



## Précis Paper

### Ordinary Words and Phrases as Trade Marks

This is a discussion of an important Federal Court decision on the registrability of phrases as trade marks. It is a fascinating exploration of the consequences for trade mark registrability of commercially using a phrase that may have an ordinary English meaning.

#### **Discussion Includes**

- What is a trade mark?
- Opposition of the registration of a trade mark: Grounds and process
- Registrability of words and phrases with ordinary meanings and uses
- Scope of the registration of a mark
- Practice tips for drafting trade mark specifications
- Likelihood of trade mark to deceive or cause confusion: Section 43, *Trade Marks Act 1995* (Cth)
- Use of a trade mark that is contrary to law: misleading or deceptive conduct

# Précis Paper

## Ordinary Words and Phrases as Trade Marks

1. In this edition of BenchTV, Julia Baird SC (Barrister) and Gabriella Rubagotti (Barrister) discuss the recent decision of the Federal Court of Australia (Jagot J) in *Primary Health Care Limited v Commonwealth of Australia* [2016] FCA 313 which considered the registration of "PRIMARY HEALTH CARE" as a trade mark. Ms Baird SC led Ms Rubagotti in successfully acting for the opponents to the registration of the trade mark, the Commonwealth of Australia.
2. Ms Baird SC considers that one of the very useful aspects of the decision was that Jagot J brought together many of the principles attaching to the application of s 41 of the *Trade Marks Act 1995* (Cth) (hereafter "the Act"). Furthermore, the case is also significant because there are very few cases at Federal Court level that have considered s 43 of the Act.

### Trade Marks

3. A trade mark is a word or symbol that is used to denote a trader's goods or services in the market. In other words, it is a sign used in the course of trade to distinguish goods or services of a particular trader from similar goods or services of other traders.

### Procedural History & Grounds of Opposition

4. The trade marks at issue were "PRIMARY HEALTH CARE" as a word mark and also as a stylized word mark (it appeared as a logo):



5. It was claimed that this mark was capable of distinguishing the company from other medical administration service providers.
6. The applicant, Primary Health Care Limited, sought registration of the trade mark for class 35 (of the Trade Marks Register) services which included medical centre business management and administration services, and services provided to medical professionals, such as typing and secretarial services.
7. The Federal Court proceeding was an appeal from the decision of the Trade Marks Office which found that the mark was not registrable under s 43 of the Act:

### **SECTION 43:**

#### ***Trade mark likely to deceive or cause confusion***

*An application for the registration of a trade mark in respect of particular goods or services must be rejected if, because of some connotation that the trade mark or a sign contained in the trade mark has, the use of the trade mark in relation to those goods or services would be likely to deceive or cause confusion.*

8. The hearing before the Federal Court was a hearing de novo, as all appeals are from the Trade Marks Office. A hearing de novo means that the matter is considered afresh and new evidence can be raised. Furthermore, appellants are able to raise new grounds of opposition even if that ground of opposition was not raised at the Office level, so long as the ground of opposition was part of the Notice of Opposition. Both before the Office and before the Federal Court, three main grounds were relied upon to oppose the registration pursuant to ss 41, 42 and 43 of the Act. Only the section 43 ground was considered by the delegate at the Trade Marks Office level. In the Federal Court, all three grounds were re-agitated.
9. For the opponent to succeed it was only necessary to succeed on one of the three grounds, although the onus is on the opponent to establish the ground on the balance of probabilities. However, under s 41, which deals with the capacity to distinguish a mark, the onus switches from the opponent to the applicant.

#### **Ground 1: Section 41 (Not Distinguishing)**

10. Section 41 provides:

### **SECTION 41 (SINCE AMENDED):**

#### ***Trade mark not distinguishing applicant's goods or services***

- (1) *For the purposes of this section, the use of a trade mark by a predecessor in title of an applicant for the registration of the trade mark is taken to be a use of the trade mark by the applicant.*
- (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.*
- (6) *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.*

- 11. The first question for the applicant to establish under s 41 is that the mark is inherently adapted to distinguish. If the opponent succeeds in establishing that the mark is not inherently adapted to distinguish (or has limited inherent adaptability), the next inquiry is whether the mark is *capable* of achieving distinctiveness per s 41(6) or s 41(5). The applicant has the onus in relation to this second inquiry and it is answered by reference to both the degree to which the mark is inherently adapted to distinguish, or the degree to which it is capable of reaching distinctiveness.

