions being asked by s 4148 and, in particular, the requirement that the mark be classified on the continuum in one of three ways. A careful application of *Clark Equipment* might also help deal with difficult fact situations, such as those involving foreign marks which are laudatory or descriptive in translation, with greater nuance. Issues such as the extent of familiarity with the word in question, its meaning in both the foreign language and in translation, the nature of the goods and services, and the extent to which they are targeted at consumers can all be taken into account in an assessment of the degree of likelihood that other traders might wish to use the marks in question, which might then impact on a finding of the extent of the mark’s inherent adaptation to distinguish.

(c) Use by other traders

A further aspect of *Clark Equipment* likely to be considered in the *Cantarella* appeal relates to what sort of use other traders would wish to make of the sign in question. In *Clark Equipment* Kitto J

47 [2010] FCA 664, [83]-[108].
48 See, eg, *Agapitos v Habibi* [2014] WASC 47, where Le Miere J appeared to treat the term ‘not inherently distinctive’ as coterminous with ‘not inherently adapted to distinguish’: at [28], [37].
held that the issue was whether other traders would be held liable for infringement if they were to use the applicant’s sign (if it were to be registered). This reference to infringement can perhaps be interpreted in two ways. Read literally, it might be open to argue that if other traders would wish to use the sign other than as a trade mark (for example, for descriptive or nominative purposes), or in a manner that would not infringe because a defence would be available, then the sign ought to be accepted as being prima facie distinctive. That this is not the way the test is to be interpreted is best confirmed in Clark Equipment itself, as Kitto J later in his judgment stated:

[i]t is no answer to say that if registration be granted such a manufacturer may nevertheless describe his goods as ‘made in Michigan’ or in some other ways indicate that Michigan is their place of origin. He is not to be excluded by the registration of a trade mark from any use of the word Michigan that he may fairly want to make in the course of his business.49

This view found favour with the Full Court of the High Court in FH Faulding & Co Ltd v Imperial Chemical Industries of Australia and New Zealand Ltd50 and had been adopted by the Full Federal Court under the current Act51 before the Cantarella litigation.52 On this basis, it should not matter if the evidence shows use of the sign by other traders descriptively, or as a descriptive component within a compound mark.

The reference to infringement is best read a second way, as indicating that the test is whether other traders might wish to use not only the exact sign whose registration is being sought, but also a ‘substantially identical’ or ‘deceptively similar’ sign (picking up the language of the infringement provisions). This is similar to the way the test was framed under old UK law,53 as well as by the High Court in its earlier decision in Eclipse Sleep Products Inc v Registrar of Trade Marks,54 and is the way the Full Federal Court has approached the issue under the current Act.55 This reading is significant, because logically it should mean that an application for registration of a mark that is sufficiently similar to a sign lacking distinctive character should be treated in the same way as an application for that latter sign. In other words, this interpretation of Clark Equipment should expand the range of signs that should fall to be considered as either NSIA or NTAEIA.

49 Clark Equipment (1964) 111 CLR 511, 517 (emphasis added).
50 (1965) 112 CLR 537, 555 (Kitto J, with whom Barwick CJ and Windeyer J concurred).
51 TGI Friday’s Australia Pty Ltd v TGI Friday’s Inc [2000] FCA 720, [46].
52 Modena Trading Pty Ltd v Cantarella Bros Pty Ltd [2013] FCAFC 110, [83], [97].
53 Registrar of Trade Marks v W & G Du Cros Ltd (1913) 30 RPC 660, 671 (HL, Lord Parker).
54 (1957) 99 CLR 300, 310 where Dixon CJ, Williams and Kitto JJ framed the test of ‘adaptation to distinguish’ in terms of whether other traders would ‘desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods’ (emphasis added).
55 See, for example, Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks [2002] FCAFC 273 [87] (Lindgren J), [161] (Stone J). See also Philmac Pty Ltd v Registrar of Trade Marks [2002] FCA 1551, [57], [59]–[60]; Unilever Australia Ltd v Société des Produits Nestlé SA [2006] FCA 782, [60]; Chocolaterie Guylian NV v Registrar of Trade Marks [2009] FCA 891, [81].
(d) Timing issues in assessing inherent adaptation to distinguish

Turning away from Cantarella, a further issue raised in another recent Federal Court case concerns the question of the time at which a mark’s inherent adaptation to distinguish is to be assessed.

In the 1973 High Court case Burger King Corporation v Registrar of Trade Marks, Gibbs J referred with approval to the Clark Equipment formulation of the test, and added that inherent adaptation ‘depends on the nature of the trade mark itself … and therefore is not something that can be acquired; the inherent nature of the trade mark itself cannot be changed by use or otherwise.’

This might appear to be an uncontroversial statement of the need to keep the first and second steps in the distinctiveness enquiry separate. However, some care is needed in its application. In the Federal Court case Mantra IP Pty Ltd v Spagnuolo, one issue was whether the mark Q1, the name of a Gold Coast high-rise apartment building adopted in 2001, was prima facie distinctive in relation to accommodation and property management services at the time registration of this mark was sought in 2008 (the applicant being one of the Mantra group of companies, another company in which having been nominated the letting agent by the body corporate for the residential component of the Q1 building in 2005). The opponent to registration claimed that by 2008 ‘Q1’ had come to take on ‘geographical’ significance, in the sense that it had come to identify the location from where the services were provided rather than trade origin. Following an earlier decision involving the name of a privately-owned commercial building Reeves J thought that ‘Q1’ could not be equated with a geographical term. More interesting, however, is Reeves J’s reliance on Burger King in finding that a prima facie distinctive mark adopted in 2001 necessarily remained prima facie distinctive at the 2008 filing date, and that any use of the sign after 2001 by others that might have changed the meaning of the sign (that is, in turning it into a geographical descriptor) could not alter this state of affairs. Such an approach mischaracterises Burger King, which holds only that inherent adaptation to distinguish cannot be achieved through subsequent use of the mark. It also fails to recognise that the meaning of signs can change over time, and that a mark’s inherent adaptation to distinguish must be assessed as at the filing date. Whatever the state of affairs when a

