



Branding Insight

29 February 2008

Composite trade marks

In 2004 Colorado Group Ltd (**Colorado**) sued Strandbags Group Pty Ltd (**Strandbags**) for infringement of its registered “Colorado” word mark, and also for misleading conduct and passing off. Strandbags cross-claimed for revocation of the registered mark on a number of grounds including that Colorado was not the owner of the mark.

Colorado was able to provide evidence to show that from 1988 onwards it used the word “Colorado” in conjunction with a mountain image on backpacks, and from 1991, it used the word “Colorado” in conjunction with a stylised mountain logo. In 1992, Colorado’s product range was expanded to include clothing, footwear and accessories, belts, bags and wallets. Some of its goods, including wallets, were marked with the combined word “Colorado” and stylised mountain logo mark, and others just with the word “Colorado”.

Strandbags owned a bags and travel goods business previously belonging to Edgarlodge Pty Ltd (**Edgarlodge**). Edgarlodge had sold handbags branded with a composite mark, being the name “Colorado” together with an American Indian head logo. Its product range expanded in 1992 include to wallets, suitcases, key and coin purses, and later to backpacks, briefcases and associated products. In September 1998, Strandbags purchased Edgarlodge’s business, following which it sold the existing stock bearing the word “Colorado” and American Indian head mark. However, in 1999 Standbags replaced these goods with its own product lines, which bore only the word “Colorado” as a trade mark.

In 2001, Colorado applied for and was subsequently granted registration for the word “Colorado” as a trade mark for various goods

including bags, wallets, purses, backpacks and belts.

One of the main issues argued in this case was whether Colorado was entitled to claim proprietorship of the “Colorado” word mark in respect of wallets and purses by its use of the word mark on these goods.

Colorado submitted that its use of the word “Colorado” in combination with the mountain image was use of the word only as a trade mark. The Court considered whether it was possible to dissect a mark that was made up of several components and claim rights in only one component. In this case, it was held that for words to be registered as a mark, they must be used solely and not as part of a trade mark in combination with any image or device.

The Court did, however, state that there could be exceptions to this position, provided the component for which registration is sought “creates an impression which is totally separate from the others and is distinctive, that is it performs the trade mark function of identifying the source of the goods and services to customers”. However, the application of such an exception would be rare, and substantial evidence of the impact made by the individual components would be needed to so determine such a case.

Ultimately, the Court found that Edgarlodge was the first to use the “Colorado” word mark in relation to purses and wallets, and Colorado was directed to amend its registration to delete references to wallets and purses.

This case illustrates that in order to maximise the protection of your brand, it may be important to register not only any composite marks that you use, but also the separate components of those composite marks.

The Australian Competition and Consumer Commission keeps a watch on 'green' advertising

'Green' climate friendly goods and services may be the political flavour of the year, however the Australian Competition and Consumer Commission (**ACCC**) is making it clear that false 'green' claims in the marketing of goods and services will not be accepted.

On 8 February 2008 the ACCC released an issues paper entitled *Green marketing and the Trade Practices Act* as an educational guide to business about their obligations under the Trade Practices Act 1974 (**TPA**). According to Graeme Samuel, the Chairman of the ACCC, the aim of the paper is also "to assist manufacturers, suppliers, advertisers and others to assess the strength of any environmental claims they make and to improve the accuracy and usefulness to consumers of their labelling, packaging and advertising."

The ACCC also recently released an issues paper for comment entitled *The Trade Practices Act and carbon offset claims* for interested parties such as consumer groups, accreditation agencies, offset providers and corporate participants in carbon offsets schemes. The intention of the paper is for interested groups to comment on any preliminary issues ACCC has identified in relation to the validity of carbon offset claims. The view is to eventually produce a guidance paper similar to *Green Marketing and the Trade Practices Act* to offer guidance for consumers and businesses making carbon related marketing claims.

In the past, green claims related to products with environmental characteristics and included marketing terms such as phosphate free, recyclable, eco-friendly, ozone friendly and environmentally friendly. However with the increasing consumer interest and awareness of climate change, "the latest and trendiest green marketing claims are the 'carbon neutral', 'carbon offset' and 'carbon footprint' claims," believes ACCC commissioner Mr John Martin.

