Traders beware: Trade mark genericism and the fault provision

Tyrone Berger
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TRADE MARK GENERICISM AND THE FAULT PROVISION

Building your brand is important, but if your trade mark becomes generic you can no longer rely on the legal protection that registration provides. A proper trade mark strategy from the start will save you disappointment and expense later on. BY TYRONE BERGER

A company’s goal is to build brand dominance, so that it is the brand or trade mark that is the first thing on a consumer’s mind when considering a purchase. The main purpose of a trade mark is to identify and distinguish one trader’s goods or services from another. A trade mark should not only identify the company and its products, but ideally it should convey a positive message to the consumer. Therefore, it is not surprising that trade mark owners invest considerable money to develop and protect their marks worldwide.1

The major rationale put forward for trade mark laws is that marks should be protected because they are economically efficient; that is, they help to reduce consumer search costs by providing information about the quality of the goods and services. As Landes and Posner noted in the 1980s, a “trade mark conveys information that allows the consumer to say to himself, ‘I need not investigate the attributes of the brand I am about to purchase because the trade mark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier’”.2

Trade marks in Australia are governed by the Trade Marks Act 1995 (Cth) (the Act). Under s20 of the Act, a trade mark owner is granted the exclusive rights to use the mark, or authorise other people to use it, in relation to its registration.3

One way that brand owners can lose all legal protection occurs when their mark becomes “generic”.4 Trade mark genericism arises in two situations. Some terms are essentially generic and the law refuses to extend them protection. Other terms may be registered trade marks with IP Australia for a lengthy period, but over time become generally accepted in the “relevant trade” with the product or
article rather than the trade mark owner. The result may be a rectification of the trade mark register. Ironically, it has been said that genericism is often the result of a successful brand.

In a recent US case involving Google, the plaintiffs contended that “the GOOGLE mark has become generic because a majority of the public understands the word google, when used as a verb, to mean the indiscriminate act of searching on the internet without regard to the search engine used”. This is despite Google having to proactively avoid such an outcome, including convincing dictionary authors to treat the term Google as a trade mark, and not a generic noun. In the end, the court concluded that the “undisputed evidence is that the consuming public overwhelmingly understands the word google to identify a particular search engine, not to describe search engines in general”.5

It should be noted that in the US, the test for genericide is “consumer focused” as the above case illustrates, whereas Australia’s “industry-focused” test asks whether the trade mark is generally accepted within the relevant trade. Therefore, the phrase “relevant trade” imports a higher threshold than the “relevant public” inquiry. This may explain why a high number of trade marks that remain registered in Australia have been found to be generic elsewhere. Well known marks that fall into this category include 4938 THERMOS, 40461 CELLOPHANE and 349514 LAUNDROMAT.

Rectification and its implications

Rectification of the register may result from the Federal Court or Federal Circuit Court ordering an amendment to, or cancellation of, the trade mark. Such instances are referred to under Part 8 Division 2 ss85-90 of the Act.7 In each case, an applicant must be an “aggrieved person”, although there is no definition of “aggrieved person” contained in the Act. The Act simply specifies that “a prescribed court may, on application of an aggrieved person or the Register . . . order that the Register be rectified”: see for example s87(1). The Registrar also has standing subject to s88A, where “he or she considers the application is desirable in the public
interest”. For that reason, the courts have allowed a liberal construction. In a trade mark context, an aggrieved person would necessarily need to show that the ongoing registration of the mark will either impact on his or her business reputation, or that an applicant can establish the two parties being in the same trade.

Section 87(1) of the Act sets out the conditions for a loss of legal protection, but it must be read in conjunction with s24. The language of s24 dictates certain conditions be met before a court can order rectification of the register under s87. Section 24 describes the manner of circumstances in which a trade mark owner may lose their rights in a mark as a consequence of genericism. The relevant test under s24 is whether the “trademark consists of, or contains a sign that, after the date of registration of the trademark, becomes generally accepted within the relevant trade as the sign that describes or is the name of an article, substance or service”. Notably, since s24 refers to a sign and not just a word, it leaves open the possibility of a device becoming generic as well.