56 (1973) 128 CLR 417, 424.
58 See MID Sydney Pty Ltd v Australian Tourism Co Ltd (1998) 90 FCR 236, 250-1 (Full Ct) (CHIFLEY TOWER for ‘property management services, retail and office leasing services’ held to be prima facie distinctive).
59 Mantra IP Pty Ltd v Spagnuolo [2012] FCA 769, [54]-[63], [67] (noting the possibility of an exception for a plaza or other public space adjacent to a building, taking the name of that building, which might gain geographical significance: at [64]-[66]). Leave to appeal Reeves J’s decision was granted, with Logan J considering that the case was not on all fours with MID Sydney (Spagnuolo v Mantra IP Pty Ltd [2012] FCA 1038), but the matter settled before the Full Court hearing. In Mackay Airport Pty Ltd [2013] ATMO 17 the Office considered ‘Mackay Airport’ for a wide range of services to be NTAEA, distinguishing Mantra IP on the basis that ‘Q1’ was a coined term, and recognising that many other traders would have a legitimate need to describe that their services were provided from or related to Mackay Airport.
60 Mantra IP Pty Ltd v Spagnuolo [2012] FCA 769, [63].
mark is adopted, it might be the case that the sign has come to take on a different meaning (for example, that it has developed geographical or descriptive significance) by the time of the application for registration, casting doubt on whether it could be characterised as prima facie distinctive for the purposes of s 41. This was explicitly recognised by the Trade Marks Office in its 2011 decision *Blu-Ray Disc Association* and is the better interpretation of s 41.

(e) ‘Not sufficiently inherently adapted’ marks v ‘not to any extent inherently adapted’ marks

A final issue to be discussed in this section relates to one of the most difficult aspects of the Australian test under s 41: determining whether a non prima facie distinctive mark is to any extent inherently adapted to distinguish such that it will fall to be considered as an NSIA mark rather than an NTAEIA mark. This assessment has important consequences for the second step of the distinctiveness inquiry, discussed in Part 5.

Note 1 to the current s 41(4)/former s 41(6) provides that that subsection, which deals with NTAEIA marks, is intended to apply to signs that are *ordinarily used* to indicate certain qualities, characteristics, etc of goods or services. In *Austereo Pty Ltd v DMG Radio (Australia) Pty Ltd* Finn J considered that ‘words which, though descriptive of the quality or character of goods or services, are not the only or natural words which would be chosen for that purpose … [or] because the description itself involves an unfamiliar, obsolete, unexpectedly evocative or purely emotive usage’ can be said to have some degree of inherent adaptation to distinguish. This approach, which can be traced to the English Court of Appeal’s decision in *J & P Coats Ltd’s Application*, is helpful in assessing the degree of likelihood that other traders would wish to use the sign in question. However, Finn J’s statement is arguably overreaching (and not just in its reference to ‘unfamiliar’ marks, in light of cases such as *Eutectic Corporation v Registrar of Trade Marks*). In particular, the idea that unless the mark is the *only* way of describing the goods or services it will have some degree of inherent adaptation to distinguish is problematic. This is because it overlooks the fact that traders might think of a range of broadly synonymous words, especially laudatory terms, to describe their products. For instance, ‘whopper’ is clearly not the sole, or even the most obvious, term that might be used by a trader to describe the immensity of its burgers, but this does not make the mark

---

62 [2004] FCA 968, [38]-[39].
63 (1936) 53 RPC 355, 380 (Lord Wright) (considering SHEEN for sewing cotton).
64 (1980) 32 ALR 211 (NSWSC).
65 This has been recognised by Australian courts (see *Seven-Up Co v Bubble Up Co Inc* (1987) 9 IPR 259, 264 (VSC)) and by the ECJ under European law (see Case C-363/99, *Koninklijke KPN Nederland NV v Benelux-Merkenbureau* [2004] ECR 1-1619, [57], [101]).
WHOPPER to some extent inherently adapted to distinguish one trader’s burgers from another’s.\textsuperscript{66}

Comparing marks that over the past few years have been held to be NTAEIA with those that have been held to be NSIA shows how difficult drawing the distinction can be. The following table sets out thirty or so decisions of courts and hearing officers since mid-2010, grouped according to the type of descriptive mark under consideration:

<table>
<thead>
<tr>
<th>Type of sign</th>
<th>NTAEIA</th>
<th>NSIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generic/ descriptive/ laudatory</td>
<td>Court decisions</td>
<td></td>
</tr>
<tr>
<td>YELLOW (for goods and services including print and online phone directories)\textsuperscript{67}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DENTAL EXCELLENCE (for ‘dentistry’)\textsuperscript{68}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>APP STORE (for various services in Classes 35, 38, 42)\textsuperscript{69}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXTRA DRY (for ‘beers and ales’)\textsuperscript{70}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Open Tafe’ (for Class 35 referral and advertising services relating to educational courses provided by TAFE institutions)\textsuperscript{71}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FREE BARS (for Class 30 goods, including confectionery)\textsuperscript{72}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ATTIC LADDERS (for ‘ladders that fold into ceiling spaces’)\textsuperscript{73}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘The Weather Channel’ (for a range of retailing, telecommunications and entertainment services)\textsuperscript{74}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REAL DAIRY ICE CREAM and ‘Real Dairy Ice Cream’ stylised (for Class 30 goods including ice cream)\textsuperscript{75}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Court decision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TENNIS WAREHOUSE (for services including the online retailing of tennis clothing and equipment)\textsuperscript{76}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Discover Downunder’ (for ‘production of television programs’)\textsuperscript{77}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NATIONAL HEALTH SERVICES DIRECTORY (for various goods and services in Classes 9, 16, 41, 42, 44)\textsuperscript{78}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIG PICTURE (for various Class 41 entertainment services)\textsuperscript{79}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AERO SPORTS CARS (for motor vehicles and accessories)\textsuperscript{80}</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNIVERSAL (for ‘life jackets, personal flotation devices, buoyancy jackets and buoyancy belts’)\textsuperscript{81}</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\textsuperscript{66} This was recognised by Middleton J in \textit{Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd} [2010] FCA 1367. Cf. \textit{Marlin Australia Pty Ltd} [2011] ATMO 73, [10] (UNIVERSAL for goods such as lifejackets and personal flotation devices held to be NSIA since the word was ‘not the only possible way … to describe these particular goods as being applicable for all sizes or all purposes’).

\textsuperscript{67} \textit{Phone Directories Company Australia Pty Ltd v Telstra Corporation Ltd} [2014] FCA 373 (‘Phone Directories v Telstra’).