The accuracy of claims regarding carbon neutrality or carbon offsetting are particularly difficult for consumers to assess due to the variety of complex scientific principles and standards on which such claims are based. Therefore it is important that the basis for the claimed environmental benefits be clear, accurate

and able to be substantiated.

The ACCC's main areas of concern in relation to 'green' marketing claims, as identified in the *The Trade Practices Act and carbon offset claims* paper are as follows:

1. effectiveness of the offset
 2. accuracy of the carbon footprint calculation
 3. false claims of carbon-neutrality
 4. claims as to future carbon neutrality
- claims of 'low carbon'

The release of both papers follows a series of investigations by the ACCC into the increasing use of environmental claims as a marketing tool and their compliance with the TPA. Businesses are prohibited by section 52 of the TPA from engaging in any conduct that is likely to mislead or deceive, regardless of whether the conduct actually does mislead anyone, or whether the business intended to mislead. Section 53 of the TPA also prohibits a variety of false or misleading representations about specific aspects of goods and services, and contravention of these provisions can carry serious penalties.

In December last year the ACCC raised concerns about representations made on EnergyAustralia's website and in its promotional material for its CleanAir and GreenFuture non-accredited electricity products.

The ACCC was concerned that consumers would believe that they would be making equal or similar contributions to renewable energy generation as accredited renewable energy products when they purchased these products, which was not the case. The ACCC was also concerned that consumers may have believed that one environmental benefit of opting to receive these products was that less electricity would be generated from fossil fuels when in reality EnergyAustralia was acquiring renewable energy credits from existing rather than new renewable energy generation.

In response to ACCC investigations EnergyAustralia agreed to provide the regulator with an administrative undertaking to resolve their concerns about the representations.

The ACCC also made investigations late last year into an Origin Energy (**Origin**) television advertisement aired in Melbourne and Adelaide which represented that switching to Origin's GreenPower product would be the same as not driving your car for two years. The concerns were that the advertisement did not clearly explain to consumers the underlying averaging basis for the claimed environmental benefit of switching to Origin's 100 per cent GreenPower, nor did the advertisement adequately explain that there was a choice of two Origin GreenPower products and that choosing Origin's 20 per cent GreenPower, instead of its 100 per cent product, would not achieve the same result.

Origin promptly responded to ACCC concerns and agreed not to air the advertisements in the future without making explicit the basis upon which the representations were being made and educating its customers about the basis of the environmental claims that it makes in respect of its products. Origin also agreed to send a clarification letter to the GreenPower customers who signed up during the period that the advertisement was being broadcast and allow those who did not understand the advertisement in the way intended to switch from those products without cost or delay.

Recently the ACCC instituted proceedings in the Federal Court against GM Holden, the Australian supplier and marketer of Saab motor vehicles, over advertisements claiming that the Saab motor vehicle range is "Grrrrreen" and that carbon emissions are neutral across the entire Saab range. The advertisements also claimed that Saab would plant 17 trees in the first year following a Saab vehicle being purchased to offset the emissions caused by the use of the vehicle.

The ACCC is alleging that GM Holden has

breached ss 52 and 53(c) of the TPA and is seeking a declaration to this effect, as well as an injunction restraining GM Holden from similar conduct in the future, corrective notices and a review of GM Holden's trade practices compliance program.

Tips for businesses when marketing 'green' or 'carbon' friendly products or services

- Consider your audience; not all will be educated particularly as to the meaning of technical and scientific environmental statements, so use plain language which the average consumer in your target audience would understand.
- Make any claim clear and unambiguous to avoid confusing your audience and avoid broad or unqualified claims as they can be problematic.
- Remember that misleading conduct includes silence or half truths and predictions can also be considered misleading if they are not based on reasonable grounds.
- If your business name implies green credentials ensure they are accurate as business names can be considered misleading and deceptive.
- Ensure your goods comply with any description that is provided in advertising or labelling or any representation made by way of a picture.
- Be specific about what the claimed benefit refers to, for example packaging or content.
- Do not falsely claim that goods or services have capabilities, effects or benefits that they do not have or cannot be substantiated.
- Remember that not only does a representation need to be technically correct, but the impression created in the minds of average consumers in the target audience must not be misleading.

