

ALL THAT GLITTERS IS NOT GOLD: A CRITICAL ASSESSMENT OF TRADE MARK DISTINCTIVENESS UNDER AUSTRALIAN LAW, PART 1

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ABSTRACT

This is the first of two articles providing a critical analysis of the Australian law of trade mark distinctiveness, focusing on descriptive or laudatory word marks. This article provides a brief overview of the distinctiveness requirement in registered trade mark law, how the two stages of distinctiveness are assessed and the complex way in which section 41 of the *Trade Marks Act 1995* (Cth) operates. It then provides a detailed, critical analysis of the High Court's 2014 decision in *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd*. I argue that although the decision has clarified some aspects of the Australian law of distinctiveness, there are a number of significant problems with the Court's reasoning, such that new complexities have, unfortunately, been added to this already problematic area of the law.

1. Introduction

Over the course of two articles I will consider some of the challenges Australian courts and the Australian Trade Marks Office have faced over the last few years when dealing with descriptive and laudatory word marks in the context of trade mark registration and cancellation proceedings. Descriptive and laudatory word marks tend to receive less attention than more exotic subject matter (such as colour, shape and product design marks), but the majority of decisions under the “distinctiveness” ground of objection contained in s.41 of the *Trade Marks Act 1995* (Cth) (“TMA”) that have come before Australian courts over the past few years have involved such marks. An analysis of these cases, as well as opposition

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decisions of hearing officers of the Trade Marks Office, shows that the law is far less settled than it might appear. Indeed, the High Court's December 2014 decision in *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd*,¹ although clarifying some aspects of the law on distinctiveness, has added new complexities of this area of the law.

This article, or "Part 1", provides a brief overview of the distinctiveness requirement in registered trade mark law, how the two stages of distinctiveness are assessed and the complex way in which s.41 of the *TMA* operates, and will introduce some useful terminology and shorthand devices for understanding the statutory tests. It then provides a detailed, critical analysis of *Cantarella* and the test set up by the High Court for assessing inherent adaptation to distinguish. The second article, or "Part 2", will address aspects of other recent Australian cases and decisions.² Collectively, the two Parts will show that there are a number of problems with the current approaches to dealing with descriptive and laudatory marks, in relation to assessing both inherent adaptation to distinguish and factual distinctiveness. Part 2 concludes with some recommendations for legislative reform and suggestions as to what brand owners might be able to do to overcome some of the challenges they are likely to face in seeking to secure protection for descriptive or laudatory word marks.

2. A Brief Overview of Distinctiveness

Before assessing some of the recent Australian case law on s.41 of the *TMA*, it is worth briefly addressing why we have a distinctiveness test in registered trade mark law, and exactly how the Australian test functions. Even though most practitioners would be well aware of s.41 and relevant case law, the precise work that we want the distinctiveness requirement to do, and the reasons for why the statutory test looks the way it does, are rarely articulated. This has led to a degree of confusion in the language that is used when assessing distinctiveness, and some of the problems with the case law itself.

At a basic level, the distinctiveness requirement appears straightforward. Trade marks warrant legal protection because they assist in the efficient functioning of markets by enabling traders to indicate conveniently the origin or source of their goods or services, which allows consumers to identify those goods or services and distinguish them from those of other traders. It follows that marks that do not do this job ought not to be registered, and hence the law demands that trade marks be distinctive as to origin. The problem with this proposition is

¹ [2014] HCA 48; (2014) 109 IPR 154 ("*Cantarella*").

² M. Handler, "Grey Skies and Silver Linings: A Critical Assessment of Trade Mark Distinctiveness under Australian Law, Part 2" (2015) 102 *Intellectual Property Forum* 15.

in its application: it does not provide much guidance as to the appropriate legal standards and principles that should be applied, and the interests that should be taken into account, in determining whether individual marks are distinctive and ought to be registered.³

The distinctiveness of a mark can be assessed in one of two ways: either on the basis of its inherent “nature” or “character”, or on the basis of whether it has been used to such an extent that it has come to be recognised as indicating the origin of the applicant’s goods or services.

The first method involves looking only at the semantic content of the mark as a signifier of the specified goods or services.⁴ This is a challenging task because there is no easy way of drawing a clear line between marks that ought to be considered distinctive on the basis of their “nature” or “character” and those that should not. Rather, marks can be said to exist along a *continuum* of distinctive character⁵. Taking word marks as an example, words that describe characteristics, qualities or the geographical origin of the specified goods or services lie at one end of the continuum. Invented words, or words whose ordinary meanings bear no connection with the specified goods or services, might be said to lie at the other end. Between these two extremes lie marks whose meanings might be said to range from the slightly allusive, to the more directly suggestive, to the nearly descriptive. Determining where along the continuum of distinctive character a mark falls is difficult, but essential: at some point it must be the case that a mark will fall sufficiently far along the continuum that, by its very nature, it will be capable of doing the job of distinguishing the applicant’s goods from those of other traders, and ought to be accepted for registration on that basis alone. Such marks are examples of those I will refer to in this article as *prima facie distinctive*.

The second method of assessing distinctiveness comes into play for marks that are located at such a point on the continuum that it cannot be said that because of their “inherent” nature alone they will be able to do the abovementioned job. Such marks might, however, do this job because they have been *used* to such an extent that they have come to be recognised by consumers as indicating the origin of that trader’s goods or services. For this reason, non-

³ See R. Shuy, *Linguistic Battles in Trademark Disputes* (Palgrave Macmillan, 2002), 195.

⁴ See A. Lang, “A Case for Applying the Theoretical Semiotics in the Practice of Trade Mark Law” (2008) 21 *International Journal of the Semiotics of Law* 1, 11-14. It is, of course, problematic to assume that signs can have “inherent” or “natural” meanings, which seems to marginalise the notion of the fluidity of language and, in particular, the idea that “semantically neutral” signs may take on certain meanings (for example, as cultural identifiers and references) by being used *as* trade marks. However, the law of distinctiveness is (at the registration stage) only concerned with a much more limited idea of “meaning”, primarily because of the policy goals sought to be served.

⁵ Indeed, US trade mark law explicitly relies on such a continuum (albeit in a different context): see *Abercrombie & Fitch Co v Hunting World, Inc*, 537 F 2d 4 (2d Cir, 1976).

prima facie distinctive marks can still be accepted for registration on the basis of *factual distinctiveness*, or acquired distinctiveness.