\textsuperscript{68} \textit{Agapitos v Habibi} [2014] WASC 47.

\textsuperscript{69} \textit{Apple Inc} [2013] ATMO 13 (on appeal to the Federal Court, judgment reserved on 5 December 2013).

\textsuperscript{70} \textit{Harvey v Lion-Beer, Spirits & Wine Pty Ltd} [2013] ATMO 5.

\textsuperscript{71} \textit{Open Universities Australia Pty Ltd v IHQ Pty Ltd} [2012] ATMO 113.

\textsuperscript{72} \textit{Kraft Food Australia Pty Ltd v Mars Australia Pty Ltd} [2012] ATMO 51.

\textsuperscript{73} \textit{Attic Ladders Pty Ltd v Kimberley Plastics Pty Ltd} [2012] ATMO 36.

\textsuperscript{74} \textit{The Weather Channel Inc v XYZnetworks Pty Ltd} [2011] ATMO 116.

\textsuperscript{75} \textit{Unilever Plc v Regal Cream Products Pty Ltd} [2011] ATMO 98.

\textsuperscript{76} \textit{Sports Warehouse Inc v Fry Consulting Pty Ltd} [2010] FCA 664.

\textsuperscript{77} \textit{Bauer Consumer Media Ltd v Evergreen Television Pty Ltd} [2014] ATMO 78.

\textsuperscript{78} \textit{National Health Call Centre Network Ltd} [2014] ATMO 6.

\textsuperscript{79} \textit{Bauer Consumer Media Ltd v Big Picture (Aust) No 2 Pty Ltd} [2013] ATMO 35.

\textsuperscript{80} \textit{Morgan Motor Company Ltd v Aero Investments Pty Ltd} [2012] ATMO 91.

\textsuperscript{81} \textit{Marlin Australia Pty Ltd} [2011] ATMO 73.
<table>
<thead>
<tr>
<th>Geographical</th>
<th>Court decision</th>
<th>Office decisions</th>
<th>Office decisions</th>
<th>Office decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PERSIAN FETTA (for ‘dairy products including cheese’)(^82)</td>
<td>‘Harbin’ (stylised) (for beer and other beverages)(^83)</td>
<td>SOLIGA FOREST HONEY (for ‘honey’)(^84)</td>
<td>HIMALAYA PURE HERBS (for ‘pharmaceutical substances: dietetic substances for medical use’)(^85)</td>
</tr>
<tr>
<td>Misspellings/phonetic equivalence</td>
<td>(\text{Office decisions})</td>
<td>WEED ‘N’ FEED (for fertilisers and preparations for killing weeds, destroying pests and controlling diseases in plants)(^88)</td>
<td>‘Rite Price’ (for various Class 35 retail and Class 37 maintenance services)(^89)</td>
<td>(\text{Office decision})</td>
</tr>
<tr>
<td>Neologisms and word combinations</td>
<td>(\text{Office decisions})</td>
<td>TOTALPATENT (for ‘on-line interactive databases featuring information relating to the analysis, evaluation and creation of patents’)(^91)</td>
<td>HEELGUARD (for grated access and manhole covers for pits, trenches, drains, underground access ways and ducts)(^92)</td>
<td>(\text{Office decisions})</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CARSGUIDE (for various goods and services in Classes 9, 16, 35, 36, 38, 41)(^93)</td>
<td>SWEEPER+ VAC (for ‘household utensils … brushes; articles for cleaning purposes’)(^94)</td>
<td>SLEEPTEA (for tea and tea-based beverages)(^95)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>HAIRFOOD (for hair care preparations and hair growth promoters)(^96)</td>
<td></td>
</tr>
</tbody>
</table>

From a close reading of the above cases it is possible to discern a greater willingness by hearing officers to accept descriptive marks as NSIA than can perhaps be seen in court decisions. For example, in the 2014 decision in *Roebuck v News Ltd* the hearing officer, in considering an

---

\(^{82}\) *Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd* [2010] FCA 1367.

\(^{83}\) *Harbin Brewing Co Ltd* [2012] ATMO 48.

\(^{84}\) *Himalaya Global Holdings Ltd* [2012] ATMO 19.

\(^{85}\) *Himalaya Global Holdings Ltd* [2012] ATMO 11.

\(^{86}\) *Tchen Kil Tchun* [2014] ATMO 28.

\(^{87}\) *Clearlight Investments Pty Ltd v Sandvik Mining and Construction Oy* [2013] ATMO 50.

\(^{88}\) *OMS Investments Inc v DuluxGroup (Australia) Pty Ltd* [2014] ATMO 9.

\(^{89}\) *Knowles Airconditioning & Plumbing Pty Ltd* [2013] ATMO 42.

\(^{90}\) *Boddingtons Ltd* [2011] ATMO 57.

\(^{91}\) *Reed Elsevier Properties, Inc* [2012] ATMO 46.

\(^{92}\) *Paige Stainless Pty Ltd v Aco Polycrcte Pty Ltd* [2011] ATMO 87.

\(^{93}\) *Roebuck v News Ltd* [2014] ATMO 19.

\(^{94}\) *The Procter & Gamble Company* [2014] ATMO 5.

\(^{95}\) *Himalaya Global Holdings Ltd* [2012] ATMO 14.

\(^{96}\) *Isabella Thomas Holdings Ltd* [2011] ATMO 52.
application for CARSGUIDE for services relating to online and print car guides, suggested that because the expression ‘cars guide’ is ‘slightly awkward to express orally’, and that the mark was a single word, it had the ‘requisite spark of trade mark identity’.

This idea that an NSIA mark need only show a ‘spark’, a ‘scintilla’ or a ‘modicum’ of inherent adaptation can be seen in other Office decisions, including one involving the mark NATIONAL HEALTH SERVICES DIRECTORY for goods and services related to the production of a national directory of health services. Such an approach is in tension with other Office decisions where minor misspellings of descriptive words have been held not to give the mark any inherent adaptation to distinguish, as well as Eclipse Sleep Products Inc v Registrar of Trade Marks, where Dixon CJ, Williams and Kitto JJ framed the test of adaptation to distinguish in terms of whether other traders would ‘desire to use the same mark, or some mark nearly resembling it, upon or in connection with their own goods’.