The initial focus should be on use “within the relevant trade” as opposed to use by consumers. Therefore, evidence of how retailers, wholesalers, manufacturers and advertisers use the mark will be significant in determining the operation of s24. But the particular use by consumers may also be relevant in so far as it alters or modifies use in the relevant trade. Despite the all-or-nothing approach of s87 and rectification, the court retains a general discretion under s87(2) not to rectify the register.

Genericism and the fault provision

Genericism is essentially concerned with a failure by the trade mark owner to prevent infringement. In addition to the discretion, which exists under s87(2), the court may decide not to grant an application for rectification pursuant to s89 (“fault provision”). Section 89 is designed to protect the trade mark owner where a valid ground for rectification has been made out, but not arisen through any “act or fault” of the owner.

The difficulty, however, is that s89 provides no guidance towards what constitutes an “act or fault”, and while Reg 8.2 of the Trade Marks Regulations 1995 (Cth) requires a court to take into account certain matters (eg, a public interest test), it is also silent on this question. Another obstacle lies with the words themselves – “act” implies a positive action rather than a failure to act, and “fault” implies an omission to act, among other things. And despite the heading of the provision, the act need not involve any fault. There are further ambiguities. For instance, to what extent is the conduct of a predecessor in title relevant, and correspondingly, to what extent should an assignee be expected to inquire into the past conduct of the assignor? It may be that an omission to conduct such an inquiry will be relevant to the issue of fault. Few cases have considered s89 in relation to ss87 and 24, so the scope of the discretion remains elusive.

A final word

Prevention is the best cure, and this adage applies equally to the world of brands. Brand owners should avoid any generic use of their trade marks, which includes monitoring the marketplace to prevent improper use by third parties. This, of course, will be made more difficult in today’s digital environment of the internet, domain names and social media sites, but following a few simple steps should prevent your trade mark from becoming generic:

• use your trade mark as an adjective, not as a noun or verb. One measure is to ensure that the generic name of the product is used in association with the trade mark, eg, Apple computers, Kellogg’s Cornflakes, Starbucks coffee
• adopt a proper trade mark notification, that is, for unregistered marks use “TM” and once your mark is registered with IP Australia, you should adopt the ® symbol
• ensure your trade mark stands out. Identify the mark as a

BRAND OWNERS SHOULD AVOID ANY GENERIC USE OF THEIR TRADE MARKS, WHICH INCLUDES MONITORING THE MARKETPLACE TO PREVENT IMPROPER USE BY THIRD PARTIES.

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trade mark by using capital letters or quotation marks, eg WOOLWORTHS or “Woolworths”

- **be proactive about any misuse of your mark**, including monitoring sources such as dictionaries and trade publications. This should extend to establishing a section on your website that is devoted to proper trade mark usage by others.

- **avoid all variations**. Variations on a trade mark can signal that improper use is tolerated. It is not prudent to allow spelling changes, abbreviations, plurals or apostrophes with the trade mark.

- **be aware of new language**, which can become generic, including the use of existing language. For example, be wary of marks containing “e” words, or prefixed with “smart” or “intelligent”, “phonewords” (irrespective of whether it is a valid phone number), and “#” hashtags.

- **brand extension** into other goods or services has many commercial benefits including licensing your trade mark for others to use. If you employ clear guidelines and usage protocols it will reduce the risk of trade mark genericide. 

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3. The Act does not actually mention the term “generic”, rather the relevant test is contained in s24 of the Act.


5. Note 4 above, p25.

6. This approach is broadly in line with EU jurisprudence: see Case C-409/12 Backaldrin Österreich The Kornsptiz Company GmbH v Pfahnl Backmittel GmbH (available at http://curia.europa.eu/juris/).

7. This article will only focus on the consequences that flow from ss87 and 89 since the other provisions contained in Part 8 Division 2 deal with matters unrelated to generic marks.


10. Although s25 is a similar provision to s24, in that it specifies a test for marks relating to “an article or substance that was formerly exploited under a patent”, for the sake of expediency, the subject matter under s25 is beyond the scope of this article.