A further difficulty is determining what policy factors underpin the distinctiveness requirement, and what role these factors ought to play in framing the applicable legal tests. It might be argued that one role of the requirement should be to preserve the interests of present and future traders in a market by attempting to ensure that individual entities do not obtain undue control over particular signs with desirable meanings.⁶ Concerns about the impact of overly liberal registration standards on the language/signs left available to other traders have been raised by the judiciary and commentators for over a century,⁷ and remain equally valid today.⁸ If such competition concerns are to be taken into account, they would seem to support a restrictive interpretation of the “inherent nature” part of the distinctiveness test (recognising that non-prima facie distinctive marks can still be registered on the basis of factual distinctiveness). On the other hand, it could be argued that the focus of the distinctiveness enquiry should be more, or wholly, on whether consumers of a trader’s goods and services would understand the mark when used in relation to those goods and services to indicate trade origin. This view tends to be supported by commentators who consider that trade mark law should be designed to facilitate registration and that trade mark monopolies are unlikely to distort competition in the marketplace.⁹ If a solely consumer-based understanding of the distinctiveness test were to be prioritised, this would logically seem to favour a less restrictive approach towards the legal tests for trade mark distinctiveness. Importantly, if *both* the interests of consumers and competing traders in a market are to be taken into account, this raises questions as to how such interests are to be given effect (in particular, at what stages of the distinctiveness enquiry), as well as how the relationship between the interests is to be

⁶ This can also perhaps be seen as safeguarding a trader’s (and society’s) interest in free expression in commerce: P. Leval, “Trademark: Champion of Free Speech” (2004) 27 *Columbia Journal of Law & the Arts* 187.

⁷ See UK decisions such as *Eastman Photographic Materials Co Ltd’s Application* (1898) 15 RPC 476 (HL); *In re Joseph Crosfield & Sons Ltd’s Application* (1909) 26 RPC 837 (CA) and *Registrar of Trade Marks v W & G Du Cros Ltd* (1913) 30 RPC 660 (HL) and Australian decisions such as *Eclipse Sleep Products Inc v Registrar of Trade Marks* (1957) 99 CLR 300 and *Clark Equipment Co v Registrar of Trade Marks* (1964) 111 CLR 511 (“*Clark Equipment*”). For recent commentary, see J. Davis, “Protecting the Common: Delineating a Public Domain in Trade Mark Law” in G. Dinwoodie and M. Janis (eds), *Trademark Law and Theory: A Handbook of Contemporary Research* (Edward Elgar, 2008).

⁸ For example, as can be seen in the importance attached to this issue by the Court of Justice in interpreting European trade mark law in decisions such as Joined Cases C-108/97 and C-109/97, *Windsurfing Chiemsee Produktions- und Vertriebs GmbH v Boots- und Segelzubehör Walter Huber and Attenberger* [1999] ECR I-2779 and Case C-191/01 P, *OHIM v Wm Wrigley Jr Co* [2003] ECR I-12447.

⁹ See, e.g., A. Griffiths, “Modernising Trade Mark Law and Promoting Economic Efficiency: An Evaluation of the *Baby-Dry* Judgment and Its Aftermath” [2003] *Intellectual Property Quarterly* 1, 27-9, 33-7; J. Phillips, “Trade Mark Law and the Need to Keep Free” (2005) 36 *International Review of Intellectual Property and Competition Law* 389.

ordered and managed. In many jurisdictions there remains something of a tension between these policy factors, and Australia is no exception.

In Australia, the problems inherent in designing a satisfactory test of distinctiveness are compounded by the fact that s.41 of the *TMA*, the key provision dealing with distinctiveness, is obscurely worded and presents a number of difficulties of interpretation. Unfortunately, this is true both of this provision as originally enacted and after its recent redrafting.

3. Section 41, the “Distinctive Character” Continuum and the Two-step Assessment Process

In short, s.41 contemplates that a mark may be accepted for registration on the basis of prima facie distinctiveness or a showing of factual distinctiveness. The provision relies on language and concepts derived from previous UK and Australian Acts, meaning that cases on distinctiveness decided under those old Acts are often highly instructive. However, s.41 is differently structured from the distinctiveness provisions under former legislation.¹⁰ I will return to this issue later in this article in considering the High Court’s use of case law under former legislation in *Cantarella*.

Section 41 was repealed and re-enacted by the *Intellectual Property Laws Amendment (Raising the Bar) Act* 2012 (Cth). Championed by IP Australia, this reform was designed to ensure that the “presumption of registrability”, said to be reflected in s.33 of the *TMA*, applied unequivocally to s.41.¹¹ The Office’s view is that the new version of s.41 applies only to applications for registration made on or after 15 April 2013.¹² It therefore remains important to understand the operation of the former s.41, since this will apply in relation to opposition proceedings and, presumably, cancellation proceedings where the application for registration was made before 15 April 2013.¹³

The following, detailed analysis of the operation of s.41 introduces language and concepts that are not commonly referred to in the case law and decisions on the topic, and which will be used throughout both Parts 1 and 2.

¹⁰ Cf. *Trade Marks Act* 1955 (Cth), ss.24-26 and *Trade Marks Act* 1938 (UK), ss.9-10, which set up different tests for registration in the former Parts A and B of the Register. The language and structure of s.41 of the *TMA* is based in large part on the tests for Part B registration under the former Act. For further background see R. Burrell and M. Handler, *Australian Trade Mark Law* (Oxford University Press, 2010), 136.

¹¹ Explanatory Memorandum, Intellectual Property Laws Amendment (Raising the Bar) Bill 2011 (Cth), 145-6. I discuss this issue further in Part 2.

¹² *Clearlight Investments Pty Ltd v Sandvik Mining and Construction Oy* [2013] ATMO 50, [15].

¹³ See *Yarra Valley Dairy Pty Ltd v Lemnos Foods Pty Ltd* [2010] FCA 1367; (2010) 191 FCR 297, 304 [49] in support of the view that the former s 41 would apply in cancellation proceedings involving marks applied for before 15 April 2013.

The relevant subsections of the former (i.e., pre-15 April 2013) s.41 provided:

(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.

The current s 41 relevantly provides:

(1) 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 (the designated goods or services) from the goods or services of other persons.

(2) A trade mark is taken not to be capable of distinguishing the designated goods or services from the goods or services of other persons only if either subsection (3) or (4) applies to the trade mark.

(3) This subsection applies to a trade mark if:

(a) 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; and

(b) the applicant has not used the trade mark before the filing date in respect of the application to such an extent that the trade mark does in fact distinguish the designated goods or services as being those of the applicant.

(4) This subsection applies to a trade mark if:

(a) the trade mark is, to some extent, but not sufficiently, inherently adapted to distinguish the designated goods or services from the goods or services of other persons; and

(b) the trade mark does not and will not distinguish the designated goods or services as being those of the applicant having regard to the combined effect of the following:

- (i) the extent to which the trade mark is inherently adapted to distinguish the goods or services from the goods or services of other persons;*
- (ii) the use, or intended use, of the trade mark by the applicant;*
- (iii) any other circumstances.*

The current subsection (1) is the same as the former subsection (2). The differences between the two versions of s.41 relate only to the remaining subsections. However, while the current s.41(2)-(4) is structured differently from the former s.41(3)-(6), and requires decision-makers to ask a newly framed set of questions, the two versions of s.41 are remarkably similar in terms of their practical operation.