Other Office decisions involving NSIA marks are also difficult to reconcile with existing case law. For example, in a 2012 decision involving an application for SLEEPTEA, the hearing officer acknowledged that ‘sleep tea’ was a known type of tea but, given that the term was not commonly used, considered the mark to be NSIA, a decision that sits uncomfortably alongside Eutectic.

By way of contrast, in the three court decisions in which the marks in question were held to be NTAEIA, the Office had, at the registration stage, classified the marks as NSIA. In Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd, involving PERSIAN FETTA for dairy products including cheese, Middleton J held that even though ‘Persia’ is not the current name of a geographical area, its ongoing geographical significance is such that other traders would have a legitimate interest in wanting to describing their Iranian-sourced cheese, or a style of cheese derived from cheese produced in Iran, by reference to such a term, in particular because of the exotic connotations of the word ‘Persia’ and also to avoid any potentially negative association with ‘Iran’.

In Agapitos v Habibi, Le Miere J disagreed with the owner’s submission that DENTAL EXCELLENCE was ‘concocted’, consisting of words that would not normally be used together, instead finding that other dentists wishing to indicate their services were of superior quality may well want to use the expression ‘dental excellence’ for that purpose. And in the most recent case, Phone Directories Company Australia Pty Ltd v Telstra Corporation Ltd, Murphy J explained in detail why Telstra’s mark YELLOW was a descriptive term for Telstra’s specified goods and services,

97 [2014] ATMO 19, [35].
98 National Health Call Centre Network Ltd [2014] ATMO 6. See also Freelife International Holdings LLC [2009] ATMO 45 (where a device mark featuring the slightly stylised words ‘Goji Juice’ was considered to be NSIA in relation to dietary supplements and beverages, on the basis that it was not immediately obvious why another trader would need to use the particular stylisation in connection with the entirely descriptive words). Cf. Unilever Plc v Regal Cream Products Pty Ltd [2011] ATMO 98, [20]-[21].
99 (1957) 99 CLR 300, 310.
100 Himalaya Global Holdings Ltd [2012] ATMO 14, [17].
102 [2014] WASC 47, [35]-[44].
and one that other traders would wish to use in relation to print and online phone directories (emphasising evidence that before the filing date other traders in Australia and overseas had used the colour and word yellow in respect of their directories to indicate the purpose of them). His Honour was unpersuaded by Telstra’s arguments that the word ‘yellow’ was not a generic term for business directories and was an ‘arbitrary’ term when used in relation to services. In all three cases, the judges were sceptical of the owners’ arguments that their marks were inherently adapted to distinguish to even a slight extent. It remains to be seen whether the more cautious approach to the distinctiveness inquiry in these cases (the latter two in particular) influences the Office in its application of the first step of the distinctiveness inquiry.

As a final point, it is worth flagging that it is not obvious why, at a normative level, Australian law requires non-prima facie distinctive marks to be classified in one of two ways (ie, as NSIA or NTAEIA), and draws such a rigid demarcation between the two. After considering the significance of marks being classified in these ways in Part 5, in Part 6 I take up this question in more detail, arguing that there is a strong case for s 41 to be reformed to do away with the distinction between NSIA and NTAEIA marks entirely.

5. Factual distinctiveness

(a) Challenges in demonstrating factual distinctiveness

As explained in Part 2, a non-prima facie distinctive mark can still pass the distinctiveness hurdle if factual distinctiveness can be demonstrated. Under s 41, this operates differently according to whether the mark is classified as NSIA or NTAEIA under the first step of the distinctiveness enquiry. For NTAEIA marks, only one factor can be taken into account in assessing whether the mark does distinguish the applicant’s goods or services: the extent of the applicant or predecessor in title’s pre-filing date use of the mark. For NSIA marks, the second step involves a consideration of the combined effect of three factors—the degree of the mark’s inherent adaptation to distinguish, the applicant or predecessor in title’s use or intended use of the mark, and ‘any other circumstances’—as part of an overall determination of whether the mark has or will come to distinguish the applicant’s goods or services. This demonstrates how important it is for decision-makers to explain the extent of a mark’s inherent adaptation to distinguish. As was recently confirmed in Sports Warehouse, the lesser the extent of the NSIA mark’s inherent adaptation to distinguish, the stronger the evidence of use or intended use will be needed for the mark to be taken to be capable of distinguishing, and vice versa.104

103 [2014] FCA 373, [175]-[234].
The key element common to both NSIA and NTAEIA marks is that of *use* of the mark. Much of the information provided in the Trade Marks Office’s Manual of Practice and Procedure relates to what sort of evidence of use should be provided, and in what form. The focus is very much on quantitative data: details of the location and duration of use; annual turnover figures; advertising expenditure; examples of uses of the mark; details of market share and how the goods or services have been advertised; further commercial plans, etc.\(^\text{105}\) Clearly, such evidence will be crucial. But it is perhaps important to appreciate that much of this evidence can only really serve as a proxy for the question that needs to be asked: whether *by* such use the mark has acquired distinctiveness (or, for NSIA marks, whether it will come to do so).

Recent Federal Court decisions show how difficult it can be to demonstrate factual distinctiveness, even when what might appear to be extensive evidence of use is provided. A clear indication of this is *Phone Directories v Telstra*, involving an application for the word mark YELLOW. Having found the mark to be NTAEIA, Murphy J was unpersuaded that the impact of Telstra’s use of the word ‘yellow’ in various forms since the mid-1970s meant that the mark had acquired distinctiveness by its 25 July 2003 filing date. Notwithstanding Telstra’s extensive use of the ‘Yellow Pages’ brand, both as a word mark and in conjunction with the famous ‘walking fingers’ device, dating back to the 1970s, Murphy J considered that the term ‘yellow’ remained descriptive of the colour and nature of Telstra’s directories when used in that manner.\(^\text{106}\) Telstra’s brief ‘Hello Yellow’ advertising campaign in the early 1980s was considered not to have involved trade mark use of ‘yellow’, but rather use as a ‘shorthand reference’ to the ‘Yellow Pages’ mark.\(^\text{107}\) In any event, Murphy J thought if Telstra’s use of ‘yellow’ since the 1970s was to be taken to be use as a trade mark, any such use was diluted by the fact the word was almost invariably used as part of larger word marks or composite marks, and was not used extensively enough for it to distinguish Telstra’s goods and services from those of other traders.\(^\text{108}\)

Despite the lower threshold for NSIA marks (in the sense that post-filing date use can be taken into account, and that the decision-maker only needs to find that the mark will acquire distinctiveness) applicants for such marks have tended to fare little better in showing factual distinctiveness. In *Sports Warehouse*, involving an application for TENNIS WAREHOUSE for the online retailing of tennis clothing and equipment, filed on 18 August 2005, the applicant also put forward what appeared to be extensive evidence of a range of uses of the mark, from both before and after the filing date. Kenny J concluded that even though there was evidence that went towards a showing of factual distinctiveness—such as use on a website between 1998-2002, use in the

\(^\text{105}\) IP Australia, *Trade Marks Office Manual of Practice & Procedure*, pts 23.3-23.5.

