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INDUSTRIAL PROPERTY ADVISORY COMMITTEE

SERVICE MARKS

Report to The Minister of Justice.

1 August 1983

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## SERVICE MARKS

### SUMMARY

This report recommends an extension of the Trade Marks Act 1953 to embrace service marks which distinguish the services of one firm or organization from another engaged in the provision of such services.

THE REASONS FOR THE REVIEW

- 1.1 The Trade Marks Act 1953 confers a right to register in the Patent Office ownership of a trade mark and that Act, and the Regulations made thereunder, regulate the procedures and subsequent rights and obligations of interested parties. The Act caters for two general categories of marks, (1) trade marks used in relation to goods to indicate a connection in the course of trade between a registered proprietor or user and specified goods, and (2) certification trade marks adapted in relation to any goods to distinguish in the course of trade goods certified by a person in respect of origin, material, mode of manufacture, quality, accuracy or other characteristics.
- 1.2 However, it does not extend to marks relating to services supplied or services applied to goods as distinct from the provision of goods themselves. One example of a service to goods is the dry-cleaning of a customer's garments. Firms providing such services in the course of trade or business frequently use a mark to distinguish their services from other operators, which mark becomes a valuable identification whereby the operator acquires goodwill through his performance.
- 1.3 While the common law in New Zealand provides an opportunity for aggrieved persons to take legal action where they believe a competitor is taking advantage of their trading reputation by imitative methods, the proof and procedure in such "passing-off" actions is much more demanding than those required where an action is taken for infringement under the Trade Marks Act 1953. Further, the action for "passing off" is available only after a reputation in the market has been established so that it may not be possible to restrain an imitator appearing soon after the adoption of a new mark.
- 1.4 Furthermore, the absence of any register of marks used by operators in the servicing industry does not assist in an orderly approach to the adoption of new marks which avoid conflict with other marks, or the recording of those authorized to use the proprietor's mark as a registered user.
- 1.5 Quite a number of countries include service marks within their trade mark legislation. Australia joined this group in 1979 and we understand similar legislation has been introduced in the United Kingdom. The International Classification of Goods and Services for the Purposes of the Registration of Marks issued under the Nice Agreement, which is used by the Trade Marks

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Division of the New Zealand Patent Office, concludes with eight classes devoted to services. They are as follows:

- Class 35 - Advertising and Business
- Class 36 - Insurance and Financial
- Class 37 - Construction and Repair
- Class 38 - Communication
- Class 39 - Transport and Storage
- Class 40 - Material Treatment
- Class 41 - Education and Entertainment
- Class 42 - Miscellaneous

Over 30 trading nations use this classification of services and goods, including Australia.

- 1.6 For some years there has been pressure for the protection of service marks by registration. A number of government servicing departments have also been critical of their inability to acquire some form of registration for their artistic motifs or emblems. Our Committee has now received submissions from other organizations directed to the need for service mark registration.

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THE SUBMISSIONS

- 2.1 The New Zealand Manufacturers Federation (Inc.) supports the provision of legislation for service marks and believes that the 8 service mark categories included in the previously mentioned International Classification should be adopted. The Federation has noted the introduction of service marks in Australia which was achieved with relatively simple amendments to the existing Statute, and believes that regard should be had for CER harmonisation. It has urged the Minister of Justice to obtain legislative priority for this matter.

- 2.2 The Association of the British Pharmaceutical Industry has called for removal of several anomalies in our trade mark law including the absence of statutory protection for service marks.

- 2.3 Messrs Baldwin, Son & Carey, Patent Attorneys have commented on the successful and easy introduction of service marks in Australia and they seek the introduction of a similar system here.

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- 2.4 The New Zealand Olympic and Commonwealth Games Association Inc., has also indicated an interest in the possible availability of a registered service mark system.

- 2.5 An Appendix to this report lists the firms or organizations which have made submissions to our Committee.

#### MAJOR FACTORS INFLUENCING THE COMMITTEE

- 3.1 It is clear that marks used by servicing operators become valuable business assets, that they should be transferable by a recognized procedure, and that they should be more effectively protected by legislation. It is also important that the proprietorial adoption of a service mark should be subject to the same tests and restraints as apply to existing trade marks, and particularly to ensure that material already in the public domain is not appropriated, that laudatory and misleading terms are not registered, and that a proper system exists for the determination of competing claims.
- 3.2 The New Zealand Trade Marks Act 1953 is substantially the same as the U.K. Trade Marks Act of 1938. The Mathys Committee set up in the U.K. to report upon British Trade Mark Law and Practice indicated in its report of 1974 that service marks could be embraced by the U.K. Trade Marks Act by only minor modifications, and more specifically by the insertion of the words "or services " after the word "goods" wherever it appeared. The Bill introduced in the United Kingdom is, we understand, to this effect. In Australia this procedure was adopted to extend the Australian Trade Marks Act to service marks and it will thus be clear that difficult drafting of amendments, and time-consuming legislative examination of the proposals, will not be involved.
- 3.3 While it may be argued that the transfer of services to and from New Zealand is not on the same scale as that which exists in the case of goods, it is nevertheless substantial (e.g. Insurance and Banking) and calls for reciprocity with our main trading partners. It is also desirable that the opportunity should exist for our citizens to enjoy in other countries, and particularly in Australia, the advantages of the priority provisions of the International Convention in respect of service marks, and that the nationals of those countries should be accorded similar rights here.
- 3.4 It is also of consequence that no opposition has been voiced to the introduction of service mark registration and our Committee would be surprised if any objection of substance arises from the publication of this report because it is our understanding that there

has been for some time a general acceptance of the need for the extension of the Trade Marks Act 1953 to service marks in line with their adoption by other progressive trading nations.

- 3.5 We acknowledge that the availability of service mark registration will have an impact on the Patent Office and its staffing, initially by virtue of the spate of applications when the system becomes operative, and subsequently due to the additional staff required to process the sustained higher input of trade mark applications. While the initial additional staffing required to handle service mark applications may temporarily be greater, the final permanent level of additional staff is unlikely to exceed 3, and in any event it is our understanding that there can hardly be any objection to the provision of the staff for a necessary public service if the public is prepared to meet the full cost by the application fees charged.

#### THE RECOMMENDATION

- 4.1 The Committee recommends that the Trade Marks Act 1953 and the Trade Marks Regulations 1954 be amended to extend their scope to include service marks falling within Classes 35 to 42 inclusive of the International Classification of Goods and Services for the Purposes of the Registration of Marks issued under the Nice Agreement.
- 4.2 While we appreciate that the provision of appropriate administrative facilities may take a little time, we believe that the legislative provisions should be put in place so that they can be rendered operative as soon as it becomes practicable.

\* \* \* \* \*

APPENDIX

LIST OF FIRMS OR ORGANIZATIONS

MAKING SUBMISSIONS ON

SERVICE MARKS

ASSOCIATION OF THE BRITISH PHARMACEUTICAL INDUSTRY.

BALDWIN, SON & CAREY

NEW ZEALAND MANUFACTURERS FEDERATION (INC).

NEW ZEALAND OLYMPIC AND COMMONWEALTH GAMES ASSOCIATION.

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