Both the current s.41(1) and the former s.41(2) set out the actual ground of rejection: the application for registration must be rejected if the mark is not capable of distinguishing the applicant's goods or services from those of other traders (that is, it is not distinctive). The remaining subsections set out a code, or a two-step process, by which the enquiry is to be undertaken.¹⁴

(a) The first step: locating marks on the continuum of distinctive character

Under both versions of s.41, the first step in this process is to identify where along the continuum of distinctive character the mark falls, and to classify the mark in one of three ways.

The first possibility is that the mark is *not to any extent inherently adapted* to distinguish the applicant's goods and services from those of other traders. Note 1 to the current s.41(4)/former s.41(6), which has no legislative force but has been said to reflect the "trend of judicial authority" under former legislation,¹⁵ states that:

Trade marks that are not inherently adapted to distinguish goods or services are mostly trade marks that consist wholly of a sign that is ordinarily used to indicate:

- (a) the kind, quality, quantity, intended purpose, value, geographical origin, or some*

¹⁴ See, in relation to the former s.41, *Blount Inc v Registrar of Trade Marks* (1998) 83 FCR 50, 56-8. Under both the former and current s.41, the relevant assessments are to be made as at the filing date of the application, not the priority date: see *Apple Inc v Registrar of Trade Marks* [2014] FCA 1304; (2014) 109 IPR 187, 196-200 [32]-[59].

¹⁵ *Ocean Spray Cranberries Inc v Registrar of Trade Marks* [2000] FCA 177; (2000) 47 IPR 579, 590 [30].

other characteristic, of goods or services; or

(b) the time of production of goods or of the rendering of services.

For shorthand, in this article I will call marks that are “not to any extent inherently adapted” to distinguish the applicant’s goods and services “NTAEIA” marks. The second possibility is that the mark has some degree of inherent adaptation to distinguish the applicant’s goods and services, but is *not sufficiently inherently adapted* for it to be considered to be capable of distinguishing on that basis alone. These are marks that are in the “problematic” part of the continuum of distinctive character but, because they have some degree of inherent adaptation to distinguish, are not quite in the realm of generic or entirely descriptive marks. I call these “not sufficiently inherently adapted” marks “NSIA” marks. The third possibility is that the mark is inherently adapted to distinguish the applicant’s goods or services to such an extent that it is capable of distinguishing the applicant’s goods or services on that basis alone—that is, the mark is “prima facie distinctive”, falling in the unproblematic area of the continuum.

Under the former s.41(3)-(4), the first step required the decision-maker to see if it could decide the question of whether or not the mark was capable of distinguishing, taking into account only the mark’s degree of inherent adaptation to distinguish. In order for the ground of rejection in the former s.41(2) not to apply, this required the decision-maker to come to a conclusion that the mark was prima facie distinctive. The effect of the “presumption of registrability” in s.33 was that this conclusion had to be reached unless the decision-maker was satisfied on the balance of probabilities that the mark was not prima facie distinctive.¹⁶ If the decision-maker was unable to reach this conclusion, it was then required to consider either the former s.41(5) (for NSIA marks) or s.41(6) (for NTAEIA marks) to determine whether or not the mark was capable of distinguishing.

Under the current s.41, the first step is framed in more negative terms. Section 41(2) operates as a deeming provision: a mark is to be taken *not* to be capable of distinguishing *only if* it is an NSIA mark (see s.41(4)(a)) or an NTAEIA mark (see s.41(3)(a)). This requires the examiner to ask first whether, on the balance of probabilities, the mark is an NTAEIA mark or an NSIA mark. If not (meaning that it is, by exclusion, a prima facie distinctive mark), the mark is not caught by s.41(2), and cannot be rejected under s.41(1).¹⁷

¹⁶ See *Kenman Kandy Australia Pty Ltd v Registrar of Trade Marks* [2002] FCAFC 273; (2002) 122 FCR 494, 511 [50] (French J); *Chocolaterie Guylian NV v Registrar of Trade Marks* [2009] FCA 891; (2009) 180 FCR 60, 68 [21]; *Sports Warehouse Inc v Fry Consulting Pty Ltd* [2010] FCA 664; (2010) 186 FCR 519, 528 [28].

¹⁷ See the discussion below in the section “Determining Where Marks Fall on the Continuum of Distinctive Character: General Principles and the Impact of *Cantarella*” for consideration of how the first step of the

In short, because the first step under both versions of s.41 requires the decision-maker to locate the mark on the continuum of distinctive character, and because the “presumption of registrability” applies equally in both cases, there is no practical difference between the two approaches. Both under the former and current law, the first step is designed to identify *prima facie* distinctive marks, which pass the s.41 hurdle, or NSIA/NTEAIA marks, for which an assessment of factual distinctiveness is needed.

(b) *The second step (if necessary): factual distinctiveness*

The second step in the distinctiveness enquiry applies if it has been decided that the mark is an NSIA or an NTEAIA mark. In essence, this step looks to whether or not such marks are capable of distinguishing as a result of factual distinctiveness.

For NSIA marks, the examiner was required under the former s.41(5)(a), and is required under the current s.41(4)(b), to look to the combined effect of three factors:

1. how far along the continuum does the mark fall (for example, is it borderline *prima facie* distinctive? is it almost entirely lacking in inherent adaptation to distinguish?);
2. the applicant or a predecessor in title’s use of the mark,¹⁸ including post-filing date, or the intended use of the mark; and
3. any other circumstances.¹⁹

Under the former s.41(5)(a) the decision-maker was required ultimately to consider whether, as at the filing date, the mark did or would distinguish the specified goods or services as being those of the applicant—that is, whether the mark *had acquired distinctiveness*, or whether it *would become factually distinctive*. If the decision-maker was so satisfied, the mark was to be “taken to be capable of distinguishing” for the purposes of the former s.41(2). If the decision-maker was not so satisfied, the converse applied, and the application had to be rejected. The effect of the current s.41(4)(b) is that the decision-maker has to be satisfied as to the opposite of this. That is, it now has to be satisfied that, as at the filing date, the mark *has not acquired distinctiveness*, or that it *will not become factually distinctive*, for the mark to be taken *not* to be capable of distinguishing for the purposes of s.41(2), and thus for the application to be rejected under s.41(1).

distinctiveness enquiry operated under the *Trade Marks Act* 1955 (Cth), and the continued relevance of cases decided under that Act, as well as similarly-worded Anglo-Australian provisions going back to the *Patents, Designs and Trade Marks Act* 1883 (UK).

¹⁸ See current s.41(5)/former s.41(1) on use by a predecessor in title. An authorised user’s use of the mark can also be taken into account: see s.7(3).

¹⁹ The current s.41(4)/former s.41(5) correspond in large part with s.25(1) of the 1955 Act for registration in the former Part B of the Register.

For NTAEIA marks, the applicant needed under the former s.41(6)(a), and needs under the current s.41(3)(b), to put forward evidence to show that because of the extent of its or a predecessor in title's pre-filing-date²⁰ use, the mark *had acquired distinctiveness* by the filing date. Under the former law, if the applicant was able to establish this to the examiner's satisfaction, the mark was to be taken to be capable of distinguishing for the purposes of the former s.41(2); if not, the application had to be rejected. Under the current law, again, the examiner needs to be satisfied as to the opposite of this. It is only if the examiner is satisfied, on the balance of probabilities, that the mark *had not acquired distinctiveness* by the filing date that the mark is to be taken *not* to be capable of distinguishing for the purposes of s.41(2), meaning that the ground of rejection in (1) applies.

