



## **A Balancing Act Between Harmonization and Cultural Interests: New Trade Marks Legislation in New Zealand**

The Trade Marks Act, 1953 ("the previous Act") has been repealed and the Trade Marks Act 2002 ("the Act") has come into force as of 20 August 2003, introducing a number of new and, in most cases, welcome changes to trade mark law in New Zealand. The Act is recognizable as a variant of the model adopted in other "British law" countries (The United Kingdom, Australia, Singapore, Hong Kong) in the last decade. Much of character of this model is due to the obligation of the United Kingdom to harmonize with the European Community Harmonization Directive 1988 and also to ensure compliance with certain obligations under GATT/TRIPS Agreement 1994. The focus of this article is to provide an overview of the major changes introduced by the Act.

These include:

- Expansion of the category of registrable trade marks to include "non-traditional" trade marks;
- Multi-class applications;
- Establishment of a presumption in favor of registrability;
- Abolition of Parts A and B of the Trade Marks Register;
- Prohibition of the registration of trade marks which are likely to offend a significant section of Maori community and creation of a Maori Advisory Committee;
- Consideration of "bad faith" as an absolute ground for refusing registration;
- A ten-year renewal period;
- Ability to remove trade marks which have become generic through general public use;
- Reduction of the non-use period from five to three years;
- Abolition of defensive trade mark registrations;
- A new class of infringement relating to "Well Known" trademarks;
- Licenses and assignments;
- Introduction of a range of criminal offences concerning unauthorized use of a trade mark.

### **Expanded registrability**

The definition of a "sign" (a "trade mark" being defined by reference to "sign") now includes "shapes". It is anticipated that a number of new trade mark applications will be filed to register the actual shapes of products where the shapes have a distinctive character. Presumably, there is no higher standard of distinctiveness for shapes than for any other trade mark. The Act specifically also includes "smell", "sound" and "taste" in the definition of "sign". These signs all fall within the category of "non-traditional" trade marks.

### **Multi-class Applications**

According to Section 32 of the Act, it is possible to file a trade mark application in respect of one or more classes. In the event of multi-class applications, application fees will be charged for each class.

## **Registrability**

Unlike the previous Act, the Act establishes a presumption in favor of registrability and employs modern terminology such as the terms "absolute" and "relative" grounds for refusing registration.

### **Absolute grounds for refusing registration**

- **Distinctiveness**

Absolute grounds relate mainly to the nature of a trade mark and its capability of being distinctive. They are set out in Sub-part 2 of Part 2 of the Act (Sections 17 - 21).

Section 18 of the Act specifies which signs are sufficiently distinctive to be registrable as a trade mark. The Act abolishes the division of the Register into parts A and B and provides that a registered trade mark under the previous Act is deemed to be a registered trade mark under the Act, regardless of in what part of the Register the trade mark was registered. For the new registrations the trade mark is simply required to be "at least capable of distinguishing the goods and/or services of one person from those of another person", in other words, to have a "distinctive character".

The objective of the new provision appears to make registration easier to obtain by placing an onus on the Intellectual Property Office ("IPONZ") to allow registration unless a mark does not qualify. But this remains to be confirmed by Intellectual Property Office practice before we can judge whether this objective has been achieved.

- **Prohibition of offensive trade marks**

The Act reinforces and makes official the protection of indigenous rights by prohibiting registration of a trade mark if "its use or registration would be likely to offend a significant section of the community, including Maori". The expression "a significant section of the community" is, however, not defined within the Act.

In order to assist in determining whether or not a trade mark is indeed "likely to offend", the Act provides for the establishment of a Maori Advisory Committee, whose sole task is to advise on whether trade mark applications can be considered as offensive to Maori.

This new ground for refusal appears to go further than simply codifying the practice under the previous Act which consisted of refusing registration of a trade mark, including Maori text and/or imagery, on the ground that the trade mark contained "scandalous matter" or its use would be considered "contrary to morality".

It is likely that there would be delays in obtaining registration of Maori names while the scrutiny process takes place. It would be interesting to see how the Maori Advisory Committee will determine whether or not a trade mark is not acceptable and, how, in practice, any objection can be overcome, for example, by providing a letter of consent from a particular Maori group.

- **Bad Faith**

Another absolute ground for refusing registration is where a trade mark application is filed in "bad faith". The Act does not specify what is meant by "bad faith". Nevertheless, "bad faith is likely to covers issues of ownership and intention to use the mark" according to the Practice Guidelines of IPONZ. Both of these issues are more likely to be raised by a third party in opposition proceedings than by an examiner in the course of examining the application. The ground is indeed likely to be invoked by foreign trade mark owners who find their trade marks usurped in New Zealand. The examiner may also raise concerns that a mark is not registrable under the Act if it seems very likely that the applicant is not the owner of the trade mark that is subject of the application (e.g. in the case of well known trade marks).

### **Relative grounds for refusing registration**

Relative grounds are concerned with the conflict between the rights of the applicant and the existing rights of others under the Act. They are set out in Sub-part 3 of Part 2 of the Act (Sections 22-30).