\(^\text{106}\) *Phone Directories v Telstra* [2014] FCA 373, [246]-[249].

\(^\text{107}\) Ibid [255].

\(^\text{108}\) Ibid [261], [269].
domain name ‘tennis-warehouse.com’, advertisements in magazines, and limited sales in Australia—this was thought to be insufficient to satisfy the former s 41(5). Evidence that did not assist the applicant was that from 2003 the words ‘Tennis Warehouse’ had been used in conjunction with a ‘TW’ logo, which diluted the words’ trade mark significance, and that some of the examples of use, including on promotional gifts, post-purchase invoices and post-purchase packaging, was not ‘in the course of trade’ and therefore not as a trade mark at all. In Phone Directories v Telstra, Murphy J thought that if YELLOW were to be classified as an NSIA mark (that is, that it was inherently adapted to distinguish to a ‘minor extent’), Telstra’s additional evidence of post-filing date use did not demonstrate that the mark had or would become factually distinctive. His Honour thought a ‘Find It In Yellow’ campaign, run in 2005-06, still used ‘yellow’ as a shorthand reference to ‘Yellow Pages’, and that despite the rebranding of Telstra’s entire product and service from ‘Yellow Pages’ to ‘Yellow’ from 2006-09, there was only negligible evidence indicating strong consumer recognition that ‘Yellow’ had become factually distinctive.

The approaches taken in these cases are consistent with those taken in earlier Federal Court cases and recent Office decisions when assessing the factual distinctiveness of word marks with little or no inherent adaptation to distinguish, particularly where the words have been used descriptively rather than as a trade mark, or used in combination with other more distinctive matter (such as other words or a device).

In both Phone Directories v Telstra and Sports Warehouse the judges emphasised that little evidence was provided by the applicants for registration as to consumer recognition of the marks. This was a particular problem for Telstra: notwithstanding evidence that it had spent close to $20 million on its ‘Yellow’ rebranding, the fact that it could only point to negligible evidence of consumer recognition of the ‘Yellow’ brand was a significant limitation. This raises questions as

110 Ibid.
111 Phone Directories v Telstra [2014] FCA 373, [278].
112 Ibid [297]-[302].
113 Ibid [303]-[310].
114 For court decisions, see Ocean Spray Cranberries Inc v Registrar of Trade Marks [2000] FCA 177, [41] (‘Cranberry Classic’ used descriptively on packaging); Sports Break Travel Pty Ltd v P & O Holidays Ltd [2000] FCA 924, [24] (‘Schoolies’ used only to describe the target audience for the applicant’s services). For recent Office decisions, see Mackay Airport Pty Ltd [2013] ATMO 17, [42]-[44]; National Health Call Centre Network Ltd [2014] ATMO 6, [26], [30].
115 For a recent court decision, see Fry Consulting Pty Ltd v Sports Warehouse Inc (No 2) [2012] FCA 81, [113] (applicant’s use of the tagline ‘Your online tennis shop!’ in conjunction with its ‘Tennis Warehouse Australia’ device mark (set out below) ‘substantially diluted the trade mark significance of the latter’ (in obiter dicta)). For recent Office decisions, see Kennards Hire Pty Ltd [2012] ATMO 59; Harvey v Lion-Beer, Spirits & Wine Pty Ltd [2013] ATMO 5; Knowles Airconditioning & Plumbing Pty Ltd [2013] ATMO 42.
117 Phone Directories v Telstra [2014] FCA 373, [306].
to whether applicants might need to do more to acquire and present consumer-based evidence, and what are some of the difficulties in doing so, an issue to which I return in Part 6.

As a final point, it needs to be asked whether the recent amendment to s 41 is likely to make it easier for owners of NSIA and NTAEIA marks to secure registration. Under s 41(5) and (6) as originally enacted, the decision-maker needed to be satisfied, on the basis of the evidence provided, that the mark was or would become factually distinctive. This was thought to create uncertainty and significant costs for applicants, who felt they had little guidance as to the quality and quantity of evidence that would be needed to persuade examiners that their marks had acquired distinctiveness, particularly in the event that a response to an adverse report involving the filing of evidence led to the maintenance of the s 41 objection. From the perspective of the Office, given that much of the evidence examiners were required to assess went to quantitative measures such as the duration of use, the geographical extent of use, turnover figures and advertising expenditure (rather than evidence of consumer recognition), it might well have been the case that officials felt as if they were on somewhat shaky ground when concluding that a mark had acquired distinctiveness. These factors help explain the amendment to s 41 to ensure that the ‘presumption of registrability’ now applies in relation to NSIA and NTAEIA marks—it is now the case under s 41(2)–(4) that decision-makers have to be satisfied that the marks are not or would not become factually distinctive for the s 41 ground of rejection to apply. It might be the case that the Office will internalise this change to ensure that quantitative evidence of factual distinctiveness is treated more favourably than under the former law, which is perhaps the real intention of the amendment.