(c) *Summation*

Despite its recent repeal and re-enactment, the current version of s.41 is likely to operate in an almost identical way to the former version. The difference between the former s.41(5)-(6) and the current s.41(3)-(4) relates only to the application of the "presumption of registrability". I discuss this in more detail in Part 2; for now, it is enough to note that the difference between the former and the new standard ought to be of very minor practical significance.

A more significant point is that s.41 remains an extraordinarily complex and difficult to navigate provision, even for those familiar with Australian trade mark law. It also relies on a tripartite classification structure—that is, requiring an assessment of whether the mark is NTAEIA, NSIA or *prima facie* distinctive—the precise rationale for which is not clear, and which is not reflected in the distinctiveness provisions in other jurisdictions, such as the EU and New Zealand. The distinction required to be drawn between NTAEIA and NSIA marks also means that s.41 can operate strangely in proceedings to cancel the registration of a mark on the ground of lack of distinctiveness. I return to these issues in Part 2.

4. Determining Where Marks Fall on the Continuum of Distinctive Character: General Principles and the Impact of *Cantarella*

In the remainder of this article I will analyse a number of issues relating to the "first step" of the distinctiveness enquiry—the assessment of the *extent* of the mark's inherent adaptation to distinguish the applicant's goods or services. The focus will be on the general principles, and how these have been both clarified and complicated by the High Court's recent *Cantarella*

²⁰ For International Registrations Designating Australia, the relevant use must have been before the date of international registration or the date of recording: *Trade Marks Regulations* 1995 (Cth), reg.17A.28(2)(b).

decision.

(a) The Clark Equipment and Faulding tests

For many years the key Australian authority on assessing inherent adaptation to distinguish was *Clark Equipment Co v Registrar of Trade Marks*,²¹ a decision of Kitto J on appeal from the Registrar of Trade Marks under the *Trade Marks Act* 1955 (Cth). To give some context to the decision, at that time it was possible to register a mark under either Part A or Part B of the Register. For a mark to be registrable in Part A without evidence of factual distinctiveness it needed to be positively classified as being of a particular type. Specifically, it had to be a name represented in a special manner, a signature, an invented word, a word not having direct reference to the character or quality of the goods or services and not being, according to its ordinary meaning, a geographical name or a surname, or any other “distinctive” mark.²² To be registrable in Part B, the mark needed only to be “distinctive”, or capable of becoming so.²³ For the purposes of both Part A and B registration, a trade mark was “not distinctive ... unless it [was] adapted to distinguish”²⁴ and, in determining whether a mark was distinctive, regard was to be had to “the extent to which the mark [was] inherently adapted to distinguish and, by reason of the use of the trade mark or of any other circumstances, the trade mark [did] so distinguish”.²⁵ In *Clark Equipment* Kitto J was required to consider whether MICHIGAN for heavy earth-moving machines was “adapted to distinguish” the applicant’s goods for the purposes of Part B registration. Referring to earlier House of Lords authority,²⁶ Kitto J held that “adaptation to distinguish”, here referring only to *inherent* adaptation to distinguish, is to:

*be tested by reference to the likelihood that other persons, trading in goods of the relevant kind and being actuated only by proper motives—in the exercise, that is to say, of the common right of the public to make honest use of words forming part of the common heritage, for the sake of the signification which they ordinarily possess—will think of the word and want to use it in connexion with similar goods in any manner which would infringe a registered trade mark granted in respect of it.*²⁷

²¹ (1964) 111 CLR 511.

²² *Trade Marks Act* 1955 (Cth), s.24(1)(a)-(e).

²³ *Trade Marks Act* 1955 (Cth), s.25(1).

²⁴ *Trade Marks Act* 1955 (Cth), s.26(1).

²⁵ *Trade Marks Act* 1955 (Cth), s.26(2).

²⁶ *Registrar of Trade Marks v W & G Du Cros Ltd* (1913) 30 RPC 660, 671-2 (Lord Parker).

²⁷ *Clark Equipment* (1964) 111 CLR 511, 514. While a number of previous High Court decisions had applied *Du Cros*, this was the first occasion on which the principles were articulated in this form.

As a geographically descriptive word that other traders in similar goods would wish to use to describe the provenance of their goods, MICHIGAN was held not to be inherently adapted to distinguish to any extent.

A year later, in *FH Faulding & Co Ltd v Imperial Chemical Industries of Australia and New Zealand Ltd*, the Full Court of the High Court considered whether BARRIER for chemical substances ought not to have been registered in Part A on the basis that it was not a distinctive mark. Citing *Clark Equipment* as authority, Kitto J (with whom Barwick CJ and Windeyer J agreed) held that:

*the question to be asked in order to test whether a word is adapted to distinguish one trader's goods from the goods of all others is whether the word is one which other traders are likely, in the ordinary course of their businesses and without any improper motive, to desire to use upon or in connexion with their goods.*²⁸

Perhaps because s.41 of the *TMA* was modelled on the test for registration under the former Part B (that is, it did not contain the requirement in the former Part A that a mark had to be positively classified in a particular way to be registrable), Kitto J's formulation in *Clark Equipment* of the principles for determining inherent adaptation to distinguish has been more commonly referred to by the Federal Court and Office in cases and decisions under the *TMA*, not limited to word or device marks.²⁹

(b) The background to Cantarella

The issue that came to be at the heart of the recent *Cantarella* litigation related to a possible tension between the *Clark Equipment* and *Faulding* articulations of the test, and the significance, if any, of the omission in *Faulding* of any reference to the “ordinary signification” of the words in question. More specifically, by the time the issue came to the High Court, the central question in *Cantarella* was whether the test required an initial assessment of the mark's “ordinary signification” before looking to the likelihood of other traders thinking of the word and wanting to use it, or whether the “ordinary signification” requirement in *Clark Equipment* was mere surplusage, with the test focusing solely on the likely conduct of other traders in the market. While the High Court resolved this issue in

²⁸ (1965) 112 CLR 537, 555.

²⁹ See *Modena Trading Pty Ltd v Cantarella Bros Pty Ltd* [2013] FCAFC 110; (2013) 215 FCR 16, 27 [67] and the cases cited therein.

favour of the former interpretation, it did so in a circumlocutory manner that has, unfortunately, raised a number of new complexities.