12. In approaching s 41, Jagot J made the following observations at [14], distilling the propositions made by the High Court in *Cantarella Bros Pty Limited v Modena Trading Pty Ltd* [2014] HCA 48 and decisions including *Apple Inc v Registrar of Trade Marks* [2014] FCA 1304:
- "Inherent adaptability to distinguish" is primarily a question of fact for the trial judge.
  - It is important that the mark is inherently adapted to distinguish in respect of or in relation to the *particular* goods or services for which registration is sought
  - One must look to the mark itself and not the use made of the mark.
  - There are degrees to which marks can be inherently adapted to distinguish. For example non-descriptive, made up words would be the most likely to distinguish as opposed to using the word "soap" as a trade mark for a company that sells soap.
  - It will also be necessary to look to how other honest traders in the field of activity would like to use the phrase in their ordinary practice
13. The underlying question for s 41 is the scope of the registration. In determining scope, a preliminary question that was a matter of some dispute was the issue of characterizing the services provided by the applicant. The applicant contended that its services were provided to healthcare practitioners in medical centres. In fact, the applicant had sought to make amendments to their class 35 specifications along the line of providing medical centre business management and administration services *to medical practitioners*.
14. However, her Honour found that in providing services (such as billing, appointments and arranging rebates) to healthcare practitioners, the applicant was also providing services to the practitioners' patients. She further noted that the proposed amendments introduced an unacceptable ambiguity to the specifications and made no material difference to the actual services provided.
15. Accordingly, the ordinary signification of the phrase 'primary healthcare' needed to be assessed by reference to the understanding of all health professionals, all participants in the health care system and the Australian public who are potential patients of the medical centres. This question was the subject of new evidence including the fact that policy developers in Government understood it to mean 'first line' or 'first contact' medical services. Furthermore, it was found that government clinics, public private partnerships and private clinics often use the phrase in connection with the same services. Thus, her Honour determined that the mark was not inherently adapted to distinguish the applicant's services from the services of others of the same kind.
16. Her Honour then considered whether the actual use of the marks had generated or was capable of producing some 'acquired distinctiveness' per ss 41(5) or (6). The presenters describe this test as one of 'distinctiveness in fact' rather than *inherent* distinctiveness. Furthermore, the inquiry is strongly factual and must be conducted within the four walls of

the evidence relied on by the applicant. The presenters note that evidence up to and including the date the trade mark application is filed is a primary concern, but you can look to whether the mark is likely to or will be capable of distinguishing including through its future use.

17. Ultimately, the evidence relied on was found to be insufficient to meet the level of acquired distinctiveness or capacity for distinctiveness required and the presenters did not delve into the details because this aspect of the proceedings is the subject of impending appeal. However, the following passage of the judgment at [141] is useful:

*As discussed, the applicant does not market the Services. It markets a form of practice for the purpose of recruiting GPs and others to one of its medical centres. I do not think it can be said that the evidence supports the conclusion that the marks have been used by the applicant to distinguish the Services or, in fact, do distinguish the Services.*

#### Ground 2: Section 43 (Likely to Deceive or Cause Confusion)

18. Another ground of opposition was based on Section 43 which provides:

##### **SECTION 43:**

##### ***Trade mark likely to deceive or cause confusion***

*An application for the registration of a trade mark in respect of particular goods or services must be rejected if, because of some connotation that the trade mark or a sign contained in the trade mark has, the use of the trade mark in relation to those goods or services would be likely to deceive or cause confusion.*

19. Section 43 looks at the inherent qualities of the mark for which registration is sought for the purpose of identifying whether the use of the trade mark would be likely to deceive or cause confusion. The purpose of the provision is to prevent the public being deceived or confused as to the nature of the goods offered through a secondary meaning connoted by the mark. That is, rather than deception occurring by reason of similarity with other marks, the question is whether there is a likelihood of deception or confusion arising because of the connotation within the mark having regard to the nature of the goods or services to which it is to apply.
20. In determining the s 43 ground, the Hearing officer considered two issues at first instance. The first issue was that he determined that patients are unlikely to appreciate that the applicant is responsible only for the provision of the medical centre business management services to health care professionals and not for the provision of healthcare in general. Secondly, it was also possible that patients who are aware of the literal meaning of the

phrase primary healthcare (i.e. first line healthcare) might be confused as regards the applicant's services given that awareness.