However, it needs to be recognised that the application of a ‘presumption’ in favour of the applicant in this situation ought to make next to no practical difference. This is because under both the former and current law the decision-maker was and is required to make the assessment of factual distinctiveness on the balance of probabilities (and not on some higher standard, such as whether the mark should clearly not be registered118). Because of the application of the balance of probabilities standard, it is only in cases where the evidence as to whether a mark has acquired sufficient distinctiveness can be said to be in the balance that the presumption might have any work to do. Such cases will be extremely rare, even if one adopts a ‘subjectively perceived tie’ approach to the balance of probabilities standard (that is, even if the evidence in fact generates a probability of slightly more or slightly less than 50%119). Instead of relying on the fig leaf of the presumption of registrability, which cannot do the work the Office and many mark owners would probably like it to

118 Extraordinarily, the standard of proof in trade mark opposition proceedings remains unresolved, but the majority of Federal Court decisions on this matter have applied the balance of probabilities standard. For the most recent consideration, see ibid [35]-[36].

do, more thought needs to be given to the real difficulties involved in assessing factual distinctiveness and the challenges faced by both applicants and the Office.\textsuperscript{120}

(b) Problems with s 41 as a cancellation ground in the case of NSIA and NTAEIA marks

Each of \textit{Yarra Valley}, \textit{Agapitos} and \textit{Cantarella} involved attempts to cancel the registration of a mark on the grounds of lack of distinctiveness. More specifically, each involved the court considering the cancellation ground under s 88(2)(a) (‘any of the grounds on which the registration of the trade mark could have been opposed under this Act’), which in turn required it to assess whether the mark ought not to have been registered because of s 41. In this context, it is worth noting that there are two unsatisfactory aspects of how s 41 operates as a cancellation ground when the mark in question is held by the court to be a non-prima facie distinctive mark.

The first is that if the mark is held to be NTAEIA, the registered owner can only save its registration by showing that its mark had acquired distinctiveness by the filing date. This is so even if the mark has clearly become factually distinctive in light of the owner’s many years of post-filing date use.\textsuperscript{121} To take the facts of \textit{Cantarella} as an example, it was not open to Cantarella to argue that even if its ORO and ‘Cinque Stelle’ marks were held to be NTAEIA, the extent of its use of the marks since their 2000 and 2001 filing dates meant that at the time of Modena Trading’s cross-claim in 2011 the marks had become distinctive and that the registrations should therefore not be cancelled. For marks that are held to be NSIA, however, it appears that it is open for owners to show that even if the mark lacked distinctiveness at the filing date, any post-filing date acquisition of distinctiveness can be take into account to save the registration.\textsuperscript{122} In this way the s 88(2)(a)/41 cancellation ground has the potential to operate unfairly against registered owners of NTAEIA marks, and places further pressure on tribunals classifying non-prima facie distinctive marks as NSIA rather than NTAEIA.

The second aspect is something of the opposite problem. When the 1995 Act was passed, it contained a ground of cancellation of registration in s 88(2)(d). This applied where the mark had been accepted for registration as an NSIA mark (ie, under the former s 41(5)) on the basis that it would distinguish the specified goods and services, and where the mark had remained registered for at least ten years, but at the time of the cancellation proceedings had not in fact come to acquire distinctiveness. This provision was repealed, with almost no explanation, in 2001. In the

\textsuperscript{120} For detailed consideration, see Robert Burrell and Michael Handler, ‘Rethinking the Presumption of Registrability in Trade Mark Law’ (2012) 38 \textit{Monash University Law Review} 148.

\textsuperscript{121} There is scope for the court to use its discretion under s 88(1) to refuse to cancel the registration of the mark in such circumstances. However, the scope of the court’s discretion remains unclear, and mark owners ought to have the comfort of a statutory provision ensuring that the registration of their distinctive marks cannot be cancelled rather than having to persuade a court to exercise its discretion in cancellation proceedings.

\textsuperscript{122} See, eg, \textit{Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd} [2010] FCA 1367, [260].
Explanatory Memorandum to the Trade Marks and Other Legislation Amendment Bill 2001 (Cth) it was stated that under s 88(2)(d) ‘the court would be obliged to apply stricter criteria than would have been applied by the Registrar of Trade Marks when accepting the trade mark for registration’ and that ‘[t]he repeal of this provision will remove the uncertainty inherent in this difference’. 123 This hardly seems sufficient to have justified the outright repeal of the ground. Further, since it is always open for an owner in cancellation proceedings to maintain that its NSIA mark will acquire distinctiveness to avoid cancellation under s 88(2)(a)/41, the lack of a s 88(2)(d) cancellation ground unduly privileges owners of registered marks that have never actually acquired distinctiveness (in turn raising the question of why the registration system is designed to allow such marks on the Register in the first place).

6. Legislative reform, and some options for owners of descriptive marks facing distinctiveness objections

In this final part, I offer some recommendations about how the Australian legislation might be reformed to deal with some of the problems identified. I also offer some thoughts about what owners of prima facie descriptive marks might do when confronted with distinctiveness objections at the registration stage, in light of some of the difficulties identified in demonstrating factual distinctiveness.

(a) Reforming the Act

Despite the importance of the distinctiveness requirement in s 41, there are a number of problems with its operation. The recent reform of s 41 to ensure that the ‘presumption of registrability’ applies when assessing factual distinctiveness will do little, if anything, to address these problems. Section 41 remains very difficult to interpret, and the policy or policies sought to be served by the provision are not clearly reflected in its wording. The tests used to determine a mark’s ‘inherent adaptation to distinguish’ do not easily map on to the statutory language. Any reform of s 41 must start with simplifying the text of the provision.

Yet perhaps the most concerning issue with s 41 relates to its ‘tripartite’ structure—in particular the requirement that non-prima facie distinctive marks be classified as either NSIA or NTAEIA. In particular, it is not at all clear why NSIA marks should be allowed to be registered on the basis of a likelihood that they will become factually distinctive. Such an approach would seem to allow signs that may not in fact meet the very definition of a trade mark to proceed to

---

123 Explanatory Memorandum, Trade Marks and Other Legislation Amendment Bill 2001 (Cth) 1.
registration, thus limiting the signs available for other traders to use for the sake of their ordinary meanings but without any clear countervailing benefit to consumers. This is especially problematic given that there no longer appears to be a solid basis for challenging the registration of such marks on the grounds that, post-registration, they have not in fact come to acquire distinctiveness.