The key facts of the case were that Cantarella had registered two word marks, both for coffee: ORO, with a registration date of 24 March 2000, and CINQUE STELLE, with a registration date of 6 June 2001. “Oro” is the Italian word for “gold” and “cinque stelle” is Italian for “five stars”. In February 2011 Cantarella commenced infringement proceedings against Modena Trading in relation to the latter’s use of the terms “Oro” and “Cinque Stelle” on the packaging of its coffee. Modena Trading cross-claimed, arguing that the registration of Cantarella’s marks should be cancelled under s.88(1) of the *TMA* on the ground that they should not have been registered because they lacked distinctiveness under s.41, assessed as at 24 March 2000 and 6 June 2001 respectively. The essence of Modena Trading’s argument was that the two marks were not prima facie distinctive because other coffee providers would want to use the words “oro” and “cinque stelle” in relation to their coffee (said to be supported by the fact numerous coffee traders had in fact used “oro” on their packaging since 2000), and that since Italian is widely understood in Australia the terms would be understood as purely laudatory. Because Cantarella had not made extensive use of either ORO or CINQUE STELLE by the filing dates of the marks, little turned on whether the marks fell to be considered as either NSIA or NTAEIA: Cantarella did not seek to argue that its registratrons, if its marks were held not to be prima facie distinctive, should not be cancelled on the basis of factual distinctiveness.

At trial, Emmett J held both marks to be prima facie distinctive. His Honour considered that:

*the question is whether the particular words that are intended to constitute the trade mark are sufficiently well understood in Australia. That does not depend upon whether a particular language is well-known in Australia. Specifically, the question is not whether Italian is understood by many persons in Australia, but whether Cinque Stelle and Oro are commonly understood in Australia as meaning five stars and gold respectively.*³⁰

His Honour was “not persuaded that any more than a very small minority of English-speaking people in Australia would understand the allusions made by *Cinque Stelle* and *Oro*”.³¹

The Full Federal Court allowed Modena Trading’s appeal, rejecting Emmett J’s test of

³⁰ *Cantarella Bros Pty Ltd v Modena Trading Pty Ltd* [2013] FCA 8; (2013) 99 IPR 492, 515 [113].

³¹ *Ibid*, 516 [117].

whether the words were “commonly understood” or “generally understood” in Australia by “ordinary English speaking persons”. Finding no tension between *Faulding* and *Clark Equipment*, and applying the latter, the Court held that the test should focus on the interests of traders in the market who might wish to take advantage of language in the “common heritage”. For the Court, “heritage” in this case:

*included that of traders in coffee products sourced from Italy. Such traders may well be Italian or local importers. They may be local distributors who have in mind the large Italian speaking population in Australia as well as other Australians who, when it comes to coffee, want something with an Italian look and feel.*³²

Taking into account the laudatory meanings of “oro” and “cinque stelle” when translated from Italian to English, the fact that in Australia coffee is commonly associated with Italy, the number of people in Australia who speak or have some knowledge of Italian, and that both “oro” and “cinque stelle” had been used by other traders in Australia “as words descriptive of the quality of the coffee products ... for a significant period of time extending well before Cantarella’s registration of its marks and afterwards”,³³ the Court found the two marks to lack any inherent adaptation to distinguish (that is, to be NTAEIA marks).

(c) Cantarella in the High Court: the relevance of “ordinary signification”

By a 4-1 majority, the High Court allowed Cantarella’s appeal, finding the two marks to be *prima facie* distinctive.

In their joint judgment, French CJ, Hayne, Crennan and Kiefel JJ started by tracing the origins of the “ordinary signification” requirement to early twentieth century British case law on distinctiveness—specifically, cases in which courts had been called on to consider whether a mark was registrable because it contained “no direct reference to the character or quality of the goods, and [was] not ... according to its ordinary signification a geographical name or a surname” or was a “distinctive mark” (these requirements being the essence of what would become the test for Part A registration under Anglo-Australian law). Their Honours were keen to show that the non-descriptiveness/distinctiveness test required the determination of the “ordinary signification” of marks and was designed to set up a barrier to the registration of those words that had descriptive or laudatory meanings, or were geographical names or

³² *Modena Trading Pty Ltd v Cantarella Bros Pty Ltd* [2013] FCAFC 110; (2013) 215 FCR 16, 31 [85].

³³ *Ibid*, 32 [92]-[94], [97].

surnames, or were otherwise unadapted to distinguish because of their ordinary meanings.³⁴ At the same time, and as reflected in the fact that an “invented word” was registrable, the law was not designed to set up a barrier to the registration of words whose meanings were such that they merely made a “covert and skilful allusion” (that is, an “indirect” reference) to the character or quality of the specified goods.³⁵ This distinction was said by the majority to be exemplified by the different outcomes in the well-known *Rohoe*³⁶ and *Tub Happy*³⁷ High Court cases. The majority held that this body of what might be called “Part A” law, with its focus on classifying marks according to their “ordinary significations”, was essential to understanding whether or not a mark was “inherently adapted to distinguish” for the purposes of both Part B registration under former law and s.41 of the *TMA*.³⁸ In considering how the latter provision ought to be interpreted, their Honours drew a link between “Part A” and “Part B” law in holding that:

determining whether a trade mark is “inherently adapted to distinguish” ... requires consideration of the “ordinary signification” of the words proposed as trade marks to any person in Australia concerned with the goods to which the proposed trade mark is to be applied.

*As shown by the authorities in this Court, the consideration of the “ordinary signification” of any word or words (English or foreign) which constitute a trade mark is crucial, whether (as here) a trade mark consisting of such a word or words is alleged not to be registrable because it is not an invented word and it has “direct” reference to the character and quality of goods, or because it is a laudatory epithet or a geographical name, or because it is a surname, or because it has lost its distinctiveness, or because it never had the requisite distinctiveness to start with. Once the “ordinary signification” of a word, English or foreign, is established an enquiry can then be made into whether other traders might legitimately need to use the word in respect of their goods.*³⁹

Their Honours then turned to consider the question of whether ORO and CINQUE STELLE were inherently adapted to distinguish, an issue to which I will return shortly.

The High Court’s reaffirmation of the necessity of determining the “ordinary

³⁴ *Cantarella* [2014] HCA 48; (2014) 109 IPR 154, 161-4 [35]-[44].

³⁵ *Ibid*, 164-6 [45]-[52].

³⁶ *Howard Auto-Cultivators Ltd v Webb Industries Pty Ltd* (1946) 72 CLR 175 (“*Rohoe*”).

³⁷ *Mark Foy’s Ltd v Davies Coop & Co Ltd* (1956) 95 CLR 190 (“*Tub Happy*”).

³⁸ *Cantarella* [2014] HCA 48; (2014) 109 IPR 154, 166-8 [53]-[59].