Australian domain names will soon be for sale

The sale of Australian domain names, that is domain names ending in .au, is currently prohibited under the rules of the industry regulator Au Domain Administration (auDA). A purely commercial trade of domains is also prohibited.

However an accepted recommendation by the auDA review panel to their board to allow

advertising Australian domain names for sale means this ban is soon to be lifted.

There has long been debate as to the merits of the prohibition. There is a view that the current rules are too restrictive as transfers of domain ownership can only occur in a very specific set of exceptional circumstances such as the sale of the whole business.

However, there is concern that when the policy comes into effect, some domain names are going to be sold for speculative purposes and their prices will skyrocket. In the United States (US) recently for example, bedroomfurniture.com was reportedly sold for more than \$US250,000. It is not expected, though, that Australian domain names will reach prices as high as they receive in the US.

While eligibility requirements for registration will remain to protect trade mark owners, lifting the prohibition is certainly going to make domain name trading very popular, with the worth of domain names expected to increase.

ACCC v Prouds Jewellers Pty Ltd

The Federal Court has issued a warning to retailers to be cautious in their use of 'was/now' advertising campaigns. Justice Moore on 15 February 2008 made a finding that the 'was/now' discount advertising used by Prouds Jewellers Pty Ltd (**Prouds**) in two advertising campaigns was misleading and deceptive in breach of the *Trade Practices Act 1974 (TPA)*.

The Australian Competition and Consumer Commission (**ACCC**) instituted proceedings in the Federal Court Sydney in December 2006 against Prouds for making 'was/now' price comparisons that were allegedly false or misleading. The proceedings concerned 17 items of jewellery promoted for sale in two catalogues entitled "Sumer of Love" and "Love you Mum".

The ACCC contended that by making 'was/now' comparisons, Prouds represented its customers would save the difference between the 'was' and 'now' price compared to customers who purchased the items before the catalogue promotions. The ACCC alleged that this was not the case because the price at which the items were actually offered for prior to the sale was often less than the 'was' price claimed, or was not a price at which the items were ever offered.

Prouds however argued that the 'was' price should be able to refer to a price that existed at some point in time before the promotion, not only in the period immediately preceding publication.

Justice Moore concluded that Prouds had breached the TPA by engaging in misleading and deceptive conduct because goods had not been offered, meaning marked, at the advertised 'was' price for "a period of substance" immediately before the commencement of the two relevant promotions. Justice Moore commented that it was difficult to be precise about the length of time in which the item must have been advertised at the 'was' price prior to advertising the item at the 'now' price, but suggested that, in his opinion, an offer for a period of two months preceding the promotion is likely to be sufficient to justify the use of 'was/now' advertising.

According to ACCC Chairman, Graeme Samuel, the findings highlight the need for accuracy in advertising in sales, particularly in relation to price. Retailers need to be aware that if they utilise the 'was/now' comparison in their promotional advertising they "must have genuinely offered the product at the 'was' price for a reasonable period immediately before the sale."

contact details

melbourne

Dan Pearce, Partner
t: +61 (0)3 9321 9840
e: dan.pearce@holdingredlich.com.au

sydney

Dianne Beer, Special Counsel
t: +61 (0)2 8083 0425
e: dianne.beer@holdingredlich.com.au

brisbane

Paul Venus, Partner
t: +61 (0)7 3135 0613
e: paul.venus@holdingredlich.com.au

disclaimer

The information in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, we do not guarantee that the information in this article is accurate at the date it is received or that it will continue to be accurate in the future.

melbourne

350 william street, melbourne vic 3000
t +61 (0)3 9321 9999 f +61 (0)3 9321 9900

sydney

level 65, mlc centre, 19 martin place, sydney nsw 2000
t +61 (0)2 8083 0388 f +61 (0)2 8083 0399

brisbane

level 1, 300 queen street, brisbane qld 4000
t +61 (0)7 3135 0500 f +61 (0)7 3135 0599