There have, in fact, never been strong justifications for allowing the registration of non-prima facie distinctive marks that are not, but are likely to become, factually distinctive. The registration of such marks was first made possible in Australia under the 1955 Act as a result of recommendations of the Dean Committee, although the Committee specifically doubted whether there was value in accepting such marks for registration before they had acquired distinctiveness.\(^{124}\) It was only because, at that time, registration in various foreign countries was only available if the mark in question had been registered in Australia, and that under the 1905 Act marks that were only capable of becoming distinctive were not registrable, that it was thought necessary to follow the UK’s lead and establish Part B of the Register to enable the registration in Australia of such marks.\(^{125}\) These limited reasons, focusing on the needs of Australian exporting firms that had chosen to adopt non-prima facie distinctive marks, no longer apply with any force. It is also worth noting that the UK, and countries such as New Zealand that have adopted similar legislation, have since moved away from this model—under the laws of those countries only evidence that a non prima facie distinctive mark had acquired distinctiveness by the filing date is sufficient for such a mark to be accepted for registration.\(^{126}\) This also reflects the position under US law.\(^{127}\)

Given the public interest in leaving NSIA signs available for general commercial use, and the lack of any other sound justification for granting exclusive rights over such marks if acquired distinctiveness cannot be established, it is hard to justify the tripartite structure set up under s 41. Ideally, therefore, any reform should first involve setting up a two-part test of distinctiveness. This test would simply ask whether the mark is prima facie distinctive and, if not, whether it had acquired distinctiveness by the filing date. The first part of this test ought to be primarily and explicitly interpreted by reference to the needs of other traders in being able to use the sign in

---

\(^{124}\) Report of the Committee Appointed to Consider What Alterations Are Desirable in the Trade Marks Law of the Commonwealth (AGPS, 1954) (Dean Committee Report) [16].

\(^{125}\) Ibid. Indeed, when Part B of the UK Register was first established under the Trade Marks Act 1919 (UK), a mark could only be registered in that Part if it had been in use for two years prior to the date of the application. This requirement was removed in the Trade Marks Act 1938 (UK) following lobbying by British traders, who argued that they were still disadvantaged in foreign countries where trade marks were registered without prior examination: see Report of the Departmental Committee on the Law and Practice Relating to Trade Marks (1934) Cmd. 4568 (Goschen Committee Report) [56]-[61]; see also Hansard HL, vol 104, cols 17-8 (28 January 1937). Australia simply followed the approach taken by the UK. For an overview of the Australian provisions under the 1955 Act, see J Barton Hack, ‘Part B Registration in Australia’ (1960) 50 Trademark Reporter 371.


\(^{127}\) 15 USC §1052(f).
question, or a substantially identical or deceptively similar sign.  

Even if the legislature does not consider that the tripartite structure of s 41 needs amending, or that the language of the provision does not need clarification, the cancellation provisions in s 88 clearly need to be revisited. To address the problems raised in Part 4(b), s 88 should be amended in two ways:

- first, to add a new subsection to ensure that the registration of a mark can only be cancelled if the mark is not distinctive at the time the cancellation proceedings are commenced, notwithstanding that it might not have been distinctive at its filing date. This is the position under current UK\textsuperscript{128} and New Zealand law,\textsuperscript{129} and also accords with one of the Recommendations of the 1992 Working Party that reviewed the Australian law;\textsuperscript{130} and

- second, to reintroduce of a ground with the same effect as the former s 88(2)(d): that is, to ensure that the registration of an NSIA mark that was accepted for registration only on the basis that it would acquire distinctiveness can be cancelled after it has been registered for a period of time if it has not in fact come to acquire distinctiveness by that time.

(b) Registering descriptive marks

As a final point, it is worth briefly considering what an owner of a descriptive word mark might be able to do to increase its chances of securing protection for its mark. Without suggesting in any way that recent Australian cases and decisions on factual distinctiveness have set the bar at an inappropriate level, these cases have demonstrated that it is difficult to secure registration in Australia on the basis of factual distinctiveness, even for marks that fall to be considered as NSIA, rather than NTAEIA.

Most practitioners would be well aware of some of the strategies that can be used in order to try to overcome such objections. For NSIA marks, these might include extending the time for acceptance for as long as possible, so that more evidence of post filing date use can be amassed. For marks initially classified as NTAEIA, there is much to be gained by attempting to argue that the mark has a ‘spark’ or ‘scintilla’ of inherent adaptation (relying on Office decisions that have used this language), such that the mark should be treated as NSIA rather than NTAEIA. If this fails, a further tactic might be to make a later application for the same mark with the same specification, so that use of the mark up to the second filing date can be taken into account. The relatively minor cost


\textsuperscript{129} Trade Marks Act 2002 (NZ) s 73(2).

\textsuperscript{130} Working Party to Review the Trade Marks Legislation, Recommended Changes to the Australian Trade Marks Legislation (AGPS, 1992) 23 (Recommendation 36C).
involved in making the second application and the loss of the earlier priority date might well be outweighed by the ability to register the mark.

In terms of the evidence that might be relied on to show factual distinctiveness, given that the overarching question is whether or not the mark does or will distinguish the specified goods or services, surveys would seem to be the most valuable form of evidence that an applicant could adduce to show factual distinctiveness. However, it is appreciated that not only are surveys costly and time-consuming to produce, but also that the Office has shown a strong degree of scepticism towards survey evidence. At times, this has been entirely understandable. The Office has been rightly critical of surveys conducted well after the relevant time for assessing whether the mark had acquired distinctiveness, and surveys involving leading questions or questions not eliciting responses going to whether the sign was understood by consumers as a trade mark. Having said that, certain criticisms, such as those going to what might appear to be low sample sizes of surveys, have arguably been misplaced. More could be done to ensure that applicants have clearer guidelines as to the sort of survey evidence that is likely to be persuasive. In this regard it is encouraging to see that IP Australia is an industry partner, working with key brand owners and academics from Law and Psychology, in an Australian Research Council funded project that is designed to ‘put Australian trade mark law on a firmer empirical footing by … test[ing] the law’s assumptions against actual consumer responses’.