³⁹ *Ibid*, 170-1 [70]-[71] (footnotes omitted).

signification” of a sign in assessing the extent to which other traders would wish to use it is likely to be welcomed by trade mark owners and their advisors. One of the problems with downplaying or overlooking this determination is that it might mean that a decision-maker could approach the first step of the distinctiveness enquiry simply by conducting a search and seeing whether other traders are or have been using the sign in question, with a positive answer suggesting that the mark must therefore be insufficiently inherently adapted to distinguish. As acknowledged by the High Court,⁴⁰ there are a number of reasons why other traders might wish to use a particular sign or close variant. In one group of cases, it might be because the sign is a descriptive word, a laudatory epithet, a signifier of geographical origin, or a common surname. But in a second group of cases, it might be because the sign has connotations that are thought to make it commercially attractive. For example, a trader might choose to adopt a word that alludes to qualities of goods or services, or has some metaphorical significance, or might simply be a word that is thought to look or sound pleasing and which might resonate with the target market. In some industries, particularly those where common language conventions are employed by all traders, it is not at all implausible to think that numerous traders might wish to use the same or similar allusive or fanciful terminology in the course of marketing their goods or services. It has long been recognised that the distinctiveness test is only interested in catching marks that fall into first group. However, if a decision-maker were to apply the test as articulated in *Faulding* mechanistically, without keeping in mind the purpose of the distinctiveness requirement, that could potentially block from registration marks in the second group—that is, signs that might well be commercially attractive, but that nonetheless remain allusive or fanciful. The High Court’s approach is designed to prevent this latter approach from becoming entrenched in the day-to-day operation of the trade mark registration system.

(d) What is the “ordinary signification”? New problems and complexities

What is of concern, however, is that the High Court’s reasoning on the far more difficult question—how, exactly, does one work out the “ordinary signification” of a mark?—was much less clear. This question does not only arise in cases involving foreign words. In many cases, assessing the “signification” of a sign will be challenging, particularly where the sign has multiple meanings, or is understood by only some market participants as having a particular meaning. For example, is it enough for a word to be assessed by reference to

⁴⁰ Ibid, 168 [59].

English dictionary definitions? What proportion of consumers of the specified goods or services in Australia need to understand the word to have a particular meaning in relation to those goods or services? Or is “signification” determined by looking to a wider range of factors, including the nature of the traders in the market for the specified goods or services, the composition of the buying public for those specified goods or services, and the knowledge base of those consumers—an approach that might give more weight to the fact that a term might be understood to have a descriptive meaning amongst only a relatively small group, and which might involve de-emphasising dictionary definitions or evidence that the word is not “commonly” or “generally” understood?

It might have been hoped that the High Court would have directly addressed these issues, given the nature of the marks in question. Unfortunately, there was relatively little sustained engagement with this issue. On the question of “signification to whom?”, the majority held that:

*It is the “ordinary signification” of the word, in Australia, **to persons who will purchase, consume or trade in the goods** which permits a conclusion to be drawn as to whether the word contains a “direct reference” to the relevant goods (prima facie not registrable) or makes a “covert and skilful allusion” to the relevant goods (prima facie registrable).*⁴¹

Later, it was said that the s.41 test:

*requires consideration of the “ordinary signification” of the words proposed as trade marks **to any person in Australia concerned with the goods** to which the proposed trade mark is to be applied.*⁴²

Such statements at least make clear that it is not only the signification to consumers that is relevant. And, as statements of principle, they might well be sufficient to deal with some types of sign where there is little doubt as to how the sign would be understood.⁴³ These

⁴¹ Ibid (emphasis added).

⁴² Ibid, 170 [70] (emphasis added).

⁴³ It is, for example, consistent with the later finding in *Apple Inc v Registrar of Trade Marks* [2014] FCA 1304; (2014) 109 IPR 187 that well before Apple’s 2008 filing date for APP STORE the word “app” “had a well-established and well-understood meaning as a shorthand expression for ... application, as opposed to operating, software ... [to] many interested users of computer software and certainly for those involved in the trade of supplying computer programs, including by retail” (at 218 [181]) and that “store” “had a well-established and well-understood meaning among traders and the general public that was not confined to the traditional notion of a physical store, but extended, as well, to an online store for the provision of goods or services” (at 220 [190]).

might include cases where the specified goods are sold to a limited class of purchasers who would see the word in question as having a specific meaning, even if the general populace might not (such as in the *Rohoe* case⁴⁴). It might also provide guidance in cases where the mark consists of one or more recognisable English words that, on their face, merely allude to the specified goods or services, and where there is no evidence that consumers would understand those words as being directly descriptive rather than allusive (such as in the *Tub Happy* case⁴⁵). However, expressed at such a high level of generality, and by seeming to treat “anyone concerned with the goods” as an undifferentiated mass, the majority’s interpretation of “signification” is not especially helpful in addressing a range of other, more complex situations. It seems to beg the question of how the signification of a foreign word, or a word with multiple meanings, is to be assessed when some consumers would see the sign as being directly descriptive or laudatory or indicating geographical origin, while others would think of it as invented or having no semantic connection with the specified goods. And what of a word that can be found in a dictionary that is entirely descriptive of the specified goods, but which is so obscure that no consumers of and traders in the goods would, when confronted with the word, know that meaning?

The way in which the majority went about assessing whether Cantarella’s two marks were inherently adapted to distinguish revealed that, in fact, they had in mind a far more restrictive notion of “ordinary signification” than the above-mentioned statements would indicate. After declaring that the Full Federal Court had misunderstood the concept of “ordinary signification” and had misapplied the “desire of other traders to use the same mark” test, the majority asserted that:

*[l]ike “TUB HAPPY” in respect of cotton goods, “ORO” and “CINQUE STELLE” were not shown to convey a meaning or idea sufficiently tangible to anyone in Australia concerned with coffee goods as to be words having a direct reference to the character or quality of the goods*⁴⁶

and, for that reason, both marks were held to be *prima facie* distinctive. Although the Court did not directly state what the ordinary significations of “oro” and “cinque stelle” were, it is

⁴⁴ (1946) 72 CLR 175, 183 where Dixon J thought that it was “clear” that the word would be understood as an abbreviation of “rotary hoe” to the limited class of consumers and traders concerned with such goods.

⁴⁵ (1956) 95 CLR 190, 195 where Dixon CJ noted that no evidence had been forward that any consumers or sellers of cotton garments would understand the term to mean “washable”.

⁴⁶ *Cantarella* [2014] HCA 48; (2014) 109 IPR 154, 171 [73].

clear that the Court considered them to be words that did not contain a direct reference to the character or quality of coffee, and could be equated with other “allusive” or “invented” words.

The breadth of the High Court’s conclusion, namely, that it was not shown that *anyone*—which must include Australian consumers and coffee retailers and wholesalers familiar with Italian—would understand the words to have descriptive or laudatory meanings, is astonishing. The Court appeared to reach this conclusion based on (a) its application of case law under former legislation involving foreign and invented words, to which the Full Federal Court was said to have had insufficient regard, and (b) a particular reading of Modena Trading’s evidence of other traders’ use of the words. Unpacking both of these points demonstrates that the majority had in mind a *further*, different understanding of “ordinary signification” from that articulated above.

