

WHAT IS A TRADE MARK?

The role of a trade mark is to act as a “badge of origin” for goods and/or services; it serves as the mechanism whereby consumers are able to readily identify the goods and services of one provider, and distinguish them from those of another. By enabling this ready identification a trade mark, and the goods and/or services it is used in relation to, develop a particular reputation in the marketplace which then gives rise to certain expectations about matter such as quality, performance, service, variability and value for money, and so forms the basis upon which consumers are able to make purchasing decisions.

A trade mark can take the form of a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof. It could also be a shape, sound, colour or even smell.

A trade mark typically serves as the focus for advertising to create and maintain a demand for the goods or services of the trade mark owner or licensed user of the mark.

TRADE MARK RIGHTS

Ownership of trade mark rights typically enables the owner to prevent competing businesses using the same or a confusingly similar mark.

These rights arise in two ways. The first, and superior, mechanism involves registration under the Trade Marks Act. The second involves reliance on reputation – taking action for Passing Off or breach of the Fair Trading Act on the basis that consumers and potential consumers will be misled or deceived as to the origin, quality, and so forth aspects of the mark. Registration is not compulsory, but there are significant benefits from registration – see below under the heading “*Why Register?*”.

A mark must generally be used if the rights are to be maintained.

The positive right - the right to use a mark – always depends on whether another party has a better right to use that mark for the goods or services in question.

SELECTION

Advertising consultants will most often be involved in the selection process. Apart from the creative, artistic and marketing considerations, the following considerations are also important:

1. The trade mark must be easily protected. It should not be a generic or purely descriptive term and should be distinguishable from competing marks now and in the future.
2. The more distinctive the mark, the more easily it can be protected. A mark that is desirable from a marketer's point of view may not be a good choice where it suggests or describes qualities of the products or services in terms that competitors may also be entitled to use. A distinctive and therefore protectable mark is often a coined word or a common word taken out of context. You can roughly estimate the strength of a proposed mark by assigning to one of four categories.
 - Fanciful: The strongest trade marks are new words coined for the client's use and the more meaningless, the stronger the owner's rights. An example is WESTPAC (which

has been described as suggesting a carrier of corrugated cardboard).

- Arbitrary: These are natural words which have no direct relationship to the products or services. An example is ANCHOR for dairy products.
- Suggestive: These suggest some quality of the products and services they identify such as THE BODY SHOP, OLD SPICE. Descriptive: The weakest trade marks are those which describe such as CHEF'S BLEND, PIZZA FOR ONE.

Trade marks which are initially weak can gain strength from strong promotion. Examples are geographic marks such as KENTUCKY FRIED, personal names such as LAURA ASHLEY and initially descriptive names such as HOMESTYLE.

3. Unless it is clear the mark will only be used in New Zealand, some consideration should be given to its international viability and in particular any literal, slang or symbolic meanings in languages other than English e.g. NOVA
4. The mark should not be confusingly similar to any competing mark either presently or in the recent past.
5. The mark should not merely be appropriated from overseas unless the overseas owner's mark has no significant reputation at all in New Zealand.

AVAILABILITY

As soon as the advertising consultant comes up with a list of potential names, they should be researched. Clearing names for new products has been described as a combination of art and science. The process requires analysis of, among other things, the similarity of the proposed trade mark to other potentially conflicting marks, the number of similar marks in use, whether the respective products or services are related or sold through the same channels of distribution and the "strength" or uniqueness of the marks involved. Even the decision whether there is an unacceptable risk of infringement or other conflict involves an intuitive judgment based on experience.

The research should include a search of the official trade mark records for any conflicting registered or pending marks. The search is best carried out by a solicitor or patent attorney. The important part of the search report is the expert analysis and advice.

The research should also include a consideration of competing marks even those which may not be market leaders. There is no reliable list of unregistered marks but the client will generally have a good idea of what other marks are currently in use. If the client suggests a mark, the origin of the mark should be considered to ensure it is not one used overseas and already enjoying a reputation here. Otherwise the client's right to use the mark might be later attacked.

WHY REGISTER?

Instead of applying for registration, the owner of a mark may simply rely on whatever

rights arise from use of the mark. Use of a confusingly similar mark may involve a competitor in a Court action for passing off or for a breach of the Fair Trading Act which generally prohibits conduct in trade that is misleading or deceptive or likely to be so. That can happen where a competitor uses the same or a confusingly similar mark.