21. Her Honour noted that in order for the s 43 to be made out, the connotation must be clear and there must be a real or tangible danger that the trade mark in the context of the relevant services will be likely to deceive or cause confusion (see [17]). In determining whether the condition is made out one looks to all circumstances including the circumstances of the marks' use, the circumstances in which the services will be applied and the character of the probable users of the services. Importantly, the test is not confined to a particular method of use of the mark, the question is 'what can the applicant do if the applicant obtains registration?'.
22. Significantly, the evidence relied upon in relation to s 41 was also relevant to the discussion of s 43, which the presenters explained will often be the case. Her Honour determined that sections 41 and 43 grounds of opposition were established. The phrase 'primary healthcare' in the mark has a clear connotation, and it did so as at the application date, that the applicant was the source of first level or first contact healthcare services. The applicant did not provide such services, with its services being limited to an administrative capacity. Accordingly, her Honour was (at [171]):

*satisfied that the use of the mark in connection with the Services is likely to deceive and cause confusion to any person who is not privy to the applicant's particular business model. This is because the Services are part only of primary health care and the applicant is not providing or responsible for the clinical components of primary health care from its centres whereas by use of the marks, given their descriptive meaning, there is conveyed the false impression that the applicant is providing and/or is responsible for the first level or first contact care.*

23. The fact that GPs did not refer to themselves as primary healthcare providers did not answer the question differently because this did not mean that they were not aware of the meaning of the term.

#### Ground 3: Section 42 (Contrary to Law)

24. The final ground of opposition agitated was section 42:

#### **SECTION 42:**

#### ***Trade mark scandalous or its use contrary to law***

*An application for the registration of a trade mark must be rejected if:*

- (a) *the trade mark contains or consists of scandalous matter; or*

(b) *its use would be contrary to law.*

25. The section provides that it is possible to oppose an application for a trade mark on the basis that the use of the mark would be contrary to law. Here, it was argued that the mark would infringe s 18 of the *Australian Consumer Law*, which proscribes conduct or representations in trade or commerce that are likely to be misleading or deceptive.
26. It was contended that the applicant's use of the trade mark "PRIMARY HEALTH CARE" would convey that the applicant provides primary health care services, is responsible for the advice and services provided by medical practitioners and that the applicant is associated with government provided or community health initiatives. Her Honour found that the first two representations were capable of arising and were contrary to facts which her Honour came to in relation to the section 41 and 43 grounds. Thus, the s 42 ground was made out by the opponents.
27. It is important to bear in mind that the question under s 42 is not that the mark *might* be contrary to law but that they *would* be contrary to law – so it was necessary that a contravention of s 18 would be made out.

#### Implications

28. Ms Baird SC considers that this decision provides a useful summary of the approach to sections 41 and 43, and a fairly conventional application of the law under s 42. She also argues that the judgment of Jagot J emphasises the importance of ensuring that when drafting specifications one has the reality of market circumstances firmly in mind. In this regard, the Trade Mark Register provides a good guide as to the kinds of goods or services that fall within each particular class.
29. The presenters agree that although the decision is the subject of forthcoming appeal, the decision of Jagot J will nevertheless remain significant because there have been so few decisions at the Federal court level on s 43 in particular.



## **BIOGRAPHY**

### Julia Baird SC

Barrister, New Chambers, Sydney

Julia Baird SC was called to the NSW Bar in 1992 and appointed a senior counsel in 2008. She specialises in intellectual property and has extensive experience in trial and appellate litigation and advisory work. Ms Baird has appeared in significant IP cases in the High Court of Australia, in the Federal Court and in the Copyright Tribunal and has acted for diverse clients including government, Australian and international corporations and individuals operating in broad range of technologies and industry sectors.

### Gabriella Rubagotti

Barrister, Fifth Floor Selborne Chambers

Gabriella Rubagotti practices in the area of intellectual property, trade practices and competition law, defamation, communications and media law, public law, taxation and commercial law.

## **BIBLIOGRAPHY**

### Focus Case

*Primary Health Care Limited v Commonwealth of Australia* [2016] FCA 313

### Benchmark Link

[https://benchmarkinc.com.au/benchmark/composite/benchmark\\_06-04-2016\\_insurance\\_banking\\_construction\\_government.pdf](https://benchmarkinc.com.au/benchmark/composite/benchmark_06-04-2016_insurance_banking_construction_government.pdf)

### Judgment Link

<http://www.austlii.edu.au/au/cases/cth/FCA/2016/313.html>

### Cases

*Apple Inc v Registrar of Trade Marks* [2014] FCA 1304

*Cantarella Bros Pty Limited v Modena Trading Pty Ltd* [2014] HCA 48

### Legislation

*Australian Consumer Law s 18 (Competition and Consumer Act 2010 (Cth) Sch 2)*  
*Trade Marks Act 1995 (Cth)*