The previous Act permitted consideration to be given to the consent of owners of prior similar marks in the process of permitting registration of a trade mark. Section 26 of the Act provides that a trade mark must be accepted for registration when consent to the registration has been provided by the owners of the cited trade marks.

This provision appears to mirror British trade mark law which makes it mandatory for the Registrar to accept a trade mark when the owners of prior similar trade marks have given their consent (The 1994 Trade Marks Act, Part I, Section 5.5).

### **Registration periods**

Trade marks are now registered for terms of 10 years, with renewal every 10 years (Section 58). The previous Act provided for an initial period of registration of seven years, renewable for 14-year periods. Trade marks filed under the previous Act retain their original date of registration, and conserve their existing registration/renewal period (i.e. seven/fourteen years), but at the expiration of that existing period, the Act will take over and a ten year renewal period will apply. This new provision aligns New Zealand trade mark legislation with most other jurisdictions.

### **Generic marks**

The Act provides for revocation of a trade mark registration if the trade mark has become a common name in public use for a product or service in respect of which it is registered, resulting from the acts or inactions of the trade mark owner (Section 66). Accordingly, the test here is whether the public uses the mark generically. Under the previous Act, a trade mark was considered generic only if it had been used as a descriptive term in trade.

Due to this controversial shift from generic use "in trade" to generic use by the "general public", trade mark owners are likely to find it more difficult to guard against the development of this kind of generic use. This new provision should encourage trade mark owners to monitor actively use made of their trade marks in dictionaries, newspapers and magazines and on the Internet, as well as to ensure the symbols ® and ™ are used correctly.

## **Removal for non-use**

The Act reduces the period for non-use from five years to three years. A trade mark may accordingly be revoked after a continuous period of three years' non-use following the actual date of registration. The transitional provisions clearly indicate that a trade mark registered under the previous Act cannot be revoked under the Act until five years after its actual date of registration.

## **Defensive marks**

The Act puts an end to defensive trade mark registrations. Nevertheless, by virtue of the transitional provisions a defensive trade mark is deemed to be a registered standard trade mark under the new Act (Section 208 - 3). In other words, existing defensive trade mark registrations revert to ordinary registrations which become vulnerable to removal for three years non-use at the end of three years from the commencement date of the Act.

## **Well known marks**

The Act introduces a new class of infringement to cover "well known" marks, which brings New Zealand into line with its obligations under TRIPs (Trade-related aspects of intellectual property rights). In practice, this new provision allows a trade mark owner to take action against an unauthorized use of an identical or similar trade mark in relation to goods and/or services which are not similar to those covered by the trade mark registration.

The Act requires the trade mark to be well known in New Zealand, and that the unauthorized use of the mark takes "unfair advantage of, or is detrimental to, the distinctive character or the repute of the mark".

## **Licenses and assignments**

The Act provides for recordal of licensees in relation to any of the goods and/or services in respect of which the trade mark is registered (Section 83). Current "registered users" under the previous Act are deemed to be (registered) "licensees" under the Act.

The Act departs from the former New Zealand law, as it allows a (registered) licensee (subject to the terms of the license) to assign its right to use the trade mark to another party, without obtaining the trade mark owner's permission. Nonetheless, the trade mark owner's consent would be required to record the licensee. This power to assign a licensee's interest in a trade mark to a third party increases the importance of ensuring that any license agreement dealing with New Zealand trade mark registrations specifically addresses the right to assign the licensee's interest.

As with the previous Act, it is not mandatory to register a licensee on the New Zealand Trade Marks Register. Use of a registered trade mark by a third party constitutes use by the trade mark owner provided that that use is authorized by and subject to the owner's control, irrespective of whether or not the third party is registered as a licensee.

## **Criminal Offences**

Under the previous Act, owners of registered trade marks that were the subject of counterfeiting had only civil remedies available to them. In other words, a trade mark owner had to sue a counterfeiter for trade mark infringement under the previous Act or alternatively use common law remedies such as passing off.

The Act brings a range of criminal offences concerning unauthorized use of a trade mark such as counterfeiting a registered trade mark, falsely applying a registered trade mark, importing, selling or exposing for sale any goods to which a registered trade mark has been falsely applied (Sections 120, 121 and 124).

As these provisions relate to registered trade marks only, trade mark owners who may be at risk from counterfeiting have an added incentive to ensure their trade marks are registered.

Penalties under the Act for criminal offences relating to counterfeiting registered trade marks include fines of up to \$150,000 or imprisonment for a term not exceeding five years.

### **Conclusion**

There is no doubt that the new trade mark legislation modernizes the former 50-year-old New Zealand trade mark law to better serve the business and Maori communities. At the same time, this new regime includes a number of controversial features.

Although New Zealand has not yet determined if or when it will accede to the Madrid Protocol, and the new legislation does not refer to it, it can be speculated that the main reasoning behind the Act has been to keep up with international developments in trade mark law, which is a prerequisite to acceding to international intellectual property treaties such as the Madrid Protocol.

The new trade marks legislation in New Zealand reflects the growing trend towards globalization of a uniform trade mark law model (originating primarily in the European Community) whilst preserving specific national cultural attributes.

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