

Discussion Paper: Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953

Submissions to the Ministry of Business, Innovation and Employment

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1. Introduction

Thank you for the opportunity to make a submission on the Ministry of Business, Innovation and Employment's Discussion Paper Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953 (**Discussion Paper**).

This submission only concerns the trade mark section of the Discussion Paper. Within that section, this submission addresses the following five issues:

- Prior Continuous Use to Overcoming a Conflicting Registration (section 2.2);
- Requirement that Specifications be Clear (section 2.3);
- False Claims of Ownership as a Ground of Invalidity Proceedings (section 2.6);
- Section 17(1)(b) and Activities Contrary to Law (section 2.7); and
- The Aggrieved Person Requirement (section 2.8).

2. Prior Continuous Use to Overcoming a Conflicting Registration (Section 2.2, Question T3)

The proposal to amend the Trade Marks Act 2002 (2002 Act) to allow prior continuous use of a trade mark to overcome the citation of a trade mark registration under s 25 appears sound on its face.

However, I have some reservations about amending the 2002 Act to allow prior continuous use to become a specific statutory exception along the lines of section 44(4) of the Australian Trade Marks Act 1995.

“Other special circumstances” under s 26(b) of the 2002 Act is currently uncertain in scope, and there is little case law on the application of this section, as was recently recognised in *Re Lacoste*.¹

¹ *Re Lacoste* [2017] NZHC 2216.

I also recognise that there are circumstances where the way the law currently operates may be perceived as unfair. For example, consider the situation where Trader X has been using its unregistered trade mark in the marketplace for several years. Trader X applies to register, but its trade mark application is blocked by a similar registered trade mark for similar goods and services owned by Trader Y. Trader Y's registered trade mark has not been used but has only been on the Trade Marks Register for two years. Trader Y will not consent to Trader X's registration. It may be unfair if Trader X cannot obtain registration by pointing to its prior continuous use in such circumstances.

Given the potential for unfairness in the circumstances like those above, some form of an amendment appears desirable. However, I have some reservations about amending the 2002 Act.

My first reservation is that it may be unwise to make such an amendment without considering some fundamental issues about how the registered trade mark system should mediate between *unregistered* and *registered* trade mark rights.² A prior continuous use exception would essentially recognise that if an unregistered trade mark has been continuously used (and, implicitly, recognised as a badge of origin) in the marketplace, the 2002 Act should facilitate its registration. That principle has some attractiveness.³

However, as Professor Graeme Dinwoodie has recognised when developing trade mark law a choice can be made about whether to be "reactive" – in the sense of responding to what is occurring in the marketplace – or "proactive" – in the sense of shaping what actors will do in the marketplace.⁴

My concern is that providing for a specific prior continuous use exception without broader consideration may be merely reactive to particular instances of unfairness or undesirability and may erode some of the things we may want a registered trade mark system to do.

For example, we might want the system to incentivise registration so that the Trade Marks Register provides better information to other traders about what trade marks are owned. We might want registration to offer security to those who go to the trouble and expense of registering marks they are using or genuinely intend to use. That is, we might want the system to provide a guarantee (albeit one that is qualified) to those who register that they have the exclusive right to use a particular trade mark for specified goods and services. This may be

² Rob Batty "The Challenges of Prior Use to New Zealand Registered Trade Mark Law" (2014) 45 Victoria University Wellington Law Review 257 at 258.

³ Michael Handler and Robert Burrell "Reconciling Use-Based and Registration-Based Rights within the Trade Mark System: What the Problems with Section 58A of the Trade Marks Act Tell Us" (2014) 42 Fed Law Rev 91 at 113.

⁴ Graeme Dinwoodie "Trademarks and Territory: Detaching Trademark Law from the Nation-State" (2004) 41 Houston Law Rev 885 at 961–962.

seen as a good thing to allow traders and third parties to plan and operate their businesses with some confidence.

Other provisions in the 2002 Act give recognition to users of unregistered trade marks and enable them to object to registration or obtain a registration themselves (such as s 17(1)(a) and honest concurrent use under s 26(b)).

Before a one-off amendment is made, which alters the balance between registered and unregistered trade marks further, I consider it would be wise to have a broader dialogue that considers the interface between registered and unregistered trade mark rights under the 2002 Act.

I recognise, though, that such a dialogue is likely well beyond the scope of amendments that have been described as “technical amendments”. Nevertheless, I respectfully submit that it may be a misstep to make changes without doing so.

My second and related reservation is that a prior continuous use exception will likely introduce its own problems of interpretation.