In relation to reason (a), the majority, much earlier in its judgment, quoted from the 1908 *Diabolo* case,⁴⁷ where Parker J held that a registrable invented word “must not only be newly coined in the sense of not being already current in the English language, but must be such must be such as not to convey any meaning, or at any rate *any obvious meaning, to ordinary Englishmen*”.⁴⁸ It then quoted from *Rohoe*, where Dixon J held that an invented word “need not be wholly meaningless and it is not a disqualification ‘that it may be traced to a foreign source or that it may contain a covert and skilful allusion to the character or quality of the goods’”.⁴⁹ The majority next referred to *Tub Happy*, where Dixon CJ held that whether a word contains a “direct reference to the character or quality of the goods” turned on “the probability of ordinary persons understanding the words, in their application to the goods, as describing or indicating or calling to mind either their nature or some attribute they possess”.⁵⁰ Later, before reaching its conclusion, the majority held that Emmett J’s consideration of the “ordinary signification” of “oro” and “cinque stelle” at trial, which involved citing the above statements from *Diabolo*, *Rohoe* and *Tub Happy*,

accorded with settled principles. The Full Court’s rejection of what it called an “Anglocentric” approach revealed a misunderstanding of the expression “ordinary signification” as it has been used in Australia (and the United Kingdom) since at least 1905 to test the registrability of a trade mark consisting of a word or words, English or

⁴⁷ *Philippart v William Whiteley Ltd* [1908] 2 Ch 274, 279 (“*Diabolo*”).

⁴⁸ *Ibid*, 279, quoted in *Cantarella* [2014] HCA 48; (2014) 109 IPR 154, 164 [46] (emphasis added).

⁴⁹ (1946) 72 CLR 175, 181 (quoting from *Eastman Photographic Materials Co v Comptroller-General of Patents, Designs, and Trade-marks* [1898] AC 571, 581 (Lord Macnaghten) (“*Solio*”), quoted in *Cantarella*, *ibid*, 164 [47].

⁵⁰ (1956) 95 CLR 190, 195, quoted in *Cantarella*, *ibid*, 165 [52].

*foreign ...*⁵¹

What can be taken from this is that the High Court chose to interpret the test under s.41 as requiring decision-makers, in assessing a mark to be used in relation to specified goods or services intended for general consumption, to determine the “ordinary signification” of the sign not merely to “persons who will purchase, consume or trade in the goods” or “to any person in Australia concerned with the goods”. Rather, it must be to such “ordinary” persons, who will be understood to speak English and presumably will understand the meaning of foreign words only to the extent that they have become part of common parlance in Australia. It is on this basis that the High Court was able to reach the conclusion that to the vast majority of “ordinary” Australian consumers—who would be unfamiliar with Italian—the words “oro” and “cinque stelle” would not convey a descriptive meaning. The High Court’s test is therefore more about “sufficient comprehension amongst those concerned with the goods” than “signification to those concerned with the goods”.

There are two significant problems with this approach. First, although the majority presented its conclusion as the inevitable outcome of a century’s worth of authority, it in fact relied on a selective reading of the case law on foreign marks. Following the sentence from *Diabolo* that was cited by the majority, Parker J had in fact gone on to say:

*I use the expression “obvious meaning” and refer to “ordinary Englishmen” because, to prevent a newly-coined word from being an invented word, it is not enough that it might suggest some meaning to a few scholars. Further, while on the one hand the fact that a word may be found in the vocabulary of a foreign language does not, in itself, preclude it from being an invented word, so, on the other hand, a foreign word is not an invented word merely because it is not current in the English tongue.*⁵²

Parker J was consciously referring to Lord Herschell’s statement in the *Solio* case:

I do not think that a foreign word is an invented word, simply because it has not been current in our language. At the same time, I am not prepared to go so far as to say that a combination of words from foreign languages so little known in this country that it would

⁵¹ *Cantarella*, *ibid*, 171 [72].

⁵² [1908] 2 Ch 274, 279.

*suggest no meaning except to a few scholars, might not be regarded as an invented word.*⁵³

These statements from *Diabolo* and *Solio* suggest a far more nuanced test than what the High Court in fact applied, in that they recognise that the obscurity of the foreign language amongst traders and consumers is a relevant consideration. Put another way, such statements clearly accommodate the fact that a foreign word understood by a not insubstantial sector of the population familiar with a language other than English as having an obvious, descriptive meaning to those people could well be sufficient to prevent that word from being considered “invented” and thus sufficiently inherently adapted to distinguish.⁵⁴ This interpretation of *Diabolo* and *Solio* was adopted in British decisions on foreign marks under the *Trade Marks Act 1938* (UK).⁵⁵ In one such decision in 2000, the Appointed Person considered the registrability of the word mark EL CANAL DE LAS ESTRELLAS (Spanish for “The Channel of the Stars”) in relation to television and radio entertainment services as follows:

The words in question are not invented words. They are easily recognisable as words from the Spanish language and they are employed in a manner which utilises their natural and ordinary meaning as part of that language. It follows that due weight must be given to their meaning in translation when considering whether they are registrable in the United Kingdom. Spanish is not an obscure language: it is a modern European language which is quite widely spoken and understood by people resident in the United Kingdom. Spain is also a trading partner of the United Kingdom ... Care must therefore be taken to ensure that traders are not unjustifiably prevented from using the relevant (or substantially similar) words in the course of intra-Community trade. The services specified in the Application for registration are, for the most part, services of a kind which tend to be supplied nationally and internationally. In the circumstances I consider that the weight to be given to the English translation of the words EL CANAL DE LAS ESTRELLAS is such that the words should be regarded as no more and no less registrable in the United

⁵³ [1898] AC 571, 581.

⁵⁴ This is perhaps reflected in the outcome of *Diabolo*, where Parker J held that “having regard to the fact that ‘diabolical’ is a current English word, I cannot doubt that an ordinary Englishman, seeing or hearing [‘Diabolo’] for the first time, would at once conclude that it contained a reference to the devil”, and thus to the specified goods (the tops used in the game “the devil on two sticks”): [1908] 2 Ch 274, 279, 282-3. Arguably, such an approach assumes a familiarity with the etymology of the word “diabolical” that only some consumers of the toy would have had.

⁵⁵ See, eg, *RIJN STAAL Trade Mark* [1991] RPC 400 (“Rhine Steel” in Dutch).

Kingdom than the words *THE CHANNEL OF THE STARS*.⁵⁶

Second, and more significantly, the High Court did not engage with the question of the appropriateness of applying the so-called “settled principles” from case law dating back to the early twentieth century in a modern Australian context. There was no recognition in the majority decision of the variety of languages other than English spoken in Australia as at the filing dates of the marks, or the way in which such languages are used in various trades within Australia—not least a language as widely spoken in Australia as Italian, used in relation to the import and retailing of a product closely associated with Italy and Italian migrant communities in Australia.⁵⁷ There was only tacit approval of the trial judge’s approach, which dismissed the understanding of Italian in Australia as that of a “small minority”. The majority’s approach prioritises general consumer incomprehension as to the meaning of certain signs over the interests of competing traders who *do* understand such signs to be descriptive and would want to use them descriptively,⁵⁸ but provides no clear rationale as to why this is appropriate.⁵⁹

The final point above becomes even clearer after examining reason (b), in which the majority asserted, without explanation, that the evidence led by Modena Trading at trial of other traders’ use of “oro” and “five star” on their packaging was insufficient to show that “oro” and “cinque stelle” were understood descriptively and that honest traders would wish to use the terms to describe directly the character or qualities of their coffee. The problem here is that the majority’s interpretation seems to be based on its *a priori* determination that the ordinary significations of both “oro” and “cinque stelle” were that they were allusive terms. If is accepted that the traders in question were aware of the descriptive meaning of “oro”, their

⁵⁶ *EL CANAL DE LAS ESTRELLAS Trade Mark* [2000] RPC 291, 299. In *TONALITE HENNE Trade Mark* [2001] RPC 36, a different Appointed Person said at [26] that the Appointed Person’s approach in *EL CANAL DE LAS ESTRELLAS* “oozes common sense”.