At present, however, applicants are likely to face an uphill battle in registering marks consisting of descriptive or laudatory words. The idea of not registering such marks, and instead trying to rely on the tort of passing off or an action for contravention of s 18 of the Australian Consumer Law to prevent other traders from making misleading use of such descriptive terms, is likely to hold little appeal. Two recent Federal Court cases in which mark owners were unsuccessful in such actions, Vendor Advocacy Australia Pty Ltd v Seitanidis (involving ‘Vendor

\[131\] This has been explicitly recognised in the UK: see Marks and Spencer Plc v Interflora Inc [2012] EWCA Civ 1501, [35] (‘[i]n cases where acquired distinctiveness of a mark is in issue a survey may accurately identify that proportion of the relevant public which recognises the mark as a badge of trade origin. It will then be for the fact finding tribunal, with the aid of such a survey, to decide whether a significant proportion of the relevant public identify goods as originating from a particular undertaking because of the mark’).

\[132\] For example, Cadbury Ltd (2002) 55 IPR 561.

\[133\] Cashcard Australia Ltd [2007] ATMO 70


\[135\] Cf. Harvey v Lion-Beer, Spirits & Wine Pty Ltd [2013] ATMO 5, [50]-[55]. ‘Small’ sample sizes are not necessarily problematic; the issue is more about the span of the confidence interval (which measures how far the sample mean will depart from the population mean). See generally Geoff Cumming, Understanding The New Statistics: Effect Sizes, Confidence Intervals, and Meta-Analysis (Routledge, 2011).

\[136\] Cf. the guidance provided under German law, as considered by the CJEU in Joined Cases C-217/13 and C-218/13, Oberbank AG, Banco Santander SA and Santander Consumer Bank SA v Deutscher Sparkassen- und Giroverband eV (19 June 2014).


\[138\] [2013] FCA 971.
Advocacy’) and Kosciuszko Thredbo Pty Ltd v ThredboNet Marketing Pty Ltd139 (involving ‘Thredbo’) show how difficult such a task is likely to be. But one alternative that should not be so easily dismissed might be to seek to register a device mark prominently featuring the descriptive word mark component. Such marks will almost always be considered to have a higher degree of inherent adaptation than the word mark alone. To use an illustration from recent case law, while the word mark TENNIS WAREHOUSE for the online retailing of tennis clothing and equipment was considered to be NSIA, with a relatively low level of inherent adaptation to distinguish,140 the following mark for ‘retailing of goods (by any means)’ was held to be prima facie distinctive:141

![Tennis Warehouse Australia](image)

In terms of the scope of protection afforded to such device marks, it might be thought that a mark owner would struggle to prevent another party from using only the descriptive word component of the mark, even if that party’s use constitutes use as a trade mark.142 There is a long line of Anglo-Australian authority that shows that courts will be slow to make a finding of ‘deceptive similarity’ where the similarity between the marks results from the common presence of descriptive or laudatory subject matter.143 However, a recent case might provide some comfort to mark owners. In REA Group Ltd v Real Estate 1 Ltd,144 the registered owner of the following device mark for real estate related goods and services (which had been held to be prima facie distinctive at the registration stage)

![realestate.com.au](image)

was successful in its infringement action against a competitor using ‘realestate1.com.au’ as its domain name and as a heading to a sponsored link, appearing in Google search results as follows:

```
realEstate1.com.au
Our aim is to make searching for real estate pure, simple and fast!
```

This was the case even though the respondent’s conduct fell short of constituting passing off/breach of the statutory prohibition on misleading or deceptive conduct. In considering the latter

---

141 Fry Consulting Pty Ltd v Sports Warehouse Inc (No 2) [2012] FCA 81.
142 For recent consideration, see Lift Shop Pty Ltd v Easy Living Home Elevators Pty Ltd [2014] FCAFC 75.
143 See especially Cooper Engineering Co Pty Ltd v Sigmund Pumps Ltd (1952) 86 CLR 536, 538-9, where the unanimous High Court emphasised that a consumer would ‘not be likely to pay any attention to the presence of a common word like rain in the combination’ and made it clear that in reaching this conclusion it was concerned to ensure that the trade mark monopoly did not extend too far.
144 [2013] FCA 559.
issue, Bromberg J accepted that REA Group had acquired ‘secondary meaning’ in the term realestate.com.au, but emphasised that ‘realestate’ remained descriptive and that only small differences in the respondent’s use would be needed to avoid a finding of liability. His Honour was not convinced that consumers clicking on the sponsored link would have failed to notice the ‘1’ in the link and would have mistakenly believed they were accessing the realestate.com.au site. In this part of the decision his Honour was very much alive to concerns about giving the applicant a monopoly over descriptive language used in an online context (the applicant’s complaint here being limited to the respondent’s use of ‘realestate1’ only in conjunction with ‘.com.au’). However, in considering the issue of trade mark infringement, Bromberg J held that the marks were deceptively similar. This was because ‘realestate.com.au’ was presented as the owner’s brand name, and that the respondent had taken that ‘precise idea’ for its mark, meaning that consumers would be inclined to note the presence of the ‘.com.au’ suffix in both marks but, when scanning search results, would be likely to overlook the ‘1’ in the respondent’s mark.145 Interestingly, his Honour’s analysis of deceptive similarity focused very much on a comparison of the word components—it does not appear that any weight was given to the fact that the registered mark was a compound device mark.

The decision in REA Group on trade mark infringement could be explained on the basis that the court had, in considering passing off, recognised that the owner had acquired ‘secondary meaning’ in the term realestate.com.au, with the presence of the ‘.com.au’ suffix being essential to this process. However, his Honour did not explicitly link the finding that the registered owner’s domain name alone had acquired distinctiveness with the finding on deceptive similarity. This raises a question of how the case would have been decided in the absence of the passing off claim, and whether the court would have required the registered mark owner to demonstrate such acquired distinctiveness for deceptive similarity to be established. Valid concerns have been raised about the decision, with some commentators suggesting that it shows the need for the reintroduction of mandatory disclaimers of descriptive content in registered trade mark law.146 My view is that a more robust application of the deceptive similarity enquiry is needed, which is more explicit about the need to ensure that owners are not given overbroad monopolies in descriptive content, and which recognises that in some situations a degree of consumer confusion needs to be tolerated in order to prioritise other valuable policy goals. For the time being, however, REA Group remains an

145 Ibid [241], and also at [243]-[245] on the relevance of the ‘.com.au’ suffix in both marks. His Honour was conscious of the monopoly problems of this outcome (at [247]) but addressed this concern separately from the deceptive similarity enquiry. His Honour considered that the only way of mitigating these monopoly problems would be to challenge the validity of the registered mark, which raises an interesting point about whether the distinctiveness test should be recalibrated to make it more difficult to register compound device marks containing highly descriptive word components.

interesting illustration of how an owner of a descriptive brand name might achieve the greatest levels of protection through securing the registration of a compound device mark that prominently features the descriptive work mark component—something which is likely to be a much simpler process than trying to register the work mark alone, as this paper has demonstrated.