Consider a situation where Trader X has been using its unregistered trade mark in the marketplace for several years. Trader X then applies to register its trade mark, but its application is blocked by a *similar* registered trade mark for similar goods and services owned by Trader Y. Trader X provides evidence of prior continuous use, and an examiner accepts the application. However, in fact, Trader Y has been continuously using its trade mark *prior to* Trader X. In such a situation, it may be unfair to Trader Y that Trader X’s mark is registered. Relying on prior continuous use, Trader X would need only point to use that pre-dates Trader Y’s priority date. Trader X could avoid the careful balancing exercise taken in assessing whether honest concurrent use would make it “proper for the trade mark to be registered subject to any conditions that the court or the Commissioner may impose”.

Australian trade mark law has addressed this lacuna by dint of s 58(A) of the Trade Marks Act 1995 (Cth). This section enables a trade mark accepted under s 44(4) (a “section 44 trade mark”) to be opposed on the ground:

... that the owner of the substantially identical or deceptively similar trade mark (similar trade mark) or the predecessor in title:

- (a) first used the similar trade mark in respect of:
 - (i) similar goods or closely related services; or

(ii) similar services or closely related goods;

before the owner of the section 44 trade mark or the predecessor in title in relation to the section 44 trade mark first used the section 44 trade mark; and

(b) has continuously used the similar trade mark in respect of those goods or services since that first use.

However, this gap-filling amendment has created further problems under Australian trade mark law. Professors Robert Burrell and Michael Handler have identified a number of problems with how this opposition ground operates or could potentially operate.⁵ I think it is worth highlighting two problems in particular:

1. Assume Trader X's application is accepted by the examiner (i.e., no citation is raised); however, Trader Y raises an argument that the marks are conflicting in an opposition proceeding. Can Trader X raise s 58(A) in response? Read literally, s 58(A) may not apply in such circumstances because it is worded to cover trade marks "accepted" by the examiner.
2. Assume the examiner does raise Trader Y's mark as a citation to Trader X's application and Trader X provides evidence of prior continuous use and the application is accepted. Trader Y opposes and pleads s 58(A). Arguably, Trader X may not be able to revisit whether its trade mark is actually in conflict with Trader Y's existing registration. Trader Y need only prove it has made first use of its trade mark (and used it continuously) and it will succeed in the opposition.

Of course, it may be possible to draft a prior continuous exception that appears to avoid some of those problems. However, this is where my first point comes in – without a more holistic consideration about how New Zealand registered trade mark law should manage the interface with unregistered trade marks, any drafting solution is likely to be imperfect.

3. Require That Specifications Be Clear (Section 2.3, Question T4)

I agree with MBIE's proposal that the 2002 Act be amended to explicitly require specifications to be clear.

There is a strong public interest that the Trade Marks Register defines the extent of a trade mark owner's protection with as much clarity as possible. The Advocate General observation

⁵ Michael Handler and Robert Burrell "Reconciling Use-Based and Registration-Based Rights within the Trade Mark System: What the Problems with Section 58A of the Trade Marks Act Tell Us" (2014) 42 Fed Law Rev 91 and Robert Burrell and Michael Handler *Australian Trade Mark Law* (2nd edn, Oxford University Press, South Melbourne, 2016) at 279-283.

in *Sieckmann v German Patent Office* in relation to a question about the representation of signs on the Trade Marks Register apply equally to the clarity of specifications:⁶

By inspecting the register of trade marks, it must be possible to know...the nature and scope of signs, references and symbols registered as trade marks ... the symbols so claimed must be known very precisely so that other people may be properly guided.

4. False Claims of Ownership as a Ground of Invalidity Proceedings (Section 2.6, Question T8).

The proposal to amend the 2002 Act to make explicit that a registration can be declared invalid if the claim to ownership is false appears sound on its face. An amendment to situate a false claim of ownership with the other grounds of refusal – and to make such a ground of refusal clearer – would bring a number of advantages.

However, while an amendment to the 2002 Act could improve the operation and clarity of a false claim of ownership ground of refusal, I have scepticism that such a ground of refusal has a place in a modern trade mark system.

Oppositions and invalidation proceedings based on false claims of ownership usually (though not solely) rely on s 32(1) as the relevant ground of refusal. Typically, the argument is that because someone has already used the same trade mark in New Zealand, the applicant or the registrant cannot be the true owner of the trade mark applied for or registered. As the discussion paper identifies, s 32(1) is in Part of the 2002 Act about the process for obtaining the registration of a trade mark. Read literally, s 32(1) provides little clue that prior use is a basis for challenging ownership of a trade mark.