⁵⁷ Cf. *Re Kiku Trade Mark* [1978] FSR 246, 249 where the Supreme Court of Ireland held that a word requiring translation to convey any meaning could not be said to have any signification to ordinary people living in Ireland. This decision was cited by the High Court at 165 [49] as according with Dixon J’s statement of principle in *Rohoe*. However, the majority paid no consideration to the very different fact scenario of that case: it involved the word KIKU, a transliteration of the Japanese word for “chrysanthemum”, sought to be registered for perfume, in 1970s Ireland.

⁵⁸ Cf. *Cantarella* [2014] HCA 48; (2014) 109 IPR 154, 180-1 [113], where Gageler J (in dissent) considered that the Full Federal Court’s conclusion that the Italian equivalents to “gold” and “five stars”, used on “goods of a kind commonly associated with Italy, often enough imported from Italy and often enough sold to Italian speakers”, lacked inherent adaptation to distinguish was sound.

⁵⁹ Cf. J. Lawrence and L. Tyers, “*Cantarella Bros Pty Limited v Modena Trading Pty Limited*” (2015) 28 *Australian Intellectual Property Law Bulletin* 2, 5 (asserting, without explanation, that the decision “satisfactorily balances the impracticality of disallowing registration of words that the vast majority of Australian consumers would not understand as being descriptive of products, against the right of traders to make honest use of descriptive foreign words”).

usage of the term in composite trade marks strongly suggests that the element “oro” was being used descriptively (or, at least, with a sophisticated recognition that some within the coffee trade would understand the term descriptively as a signifier of high quality, while others might simply think the term alluded to an Italian origin or style). The majority’s insufficient appreciation of the impact of registration of ORO and CINQUE STELLE is exemplified by its statement that:

The evidence, relied on by Modena at trial, did not show that “ORO” and “CINQUE STELLE” should not be registered as trade marks (and should be removed from the Register as trade marks) because their registration would preclude honest rival traders from having words available to describe their coffee products either as Italian coffee products or as premium coffee products or as premium blend coffee products.

But if, within the relevant market, “oro” and “cinque stelle” *are* understood by some traders and consumers as describing something purporting to be of premium quality, Cantarella’s registration of these marks has the *very effect* of depriving others from the ability to use such terms for these descriptive purposes (or at least putting them at the risk of defending an infringement action). It is not to the point that other words remain available. In any event, the majority did not appear to recognise the limits to what evidence of other traders’ use can show in this context. The *Clark Equipment* test asks about a *likelihood* of other traders thinking of the term and using it for the significations it ordinarily possesses. The absence of evidence that other traders have made such descriptive use is not necessarily determinative. This is particularly so in cancellation proceedings under s.88: in these cases the registered owner will have enjoyed the benefit of a statutory monopoly for some time, which will have impacted on other traders’ subsequent decisions as to what signs to use and avoid using.

By focusing so much on the “ordinary signification” element, and interpreting it the way it did, the High Court arguably lost sight of the core policy goal of the distinctiveness test, as articulated in *Clark Equipment*, which is to ensure that individual entities do not obtain undue control over particular signs with desirable meanings, to the detriment of other traders.

(e) *The implications of Cantarella*

The potential implications of the High Court’s approach to “signification” and the test for inherent adaptation to distinguish are concerning. Staying with foreign marks, what should a

decision-maker do when confronted with the following marks for “cheese”?

奶酪

الجن

Tupí

Queso

Could a decision-maker, in line with *Cantarella*, say that none of these marks would convey any “obvious meaning” to an “ordinary” Australian purchaser of or trader in cheese, who (more likely than not) will not understand simplified Chinese, Arabic, Greek or Spanish? Could it be said that any of these signs are sufficiently well understood or commonly understood in Australia as meaning cheese, even though that is what the signs mean in simplified Chinese, Arabic, Greek and Spanish, respectively? How, for that matter, could almost any mark in non-Roman script intended for use on goods for general consumption be considered to be anything other than sufficiently inherently adapted to distinguish?

Equally, it might be asked how a distinction can logically be drawn between foreign words, descriptive in translation, that cannot be said to be commonly understood by Australian consumers, and highly unusual, descriptive English language words, including geographical locations, that would not be commonly understood or recognised as such by the purchasers of the specified goods or services. Courts have routinely held that marks falling into the latter category lack inherent adaptation to distinguish. *Eutectic Corporation v Registrar of Trade Marks*, which involved the word EUTECTIC, an obscure word referring to a type of alloy with a particular melting point and also meaning “of a nature to melt easily”, a meaning which was not understood by anyone concerned with the specified metal goods, is the clearest example.⁶⁰ Similar examples from recent Office decisions involved the marks SOLIGA FOREST HONEY for honey (where Soliga is the name of a tribe of people in Southern India who produce honey)⁶¹ and “Harbin” for beer (with Harbin being a city in north-east China).⁶² Such findings are entirely justifiable, but it needs to be asked on what logical basis can the “ordinary signification” of a word in some cases be determined by reference to an obscure dictionary definition or obscure names of places or peoples, where there is evidence that only a negligible number of market participants would understand the word to be descriptive, but in other cases by looking to the levels of understanding of the meaning of the word by ordinary, English-speaking consumers, potentially discounting the understandings of a significant proportion of Australian consumers and providers of the

⁶⁰ *Eutectic Corporation v Registrar of Trade Marks* (1980) 32 ALR 211 (NSWSC).

⁶¹ *Himalaya Global Holdings Ltd* [2012] ATMO 19.

⁶² *Harbin Brewing Co Ltd* [2012] ATMO 48; (2012) 97 IPR 38.

specified goods?

Cantarella might ultimately be seen as a case that turned on its specific facts: that in the context of cancellation proceedings, the party seeking to argue that the registered marks lacked sufficient inherent adaptation to distinguish failed to provide sufficiently convincing evidence of the “ordinary signification” of those marks and the desire of other traders to use them for their descriptive properties. However, the ways in which the relevant principles were expressed, and the reasoning behind the majority’s conclusions, mean that the Trade Marks Office and Federal Court might need to grapple with a number of new, difficult questions in applying the test for inherent adaptation to distinguish in the future. This is especially unfortunate, given the number of other problems that remain with the distinctiveness test under Australian law, which will be addressed in detail in Part 2.