There are several disadvantages where reliance is placed only on rights arising from use. In the first place use of a mark particularly by a new business may be quite local. In that case rights may arise easily enough but be confined to a geographical area. Another party can thus become established in another area, inhibiting use of the mark from being extended in future to other parts of the country. By contrast registration gives an exclusive right to use the registered mark throughout New Zealand.

The scope of any rights arising from use can be quite uncertain. A mark is generally used initially on particular goods or for particular services but, as the business grows, its use may be extended to other goods or services. Again other parties may in the meantime acquire competing rights. By contrast registration allows the mark's owner to acquire proprietary rights that are certain in their scope and, by registering the mark in all of the appropriate classes, appropriately broad protection can be obtained from the outset.

A mark that is not registered may need to be protected against unfair competition and the owner of the mark can sue the competitor in the High Court for passing off and under the Fair Trading Act. That is a rather expensive procedure. By contrast registration might cost \$1,000 or so for the first ten years of protection and that will always be considerably less than High Court litigation. Experience shows there is hardly any litigation involving registered trade marks while there is quite a lot of litigation involving marks that have not been registered.

The mere filing of a trade mark application can act as a deterrent to would be competitors and it certainly introduces a note of uncertainty for them if they search the official records before adopting a mark that may otherwise be confusingly similar.

Registration of trade marks has valuable benefits which do not apply to unregistered marks. These include:

1. Rights to the mark can be preserved before market launch thereby protecting any research, development and marketing costs. This also allows the owner to prevent unauthorised use of the registered mark without having to first establish a reputation in the mark.
2. Would-be competitors will be prevented from using the mark and they may think twice even if the mark is only the subject of a pending application rather than a completed registration.
3. Registration prevents counterfeiters and other less scrupulous competitors from registering the mark as their own.
4. Trade marks are registered for an indefinite term although renewal fees must be paid

from time to time (in New Zealand every ten years).

5. A registered mark provides a defence to the infringement of other registered marks.
6. A registered trade mark is a personal property and may be sold. It could also benefit a business when it comes to enticing a potential investor or buyer in the future.

PROTECTION BY WAY OF COMPANY NAME REGISTRATION?

Trade marks can be protected by registration and that is the most effective protection. They receive more limited but sometimes as effective protection by means of the law of passing off and under the Fair Trading Act. They receive none merely by forming part of the name of a company incorporated under the Companies Act. In fact the idea of a name protection company is positively dangerous where a client relies on incorporation to protect the name while allowing another party to assert and obtain conflicting trade mark rights by registration.

The important point to note is that allocation of a company name does not confer any proprietary rights in the name nor does it authorise its use if such use would infringe the registered or common law trade mark rights of other traders or would be contrary to the Fair Trading Act.

USE AND POLICING

Care must be taken to use a mark properly on the product, in print materials, in packaging and in advertising. Rules for use include:

- Never pluralise
- Never use the mark as a verb
- Never use the mark as a noun
- Never use the mark in the possessive form
- Never hyphenate or compound a trade mark with another term
- Never use the mark in an abbreviated form
- Never use it to coin another word or phrase
- A trade mark owner should be diligent in noting any unauthorised use of the mark or confusingly similar marks and competitors engaging in such unfair competition should be put on notice that such offending activity will not go unnoticed or unchecked. Delay can often be regarded as acquiescence.

COMPARATIVE ADVERTISING

Where someone else's trade mark is used in your ad, the overall effect must not be misleading or deceptive and must not be untrue. Product comparisons should be true and fair and should not tend to deceive by leaving out factors which affect the comparison.

LOGO TRADE MARKS

Original drawings including for example logo trade marks, packaging graphics and the like are automatically copyright once they are complete. A decision ought to be made early on as to who is to own the copyright particularly where there is a possibility the material will not be taken up or used by the client for whom it is initiated. If copyright is to be owned by the client, there should be a written assignment of the copyright for all purposes and all countries if that is what is intended.

CONCLUSION

Protection of trade marks is not for amateurs. It is a complex legal area and requires advice, guidance and insight from a competent legal adviser such as a solicitor with some knowledge of the area or a patent attorney. Proposed trade marks should always be searched for potential conflict with registered, pending and unregistered trade marks. Having ascertained that the mark is available for use as proposed, an application for registration should generally be lodged even if the mark is likely to have a relatively short commercial life. That is simply because it secures the client's position while the mark is in use and a decision on completing registration can be deferred perhaps for some years.