In terms of invalidation proceedings, the High Court decision in *Chettleburgh v Seduce Group Australia Pty Ltd* provided a workable but cumbersome method of linking s 32(1) to s 73 via s 13. However, even in an opposition context, knowing that s 32(1) is a ground of refusal – let alone achieving any comprehension of the operation of the s 32(1) as a ground of refusal – requires a relatively sophisticated knowledge of New Zealand trade mark case law. This situation is not desirable in light of legislation that aims to “simplify procedures for registering a trade mark in order to reduce costs to applicants and to reduce business compliance costs”.⁷ It is also not desirable from an access to justice perspective.

⁶ Case C-273/00 *Sieckmann v German Patent Office* (Opinion of Advocate General Ruiz-Jarabo Colomer) ECLI:EU:C:2001:594 at [36].

⁷ Trade Marks Act 2002, s 3.

In a recent article with Earl Gray, we identified and analysed areas of uncertainty with false claims of ownership under the 2002 Act.⁸ We suggested that some of this uncertainty arguably stems from the ground of refusal not being specifically stated.

An amendment to situate false claims of ownership with the other grounds of refusal – and to make it clearer – would bring a number of advantages in light of improving certainty and access to justice. Nevertheless, I have scepticism that such a ground of refusal has a place in a modern trade mark system. I have made this argument at length in a previous journal article.⁹

Again, this point may be outside of the scope of a discussion paper about “technical amendments”. However, the question arises whether it is genuinely a significant problem “where a person will apply to register a trade mark where they believe, in good faith, that they are the owner of the mark even though they are not the true owner”.¹⁰ It is hard to think of *many* situations where a true owner of the trade mark (because of their prior use) would not have an alternative basis to oppose an application or invalidate a registration. For example, if the prior user has goodwill or a reputation associated with its trade mark it could object to use of the trade mark relying on passing off or the Fair Trading Act 1986 – and could object to registration of the trade mark relying on s 17(1)(a) or s 17(1)(b).

Of course, I do recognise there would inevitably be some situations where s 32(1) could have an independent role to play.¹¹ Yet, a prior user’s success in an opposition or invalidation proceeding in these situations involves trade-offs from a policy point of view. For example, incentivising prompt registration and maintaining the fidelity of the information conveyed by the Trade Mark Register.¹²

If such policy concerns are given weight, it may be possible to frame ownership challenges on the basis of the applicant or registrant’s subjective knowledge. For example, one idea could be to amend s 17(2) to read:¹³

⁸ Rob Batty and Earl Gray “Ownership Jurisprudence Under the Trade Mark Act 2002 – Past and Future Directions” (2019) NZIPJ (forthcoming). Draft version available on request.

⁹ Rob Batty “The Challenges of Prior Use to New Zealand Registered Trade Mark Law” (2014) 45 Victoria University Wellington Law Review 257. See also Rob Batty “Loss of Property Ownership and Registered Trade Mark Law” (2018) 28 AIPJ 118.

¹⁰ Ministry of Business, Innovation and Employment “Discussion Paper: Intellectual Property Laws Amendment Bill – Patents Act 2013, Trade Marks Act 2002, Designs Act 1953” (May 2019) at 80.

¹¹ Consider the facts in *Chettleburgh v Seduce Group Australia Pty Ltd* (2012) 98 IPR 306 (HC) and *Chettleburgh v Seduce Group Australia Pty Ltd* [2014] NZHC 2220.

¹² Considered in depth in Rob Batty “The Challenges of Prior Use to New Zealand Registered Trade Mark Law” (2014) 45 Victoria University of Wellington Law Review 257.

¹³ An idea explored in my working paper “The Conclusiveness of Trade Mark Registration” – on file with the author and available on request.

The Commissioner must not register a trade mark if the application is made in bad faith. Without limitation, an application will be considered to have been made in bad faith if *the applicant was aware that the trade mark is already being used in New Zealand by another person.*

I acknowledge that such an amendment would result in a significant narrowing of false claims of ownership. The question arises, though, whether this has any material negative consequences for, what is, a very limited category of cases. A prior use of an unregistered trade mark – Trader Y – surprised to learn that its trade mark has been registered (innocently) by Trader X would likely have a defence to infringement via s 96. Trader Y would likely have enforceable rights under passing off. Indeed, Trader Y's rights would trump Trader X's registration.¹⁴ Moreover, it may be possible for Trader Y to obtain its own registration under s 26(b).

5. Section 17(1)(b) and Activities Contrary to Law (2.7);

I agree that s 17(1)(b) should be amended.

I consider that there is an opportunity for such an amendment to also adjust the operation of s 17(1)(b) in desirable ways.

In the Trade Marks Bill, s 17(1)(b)(i) prohibited the registration of a trade mark or part of a trade mark if “its use is prohibited by any Act or rule of law or would otherwise be disentitled to protection in any court”. Following submissions from the New Zealand Institute of Patent Attorneys that the language in the Bill may not cover use “which is passing off or use which is an infringement of copyright”, the section was reworded to its current form.¹⁵ With respect, this amendment and the place of the section within the structure of the 2002 Act has not necessarily aided clarity.

Under the United Kingdom's Trade Marks Act 1994, s 5(4) has the marginal heading “Relative grounds for refusing registration” and provides:¹⁶

(4) A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented—

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade, where the condition in subsection (4A) is met,

¹⁴ *Sunshine Leisure Products v The Great Outdoors Co (No 1)* (1985) 1 TCLR 311 at 320: “... neither the possession of a registered trade mark nor the use of a particular name will constitute a defence to an action for passing off where the other elements of that tort are present”.

¹⁵ See “New Zealand Trade Marks Bill 2001: Submissions to the Commerce Committee of Parliament by the New Zealand Institute of Patent Attorneys Inc” at 6 and at 23-24; Ministry of Economic Development “Clause by Clause Analysis of Submissions on the Trade Mark Bill” (2001) at 15-16.

¹⁶ The version in force as at 14 January 2019.

(aa) by virtue of any provision of EU law, or any enactment or rule of law, providing for protection of designations of origin or geographical indications, where the condition in subsection (4B) is met, or

(b) by virtue of an earlier right other than those referred to in subsections (1) to (3) or paragraph (a) or (aa) above, in particular by virtue of the law of copyright or the law relating to industrial property rights.

A person thus entitled to prevent the use of a trade mark is referred to in this Act as the proprietor of an “earlier right” in relation to the trade mark.

(4A) The condition mentioned in subsection (4)(a) is that the rights to the unregistered trade mark or other sign were acquired prior to the date of application for registration of the trade mark or date of the priority claimed for that application

(4B) The condition mentioned in subsection 4(aa) is that—

(a) an application for a designation of origin or a geographical indication has been submitted prior to the date of application for registration of the trade mark or the date of the priority claimed for that application, and

(b) the designation of origin or (as the case may be) geographical indication is subsequently registered.

(5) Nothing in this section prevents the registration of a trade mark where the proprietor of the earlier trade mark or other earlier right consents to the registration.

Under United Kingdom’s Trade Marks Act 1994, s 3 has the marginal heading “Absolute grounds for refusal of registration” and provides:

(3) A trade mark shall not be registered if it is—

(a) contrary to public policy or to accepted principles of morality, or

(b) of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or service).

(4) A trade mark shall not be registered if or to the extent that its use is prohibited in the United Kingdom by any enactment or rule of law or by any provision of EU law other than law relating to trade marks.

The complexity of the United Kingdom statutory scheme need not be replicated under the 2002 Act. However, the scheme is useful in demonstrating how absolute and relative grounds can be distinguished.

With that in mind, I suggest that a new s 17(1)(b) could be inserted to allow the refusal of registration of a trade mark the use of which - by virtue of its inherent characteristics - could be prohibited by New Zealand law (other than by the law of passing off or the Fair Trading Act 1986). For example, the use of the trade mark that would contravene the Flags, Emblems, and Names Protection Act 1981. Such a clause could read:

- (1) The Commissioner must not register as a trade mark or part of a trade mark any matter —
 - b) the use of which would be prohibited by New Zealand law other than law relating to trade marks.

The existing s 17(1)(b) could then be reworded and moved next to other relative grounds in s 25. To that end, picking up on the wording to United Kingdom’s Trade Marks Act 1994, a new section 25A could state:

25A Conflict with an Unregistered Trade Mark

- 1) The Commissioner must not register a trade mark if the use of it in New Zealand would be liable to be prevented by any rule of law (in particular, the law of passing off, the Fair Trading Act 1986 or the laws relating to copyright and design) protecting an unregistered trade mark.
- 2) Section 26 overrides subsection 1.

The above changes would also allow consent and honest concurrent use or special circumstances under s 26 to act as an exception to objections based on registered *or unregistered* trade marks. This is significant because as New Zealand trade mark law currently stands, s 26 is not an exception to a ground of objection under s 17.¹⁷

Making such changes would also create a seven-year presumption of validity in terms of conflict with registered or *unregistered* trade marks. As is further explained under section 5 below, s 17 is currently an exception to the operation of s 75.

5. The Aggrieved Person Requirement (Section 2.8, Question T9).

I agree that the 2002 Act should be amended to remove the requirement that only an “aggrieved person” can **apply to revoke a trade mark registration**.

With Richard Watts, I have made the argument in the article “Aggrieved No More: Is There a Need for Standing to Remove Unused Trade Marks?” [2013] New Zealand Law Review 1 that there is no need for the 2002 Act to retain the aggrieved person requirement. In summary:

- There is no justification for unused trade marks remaining on the Trade Marks Register past the initial “grace period” of three years;

¹⁷ *N V Sumatra Tobacco Trading Co v New Zealand Milk Brands Ltd* [2011] NZCA 264 at [10] and *Fonterra Brands (Tip Top Investments) Ltd v Tip Top Restaurant Ltd* HC Wellington CIV-2011-485–1011 4 November 2011 at [60]

- With more trade marks being registered there is increased concerns about unused trade marks clogging the Trade Marks Register and impeding competition and creating an unnecessary barrier for new market entrants;
- Other countries with similar trade mark legislation do not have a requirement for standing for revocation actions; and
- The fee for filing a revocation application provides an adequate disincentive for the filing of frivolous revocation claims.

I suggest more caution is required in assessing whether to remove the aggrieved person requirement for *invalidation applications*. On balance, I consider such an amendment should be made. My reservation could be addressed by confirming that the Commissioner or the court has a discretion in deciding whether to invalidate a trade mark registration.

There is a strong and defensible sentiment that if a trade mark has been unjustifiably registered it should not remain on the Trade Marks Register,¹⁸ and the law should facilitate such a correction, rather than hindering it. Moreover, a fee for filing an invalidation application would likely disincentivise frivolous claims. There is also a "backstop" provided by s 73(3) which allows the Commissioner (or the court) to refuse a vexatious application for a declaration of invalidity.

Nevertheless, one may want to be cautious because there is a risk of some trade mark registrations being invalidated that have been on the Register for a number of years. Section 75 of the 2002 Act provides that after 7 years (from the deemed date of registration) the trade mark will be deemed valid. However, the grounds of refusal in s 17(1) and s 17(2) are exceptions to s 75.

It may be desirable for registrations obtained in bad faith to be a perpetual exception to s 75. However, on the basis of the current law, there is the potential for "owners" of unregistered trade marks to disturb a registrant's title to a trade mark if they were contrary to s 17(1)(a) and s 17(1)(b) - at the date of application. This could occur many years after the trade mark was first registered.¹⁹ During this time, third parties, such as licensees, distributors and franchisees, may have developed a legitimate expectation that the particular trade mark is valid. The registrant may have also developed goodwill and significant consumer recognition. In such circumstances, one may legitimately question whether it is "right" for a trade mark registration to be invalidated.

¹⁸ *Chettleburgh v Seduce Group Australia Pty Ltd* [2014] NZHC 2220 at [75].

¹⁹ See *Berlei (UK) Ltd v Bali Brassiere Co Inc (No 1)* [1969] 1 WLR 1306.

While it is clear that there is no discretion on the court or Commissioner not to remove a trade mark on the basis of non-use,²⁰ it is not clear whether such a discretion exists under s 73.²¹ The existence of a limited discretion under s 73 may help alleviate the potential for (what may be perceived as) egregious invalidations. Therefore, I recommend that at the same time s 73 is amended to remove the term aggrieved person, a new subsection should be added to confirm a discretion exists. For example, picking up a wording from the Trade Marks Act 1995 (Cth) and s 26(b) of the 2002 Act, this subsection could state:

- (1) The Commissioner or the court may, on the application **of any person** declare that the registration of a trade mark is invalid to the extent that the trade mark was not registrable under Part 2 at the deemed date of its registration.

- (4) The Commissioner or the court, if satisfied that it is reasonable to do so, may decide that a trade mark should not be invalidated even if the grounds for doing so are established.

²⁰ *Crocodile International PTE Ltd v Lacoste* [2017] 1 NZLR 679.

²¹ Compare *Chettleburgh v Seduce Group Australia Pty Ltd* (2012) 98 IPR 306 (HC) and *Chettleburgh v Seduce Group Australia Pty Ltd* [2014] NZHC 2220.